INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VII July 2024

# Earnings and Ownership Characteristics on Reported Earnings Quality of Listed Industrial Goods Companies in Nigeria

**[1]Dr. Ologhodo Johnbest Churchill., [2]Dr. Ugbaje David Ojofedo., [3]Dr. Nnamdi Chukwuto O.**

**[1]Accounting Department, National Open University of Nigeria, Abuja, Nigeria.**

**[2]Nasarawa State University, Keffi.**

**[3]Accounting Department National Open University of Nigeria Abuja, Nigeria.**

**DOI: https://dx.doi.org/10.47772/IJRISS.2024.807029**

**Received: 28 March 2024; Revised: 17 June 2024; Accepted: 22 June 2024; Published: 27 July 2024**

## ABSTRACT

The study examined the effect of earnings and ownership characteristics on reported earnings quality of listed industrial goods companies in Nigeria, it adopted longitudinal research design, using secondary data collected from the annual financial statement of the sampled companies in Nigeria for a twelve-year period from 2011 to 2022. The study population is the 13 listed industrial companies, the same number of companies also served as the sample size of the study. Data collected were analyzed using the multiple linear regression model. The study made use of discretionary accruals as proxy for the dependent variable which is earnings quality and the independent variables for the study are cash-holding, liquidity, operating cycle, sales value, managerial ownership, ownership concentration, institutional ownership and foreign ownership. The result of the study showed thatcash-holding, liquidity, operating cycle, managerial ownership, has negative insignificant effect on reported earnings quality, ownership concentration and sales value reported positive insignificant relationship with reported earnings quality; sales value was seen to exert influence on the reported earnings, because it measures the operational effectiveness of the firm; while institutional and foreign ownership showed negative significant relationship with reported earnings quality. The result of the findings of this study compared to other studies revealed mixed outcome showing that result of studies can be influenced by data availability, research settings, the researchers' perspectives and expectations and other factors. It is recommended that enough cash should be kept to quickly take advantage of emerging contingencies and to avoid pilferage and wastages, the industry average of liquidity must be strictly adhered to, and excess liquidity must be prudently invested in profitable ventures; short operating cycle should be maintained as far as possible for profitability, increase market share, and attain cost leadership, by providing attractive incentives to customers.

**Keyword**: earnings quality, ownership characteristics, cash holding, sales values, liquidity, operating cycle.

## INTRODUCTION

Earnings and ownership characteristics are the drivers of a successful business, a business that does not yield returns is highly unattractive and is a business where the owners are passive and lack the acumen required to carry out effective business venture. Earnings quality has become a popular nomenclature among investors and users of financial statements across industries worldwide, due to the fact that earnings occupy a central point in any investment venture. An investor, who wants to engage his scarce resources, will consider how profitable that venture is, by assessing the risk and returns involved, and inherent in such venture, before committing funds to the project.

The quality of earnings information is determinable in the reported financial statement of a company, over the recent past, a lot of companies have been delisted from the stock market of the Nigeria Stock exchange for example in 2016 the number of industrial goods companies listed were 17, but as of 1st of March, 2021 it has reduced to 13 companies; this is of grave consequence to the economy, and it is a great concern to the board of firms.

Ownership structure is a vital tool in the hands of the organization to effectively monitor the activities of the managers to eliminate or reduce their ability to engage in such practices that are detrimental to the health and well-being of the firm (Nguyen et al., 2021). The concentration of ownership in the hands of a few major shareholders can serve as a useful instrument to ensure that earnings quality reported is of great value to stakeholders, considering the size of their investment, they will be motivated to monitor management activities (Oyebanji, 2018; Nguyen et al., 2021). Managerial ownership which is the proportion of shares that belong to top management staff in the firm that they manage, is equally very vital in considering the quality of reported earnings, where the shares of the firm being managed by the managers are allocated to them, their interest comes into alignment with that of other shareholders, since they have become shareholders themselves (Jensen & Meckling, 1976; Nguyen et al., 2021), this will go a long way to resolving the conflict of interest problems, and reduce the firm's agency costs. This strategy can help in eliminating or reducing account manipulation to an inconsequential level so as to enhance earnings quality reported.

**Earnings Characteristics**

**Cash Holding**

Cash is a very important economic unit in any organization whether profit-making or non-profit making, it is also an essential resource for any accounting measurement which helps to represent the status of the past, present, and future. Earnings and costs are measured in terms of net cash expected from sales of products or services, and cash paid or expected to be paid to buy goods and for services received. According to Opler et al. (1999) a firm will usually hold more cash, if they expect more future cash flow or investment opportunities, this makes it easier to take up good opportunities, and it is in line with the speculative motive of cash holdings.

The liquidity problems that confront firms from time to time can be greatly reduced or avoided with cash holding, but not without the opportunity costs of holding cash such as agency cost which is usually high (Jaya, 2020). In this case to determine the correct amount of cash to hold becomes problematic to the managers (Lin & Chiu, 2017). Agency problem can also be associated with cash holding, because sufficient cash/capital is available to the manager due to the cash policies that is operational in the firm, to enable them to efficiently fund profitable projects that become available, equally so cash holding can also be used to finance investments, and other profitable benefits for the managers (Xu & Ham, 2013), due to the high agency costs associated with high information asymmetry, organizations prefer to hold cash (Lin & Chiu, 2017; Jaya, 2020). To test these ideas the following hypothesis has been formulated:

**Cash holding has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

**Liquidity**

This is the ratio of current assets to the current liabilities (Francis et al 2004). Liquidity also refers to the inter-play involving the current market selling price of an asset and the quickness at which it can be sold. According to Hussain (2020) liquidity refers to the quick available money to settle debts or plough into other investments. It is indicative of cash levels available and the speed at which a financial asset or security can be promptly changed into cash keeping its value intact. Liquidity is broadly categorized into market liquidity and accounting liquidity. Market liquidity refers to the speed at which marketable securities such as investments and asset can quickly and easily be converted into cash; while accounting liquidity refers to the speed with which marketable finances of firms and individuals can easily be converted into cash to meet their obligations (Hakim &Naelufar, 2020). When a firms liquidity becomes too large, it becomes difficult to maximally manage the current asset to the best required by the firm, the consequence is that financial performance will likely be affected negatively, thereby heightening earnings management possibility, which will eventually terminate in lower earnings quality (Hakim &Naelufar, 2020). In analyzing this idea further in this study, the following statement has been formulated:

**Liquidity has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

### Operating Cycle

It is the length of time it takes a firm to manufacture, or purchase a good, sell such goods and receive cash from such transaction. This is the amounts of receivables and inventory turnovers (Francis et al 2004, and indeed editorial Team 2021). Operating cycle also refers to the length of time it takes a firm to convert its inventories to liquidity. This length of time for an operating cycle is industry specific. A good understanding of a firm's operating cycle will assist in determining the financial health of the firm by revealing a firm's ability or lack of it to pay-off their liabilities. Firms with fairly long operating cycles will likely have non-persistent accruals. The longer operating cycle represents the largest, and the most uncertain accruals estimations and approximations (NonahalNahr et al., 2010).

A short operating cycle indicates steady payment rate, as the payment becomes steady cash is generated at a faster rate which enables a firm to be in a position to settle outstanding debts, maximize its operations, and profit, optimize its activities. Operating cycle is very important to a firm because with it the efficiency of the firm's operations can be determined. If the operating cycle is short, the firm is at an advantage as enough cash becomes available to maintain its operating activities, whereas a longer operating cycle means inadequate cash to maintain operations because of slower rate of cash recovery from sales. This means also that when operating cycle of the firm is long the quality of the firm's earnings will be low (Pagalung&Sudibdyo 2010).

Operating cycle is measured as:

Operating cycle = Inventory period + Account receivable period

Inventory period = 365 days/stock turnover

Stock turnover = cost of goods sold/ average stock

Account receivable period = 365days/receivable turnover

Receivable turnover = credit sales/average account receivable.

This equation is summarized as follows:

Operating cycle = [365days/ (cost of goods sold/average stock)] + [365days/ (credit sales/ average account receivables)]. (Francis et al 2004, and Indeed editorial Team 2021). The following hypothesis is formulated to ascertain the statement.

**Operating Cycle has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

### Sales Value

It is the number of units sold in a particular accounting period from the internal activities of the firm to create the desired value for the customers, and accrue revenue for the firm. Sales price can be volatile; that is, the amount and the rate at which price changes (Amadeo 2020). Sales volatility measures the speed of the movement of sales price upward or downward. Sales volatility is the standard deviation of sales over the total asset (Dechow &Dichev 2002; Francis et al 2004). Sales value is the sum total of the value of goods and services disposed to customers, other third parties, and interested stakeholders of the firm. The process of creation and the delivery of value to the customer is a continuous, and an unending narrative, because it is the hub upon which a firm's profitability, sustainability, and going concern revolves. According to Sullivan et al. (2012), firms must strive to first of all understand through the activities of market sensing and other business activities, what the customers' needs and values are, in order to be able to create and satisfy them. They submit further that through the provision of value, the firms are positioned to perform better, and more gains are accrued, both in the present and in the future, more revenue due to increased sales are delivered to the firm,

and customers' value are enhanced. It is obvious that value is mostly created at the level of customer-firm relationships and not necessarily at the exchange level, when this is done earnings quality becomes genuinely substantive. This has led to the formulation of the following conjectural statement:

**Sales value has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

### Ownership Structure

In modern day business organization, ownership of firms in most cases are separated from its management. Ownership structure helps to explain the different categories of ownership distributions of the stock of the firm among these categories. The structure of ownership of a firm is very important and useful mechanism to effectively monitor, control, and eliminate or reduce to as low as possible the earnings manipulations practice's ability of managers in the firm. Nguyen et al. (2021), identified two effective ownership structure stream of thoughts which are: first, where managers who are insiders, own substantive number of shares of the firm which they manager, this will assist in reducing the conflict of interest as well as the conflict between the manager and the shareholders; the second stream is where shareholders outside the firm own substantial number of shares, that empower them to monitor, and control the activities of the management of the firm, to aid financial reporting quality, and reduce earnings adjustments. Franks and Mayer (2015); Shleifer and Vishny (1997), discovered that ownership concentration, managerial ownership, and institutional ownership of corporations are corporate governance elements, which are conceptualized as below.

### Managerial Ownership

The managerial ownership construct is measured in literature through the proportion of firm shares held by insiders and members of the board (Liang et al., 2011; Wahla et al., 2012). This type of ownership is viewed to play an effective role as a corporate governance mechanism. Jensen and Meckling (1976), posited that managerial ownership is a way of aligning a firm's management interest with those of the shareholders. This is done in a bid to mitigate financial statement manipulations, which may result in a lot of devastating damage to the investor groups. In some studies, high managerial ownership was expected to lead to management entrenchment as the board does not have full control over them (Khan et al., 2011; Shleifer &Vishny, 1986). Based on its importance, the performance of firms having a high managerial ownership relationship has been studied both theoretically, and e0mpirically however, the outcome of the findings is still very unclear due to the differences in the results (Ologhodo 2020). The supporters of agency theory believe that managerial ownership of equity help in alleviating moral hazard problem between managers and shareholders, and managers with a considerable amount of shares in the firm will desist from earnings management practices to a very large extent because such behavior is costly to the firm of which they are a substantial stakeholder. (Jensen &Mekling, 1976). These ideas will be tested using the following hypothesis:

**Managerial Ownership has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

### Ownership Concentration

Ownership concentration is the number of shares that are held by a number of shareholders seen to be the majority holders. Oyebamiji (2020); Nguyen et al., (2021) submits that, a shareholder with a minimum shareholding of 5% or more stock in a firm is said to be a major shareholder, and for a shareholder to be in a position to monitor the activities of the management, such a shareholder must possess a substantial or block amount of common stock in the firm. Ownership concentration can be measured by obtaining the fraction possessed by five majority shareholders or by obtaining the significant number of shareholders (Oyebamiji 2020; Nguyen et al., 2021; Ologhodo 2020); it was stressed that ownership concentration and legal protection are the two main determinants associated with corporate governance (Shleifer &Vishny, 1997).

Additionally, block shareholders play a crucial role in assisting the minority shareholders in halting shares dispossession, and assets clear out activities of the management because of the stake status. A very important advantage of ownership concentration in the firm is that it minimizes the conflict of interest between the

management and shareholders, which tended to expose the firm to avoidable risks, and agency costs. Clarke (1998) revealed that because of the possibility of divergent interest occurring between block holders and other shareholders, and the dominance of majority shareholders, to create an undue advantage to themselves; Shleifer and Vishny, (1997) this definitely will lead to firms applying the resource-dependent theory, where they invests a certain amount of resources in order to prevent the firm from having association with external investors, and eventually stopping the flow of external resources from gaining entry into the firm. Ologhodo (2020) observed that in order to achieve the objectives of the firm, a similar percentage of investment between foreign investors and ownership concentration is necessary so as to proportionately distribute the wealth that can serve as an aid to mitigating risks exposures. This may also be invaluable in furnishing experiences linked to the external environment in the form of internal and external partnerships to improve firm performance (Pfeffer, 1972). The following idea was tested with the following hypothesis:

**Ownership Concentration has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

**Institutional Ownership**

Institutional ownership is the category of non-individual corporate shareholders that invest in, and own shares in other firms. Oyebamiji (2020), says it is the proportion of institutional overall shares owned by an organization in another firm. Zureigat (2011), stated that institutional Ownership is an investment from a certain institution, and such investment is usually higher than the investments of individuals, Abdullah, (2008) argue that institutional investors are positioned to exert greater influence than ordinary individual shareholders. Warfield et al. (1995) posited that the larger the stake of institutional and Block-holders, the lower the discretionary accruals, and the greater the informativeness of earnings. Ologhodo (2020) discovered that an increase in the percentage of independent institutional ownership holdings will result in a decrease in fraudulent practices. The above findings are indicative that the presence of institutional investors in the ownership structure can actively help in monitoring, controlling, and overseeing managerial discretion in the reporting processes. The result of Kane and Velury (2004) study on the relationship between audit firm size and the level of institutional ownership was that when the institutional ownership stake increases, the firm is likely to use larger audit firms to carry out the audit of the firm’s financial statement, which will enhance quality financial reporting. The findings of Chan et al. (2007) corroborated the above by stating that an increase in institutional shareholding will give rise to a general increase in the demand for higher-quality audit reports. Mitra et al. (2007), discovered from their study that a significant positive relationship existed between institutional ownership and audit quality, Abdullah (2008) found that institutional ownership plays an important role in assisting firms to carry out its operations effectively, the Big4 auditor’s services are normally employed as the volume of institution ownership increases. To clarify the foregoing discussions, Bushee (2001) gave a classification of institutional investors as follows:

*Active institutional ownership*: Is the proportion of shares that are owned by the categories of institutional owners that play an active role in the firm. They are interested in the going concern value, and future objectives of the firm, and invest moderately in the firm, they are committed to monitoring and overseeing the activities of the managers in the organization.

*Quasi-Indexers*: These categories hold a little number of shares in the firm, and are ready to hold the stake for a long-term period. Their driving force is to see that the firms achieve their long-term objectives including value addition and success prospects. They are also interested in monitoring the affairs of the firm, and the activities of the managers of the firm.

*Transient Institutional Ownership*: This class of investors owns large assets and is involved in numerous numbers of investment portfolios in different organizations. Their investment in other firms is usually for a short-term period of time, where the investment payback can easily and quickly be recouped. They are not interested in overseeing or monitoring managers’ activities, neither are they moved by the long-term prospects and objectives of the firm. They are very sensitive to the size of their earnings, and how quickly and easily they can recoup their investment outlay. The following idea was tested with the following hypothesis:

**Institutional Ownership has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

### Foreign Ownership

Foreign ownership is the proportion of the total share capital owned by investors outside of the firm's jurisdiction. Foreign investors are mostly multinational institutions, mutual fund firms, and other big-time investors with considerable capacity to influence a firm's activities for the benefit of the entire stakeholders (Nguyen et al., 2021). Foreign ownership is an active mechanism that can be used in conjunction with a company's governance structure to affect the monitoring responsibility in order to stop the management from practicing activities that negate the value-maximizing objectives of the firm, a role that looks similar to that played by the institutional investors (Dahlquist & Robertsson, 2001). Foreign ownership will assist the firm in reducing agency costs by enforcing a reduction in earnings management (Nguyen et al., 2021), and helps to improve transparency in financial statement reports. Evidence from past studies revealed that foreign investors can optimize the value of the firm through the spread of positive or favorable spillover effects (Douma, et al., 2006), cost of capital reduction (Bekaert & Harvey, 2000), promoting appropriate investment in research and development (David et al., 2006), and by facilitating needed changes in corporate governance practices of the firms in the investment location (Nguyen et al., 2021; Ekpulu and Omoye, 2018). Ho et al. (2010) in their study discovered that a greater foreign ownership stake in small firms enhances a more positive relationship between Information Technology investment, and the performance of the firm, implying that foreign investors will attract Information Technology expertise to the benefit of the firm. Foreign financial institutions may have more motivation to oversee corporate management to ensure a higher return on their investments than domestic investors. Other previous studies on foreign ownership and earnings management reported a negative relationship in the developed as well as the developing economies (Nguyen, et al., 2021). It is has become necessary to carry out a study in this area of interest. The following idea was tested with the following hypothesis:

**Foreign Ownership has no significant effect on earnings quality of listed industrial goods companies in Nigeria.**

## Empirical Review

### Earnings Characteristics and reported earnings quality

Hasanzadeh et al. (2012) examined the effects of earnings quality on the levels of cash holding in listed firms on the Tehran Stock Exchange. The study spanned a period from 2003 to 2010. The study used the model of Ozkan and Opler. The dependent variable of the study is cash; while the independent variable was measured with operating income and current profit; the study made use of firm size, leverage, sales growth, and cash flow from operations as control variables. The data collected were analyzed using multiple linear regression models. The study revealed that there is a significant positive relationship between firm size and cash flow from operations and cash holding, whereas, earnings quality proxy by current profit and sales growth reported a significant negative effect on cash holding in listed firms on the Tehran Stock Exchange.

Gharezi and Zadeh (2013) investigated the impact and extent of the relationship between the quality of accounting earnings and liquidity risk. They analyzed the financial information of 100 listed firms on the floors of the Tehran Stock Exchange for the period from 2001 to 2011. The sample selected is equally all the listed firms in the stock exchange in Tehran for the same period. They employed the Multiple Linear Regression analysis model to analyze the data collected. The result of the study showed that the quality of accounting earnings has the greatest impact on the liquidity risk. The regression coefficient showed a negative sign in relation to the accounting earnings quality of 1.676, and 2.695 t-statistics, the study, therefore, concludes that the quality of accounting earnings and liquidity risk has a significant inverse relationship with the greatest impact on the risk of liquidity. The positive coefficient on the other test hypothesis revealed that there is a direct strong relationship between the rate of return volatility and liquidity. The test results revealed further that other characteristic including; sales growth, operating cycle period, the company size, book-to-

market ratio, the cash liquidity risk, concentration of capital, and financial performance is not significant to the dependent variable.

Banimahd et al. (2014) studied the relationship between the operating cycle and quality of accounting information. The population statistics of the study included listed firms on the Tehran stock exchange which span from 2008 to 2012, a random selection of 110 firms as the sample size on the basis of Cochran's sample formula. The data collected were analyzed using multiple linear regression models. The results of the analysis shows that there is a significant negative relationship existing between earnings quality, and operating cycle, it was, therefore, concluded that a firm with a complicated operating cycle and high operation level, with earnings changes, will decrease earnings quality, it is expected that financial information users and other beneficiaries should consider the use of operating cycle as an earnings quality measurement index in decision-making model in information analysis.

Jelodari and Kordshouri (2016) in their study on the role of earnings quality, in accurately forecasting operational, and cash circulation for listed firms in the Tehran stock exchange, the study spanned through five (5) years from 2009 to 2013. The study is an ex-post factor, and the sample was derived from two methods; the stratified and systematic random samplings, in which the population of the study was divided into defined homogenous groups. The dependent variable of the study is discretionary accruals of working capital, working capital, and operations variables, while earnings quality is the independent variable in firms with high low quality. The estimation result shows that a positive significant relationship exists between the quality of earnings and working capital and discretionary accruals of working capital, the adjusted coefficient of determination on which this decision is based is 25.2% for the first model; while a significant association was also recorded between the quality of earnings and operations with the adjusted coefficient of determination for this decision stood at 20.4%. The study concludes that all categories of users of accounting information should consider using accruals based on the incremental accruals power of future cash flow prediction in comparison to cash models, and also the cash flow statement more because most of the information required for future cash flow prediction are embedded in the cash flow statement which can lead to users' logical decisions

Hamidzadeh, and Zeinali (2015) investigated the effect of sales growth and growth potential on the quality of financial reporting of some selected firms listed on the Tehran Stock Exchange. The study spanned a period of six (6) years between 2007 and 2011, with a selected sample of 100 firms listed on the stock exchange of Tehran, multiple regression model, and the ordinary least squares (OLS) method were used in data analysis. The result of the study shows that sales growth and growth potentials have a significant positive impact on the quality of financial reporting of listed firms in the Tehran stock exchange and that the variables chosen for this study are normal and that none was eliminated. The study sample is general in nature, not current, and it was done in Tehran, but the current study is based on the Industrial sector, and done in Nigeria.

**Ownership characteristics and reported earnings quality**

Amos et al. (2016) studied the impact of institutional ownership structure on quality of earnings of food, beverages and tobacco companies in Nigeria. The sample of the study was taken from 16 food, beverage and tobacco companies listed on the floors of Nigeria Stock Exchange for a period from 2005 to 2013. The data collected was from a secondary source, and was analyzed using multiple linear regression models. The study revealed that there is a significant positive relationship between institutional ownership and earnings quality, while firm size showed a negative insignificant relationship with earnings quality. In this study, it can be seen that only institutional ownership was used without using other ownership structure attributes, and the sample used for the study is limited in comparison to the number of the sample firms chosen for the study. The study used only two variables to carry out this research work, more variable could have been used which could have impacted the outcome of the study, and the study is not current, but it has some lessons to deliver.

Ayadi and Boujelbena (2014) studied to determine the effect of the relationship between ownership structure and quality of earnings in the context of France. The study was carried out for a period between 2003 and 2011, to look into the association within different types of ownership structure and quality of earnings, proxied by earnings management and informativeness in the French companies belonging to SBF 250. The study used 117 listed French firms as sample which excludes all the listed financial firms due to some specific regulations

in relation to the presentation of financial statement and governance. The data collected was analyzed using the multiple linear regression models. The study showed the existence of a negative relationship between the managerial ownership and earnings management; and positive significant relationship with earnings quality; and also, the existence of a significantly positive relationship with earnings informativeness. It was also revealed that ownership concentration is positively significant with earnings informativeness. From the study it was discovered that only two qualities of earnings indicator were used; the earnings management and informativeness. The study therefore recommends that other quality of earnings attributes be included in future studies. This study was done in France, which is a different economic environment from that of the current study, which is Nigeria, and used only two independent variables, leaving out others which could have great impact on the outcome of the result of the study, the study is also not too recent.

Ekpulu and Omoye (2018) examined the relationship between ownership structure and earnings management of listed firms in Nigeria. The study employed the use of longitudinal panel research from the secondary data source. The sample of the study is taken from 75 listed firms for a study period of 6 (six) years from 2009 to 2014. The data collected were analyzed using descriptive statistics, Pearson correlation analysis, and multiple linear regression analysis models. The result of the study showed that managerial ownership has a negatively significant relationship with earnings management, while institutional ownership and foreign ownership revealed a positively insignificant relationship with earnings management. There is the need to investigate, and expand the study further to accommodate more independent variables into the study will help to align the findings with current global happenings, also the sample is generalized.

Nguyen et al, (2021) investigated the relationship between ownership structure and earnings management in Vietnam. The study used secondary data collected from audited annual financial statements of 489 non-financial firms listed on the floors of the Hanai Stock Exchange (HNX). The study spanned a 10 years period between 2009 and 2018. The data collected were analyzed with the aid of descriptive statistics, pooled ordinary least squares (OLS), and generalized least squares (GLS), multiple regression models. The result of the findings revealed that ownership concentration and state ownership have positive significant effects on earnings management, but conversely, managerial ownership and foreign ownership were seen to have negative significant effects on earnings management. The study is robust enough employing an expansive number of variables, relying on the result needs to be pondered due to the setting of the research data, that is non-African, as well as the scope that lagged two years period which is large enough to influence the result of the outcome of the study.

Ologhodo (2020) examined the effects of ownership structure on the Audit quality of Nigeria listed conglomerate firms, investigating how ownership structure such as managerial ownership, ownership concentration, and institutional ownership affect audit quality in the chosen sector. The study is an ex-post facto research design, and made use of secondary data sources collected from the annual audited financial statements of the sampled firms. The study spanned a period of five years from 2014 to 2018. The data collected were analyzed using the descriptive statistic research method, multiple linear regression models, the ordinary least squares (OLS) regression, and correlation coefficient method, with the aid of SPSS version 25, to test the hypotheses formulated. The study revealed that an insignificant negative relationship exists between managerial ownership and audit quality, ownership concentration, was seen to have a non-significant positive relationship with audit quality, and it was also discovered that institutional ownership has a strong positive insignificant influence on audit quality. The study period ended in 2018, the result of the findings may have been impacted between those periods and now, the study needs to be extended to a more recent period.

Seiyaibo and Okoye (2020) undertake a study to establish the relationship existing between financial reporting quality and institutional ownership, the board size, firm size, growth opportunity, and board independence of listed manufacturing firms on the floors of the Nigerian Stock Exchange. The ex-post facto research design was employed; the study population comprised of fifty-four (54) listed manufacturing firms in the Nigerian Stock Exchange (NSE); a sample size of forty-eight (48) manufacturing firms was selected using the judgmental sampling technique as the study sample. The study was conducted between 2002 and 2017, while the data was analyzed using multiple linear regression model, and ordinary least squares (OLS), The result of the study shows that there is a significant positive relationship existing between the board size and financial reporting quality of the firm, and at the same time, the study also revealed further that the institution

ownership, board independence, firm size, growth opportunity as financial reporting quality indicators do not have any significant effect on the quality of financial reporting. The study used the judgmental sampling selection method without specifying the reasons, which make the reliability of the findings doubtful, since the population is already more than 30 firms, a statistical sampling selection method should have been adopted.

**Theoretical Clarification**

**Agency Theory**

The origin of Agency theory dated back to 1973 and was developed by Stephen Ross and Barry Minick (Minick, 1975). Agency theory posits the relationship between the principal and agent. The theory became necessary due to the separation of the firm's ownership and control from its operating activities. The shareholders represent the principals who engage the agents who are the management of the firm. According to Jensen and Meckling (1976) agency relationship is a contract that exists between the principal and the agent in which the principal engages the agent to operate on their behalf which involves the delegation of power to make the decision. Agency theory supports the need for independent non-executive directors as managers that want to pursue their interests at the expense of the providers of capital due to separation of ownership and control. Amos et al., (2016) found out that in the Food, Beverage, and Tobacco industry, ownership separation from the management elicits the pertinence of principal-agent relationship, that shows, corporate insiders, employees, professional managers, and the board of directors represent the agents, while the equity holders comprising the shareholders, clients. Creditors and regulators represent the principal. This relationship must be kept warm so as to avoid any incidence of information asymmetry that could make the agents engage in manipulations that are detrimental to the objectives of the principal. Agency problems can be drastically reduced if firms adopt corporate governance principles willingly (Ahmed & Henry, 2012). Corporate governance attributes align the objective of the management with that of the shareholders by playing the monitoring or supervisory roles. Dibia and Onwuchekwa (2014) submitted that, agency relationship takes place when several principals or proprietor utilize additional individuals to operate on their behalf. There is always a separation between ownership and control which can be referred to as the modern-day firm trademarks, where the firms utilize their expertise and competence to attract competitive advantage to the firm's routine activities. Agency theory considers a large number of non-executive directors to increase board effectiveness (Adegbie et al, 2019). Empirical evidence has clearly revealed inconsistency between corporate governance relating to board characteristics and earnings quality that there will be management monitoring effectiveness with the presence of an independent board member (Adegbie et al, 2019).

**Stakeholder Theory**

The word "stakeholder", was first conceived in 1963 in an internal memorandum at the Stanford Research Institute, which is now SRI International, Inc. In the traditional view of the firm, the shareholders or stockholders are the owners of the firm, and the responsibility of the firm is that they have a binding fiduciary duty to cater for their needs first, so as to increase the value for their stock returns (Friedman, & Mills, 2002). The term was meant to challenge the popular notion that the management of firms is obliged to respond to stockholders' groups only (Parmar et al., 2010).

The stakeholder theory is a theory of organizational management and business ethics that accounts for multiple constituencies impacted by business entities like employees, suppliers, local communities, creditors, governmental bodies, political groups, trade associations, and trade unions. Competitors in the status and capacity to impact the organization's operations are sometimes seen as a type of stakeholder. The nature and meaning of what stakeholders are, can be highly contestable (Miles, 2012), because of the existence of hundreds of definitions in the academic literature (Miles, 2011).

The stakeholder theory was originally employed in 1984, by Edward R. Freeman in the theory of organizational management and business ethics that addresses organizational management by moral values. Stakeholder theory addresses business ethics, morals and values when managing stakeholders involved with a project or organization (Parmar et al., 2010). The theory aimed at optimizing the relationships among stakeholders, in order to improve operational efficiencies all through the organization (Friedman, & Mills,

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VII July 2024

2002). Stakeholder Theory view is capitalist in nature that emphasizes a firms interconnected relationship employees, customers, suppliers, investors, the communities and other relevant stakeholders (Friedman, & Mills, 2002). The theory is of the view that value creation should not be limited to shareholders alone but be extended to other stakeholders.

According to Harrison et al. (2019) stakeholder theory is a framework that has been used to explain a firm's earnings management, specifically in respect to earnings quality; which is the selection of a more conservative accounting policy choice, and earnings announcement timing under the discretion of the management. One of the early examples was put forward by Thomson (1993) with the analysis of stakeholder power in the era of the UK pre- and post-privatization of the electricity industry. Harrison et al, (2019), and Thomson (1993, found out that the pre-privatization focuses of primary stakeholder groups namely: consumers, competitors, and government on the rates of return incentivized or encouraged management to reduce profits in order to avoid price-capping, while post-privatization profit-maximizing accounting choices were chosen, as management was motivated to align their interests with those of the recently created shareholders' bonus and options contracts.

In support Bowen et al. (1995) found that implicit claims between an organization and its stakeholder categories including customers, employees' suppliers, and short-term creditors operate as incentives for management to use long-run income-increasing accounting choices in association with depreciation and inventory. Mangos and Lewis, (1995) affirm that employing the view of socio-economic to examine accounting policy choice, provides a richer, more inclusively robust explanation relating to behavior than a mere reference to economic theories.

## METHODOLOGY

The study used longitudinal research design, using secondary data collected from the annual financial statement of listed industrial companies in Nigeria for a twelve-year period from 2011 to 2022. The study population is the 13 listed industrial companies, the same number of companies also serve as the sample size of the study. Data collected were analyze using the multiple linear regression model, and the OLS method, certain other robust diagnostic test such as normality, heteroskedasticity, multicollinearity were conducted to ascertain the data fitness, reduce biasness as far as possible and to eliminate spurious regression result. The study made use of discretionary accruals as proxy for the dependent variable which is earnings quality and the independent variables for the study are cash-holding, liquidity, operating cycle, sales value, managerial ownership, ownership concentration, institutional ownership and foreign ownership.

### Model Specification

The models developed for the study to measure the relationship between the dependent variables and the independent variables shall be as follows:

$$DAC_{it}= \beta_o +\beta_1 CSH_{it}+\beta_2 LQDit+\beta_3 OPC_{it}+\beta_4 SVL_{it}+\beta_5 MNO_{it}+\beta_6 OWC_{it}+\beta_7 INS_{it}+\beta_8 FON_{it}+\varepsilon_{it}$$

*Where;*

CSH = Cash-holding,

LQD = Liquidity,

OPC = Operating Cycle,

SVL = Sales Value.

MNO = Managerial Ownership

OWC = Ownership Concentration

INS = Institutional Ownership

FON = Foreign Ownership

$\varepsilon_{it}$ = Errorterms.

$\beta_{o=}$ Intercept.

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8$ = Coefficients of the variables.

Table 1 Descriptive Statistics

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| DAC | 156 | 0.682077 | 0.590612 | 0.06 | 4.57 |
| CSH | 156 | 2.973041 | 1.329284 | 0.845098 | 7.064393 |
| LQD | 156 | 1.360421 | 1.53717 | 0.13 | 14.04 |
| OPC | 156 | 112.9579 | 93.56512 | 10 | 606 |
| SVL | 156 | 3.905907 | 0.915024 | 1.897627 | 5.8369 |
| MNO | 156 | 0.177579 | 0.158633 | 0.01 | 0.62 |
| ONC | 156 | 0.655684 | 0.21493 | 0.25 | 0.98 |
| INSO | 156 | 0.432684 | 0.246554 | 0.11 | 0.92 |
| FON | 156 | 0.200632 | 0.217303 | 0 | 0.69 |

The descriptive statistics table shows a mean value of discretionary accruals (DAC)of 0.682077, with a corresponding standard deviation of 0.590612, with the minimum value of 0.06, and a maximum value of 4.57; meaning that the average value of (DAC) in the industrial goods company is 0.682 to a maximum value of 4.57, and the deviation from both sides of the mean. The value of the standard deviation is lower than the mean, which indicates that the data are non-dispersed from the mean. The table also showed a mean value of cash-holding (CSH) of2.973041 with a corresponding standard deviation value of 1.329284, a minimum value of 0.845098 and a maximum value of 7.064393, meaning that cash-holding (CSH) average value in the industrial goods company is 2.973041 to a maximum value of 7.0644; the standard deviation value is lower than the mean which indicates that the data are not far apart from the mean. The mean value of liquidity (LQD) is 1.360421, corresponding to a standard deviation of 1.53717, a minimum of 0.13 and maximum of 14.14 values, depicting that (LQD) average in the sampled industry is 1.36 to a maximum of 14.14, the standard deviation value being higher than the average (mean), implying that the data are dispersed from the mean. The mean value of operating cycle (OPC) is 112.9579, corresponding to a standard deviation of 93.56512, a minimum of 10 and maximum of 606 values, depicting that (OPC) average in the sampled industry is 112.95 to a maximum of 606, the standard deviation value being lower than the average (mean), implying that the data are not far from the mean. The mean value of sales value (SVL) is 3.905907, corresponding to a standard deviation of 0.915024, a minimum of 1.897627 and maximum of 5.8369 values, depicting that (SVL) average in the sampled industry is 0.915 to a maximum of 5.8369, the standard deviation value being lower than the average (mean), implying that the data are not far from the mean. The mean value of managerial ownership (MNO) is 0.177579, corresponding to a standard deviation of 0.158633, a minimum of 0.01 and maximum of 0.62 values, depicting that (MNO) average in the sampled industry is 0.177579 to a maximum of 0.62, the standard deviation value being lower than the average (mean), implying that the data are not far apart from the mean and from each other. The mean value of ownership concentration (ONC) is 0.655684, corresponding to a standard deviation of 0.21493, a minimum of 0.25 and maximum of 0.98 values, depicting that (ONC) average in the sampled industry is 0.21493 to a maximum of 0.98, the standard deviation value being lower than the average (mean), implying that the data are not far from the mean. The mean value of institutional ownership

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VII July 2024

(INSO) is 0.432684, corresponding to a standard deviation of 0.246554, a minimum of 0.11 and maximum of 0.92 values, depicting that (INSO) average in the sampled industry is 0.246554 to a maximum of 0.92, the standard deviation value being lower than the average (mean), implying that the data are not far from the mean. The mean value of foreign ownership (FON) is 0.200632, corresponding to a standard deviation of 0.217303, a minimum of 0 and maximum of 0.69 values, depicting that (FON) average in the sampled industry is 0.200632 to a maximum of 0.69, the standard deviation value being higher than the average (mean), implying that the data are dispersed from the mean.

Table 2 Correlation Matrix

| | DAC | CSH | LQD | OPC | SVL | MNO | ONC | INSO | FON |
|---|---|---|---|---|---|---|---|---|---|
| DAC | 1 | | | | | | | | |
| CSH | -0.0872 | 1 | | | | | | | |
| LQD | -0.0424 | 0.1652 | 1 | | | | | | |
| OPC | -0.0434 | 0.2518 | 0.3546 | 1 | | | | | |
| SVL | 0.0417 | 0.6205 | 0.3676 | 0.1767 | 1 | | | | |
| MNO | 0.0724 | -0.0835 | 0.401 | 0.0593 | 0.2373 | 1 | | | |
| ONC | -0.0308 | -0.1868 | 0.2657 | 0.2882 | -0.0965 | 0.2667 | 1 | | |
| INSO | -0.2903 | -0.2199 | -0.1692 | -0.0254 | -0.0996 | -0.3032 | 0.2431 | 1 | |
| FON | -0.0703 | 0.4008 | -0.0636 | -0.0748 | 0.0065 | -0.1093 | -0.4028 | -0.476 | 1 |

Table 2 helps to analyze the correlation association between the independent variables. According to Gujarati (2004), high or intense correlation exist if the correlated values are greater that (>) 0.80, otherwise there is low or absence of correlation. From table 2 above, it can be seen that all the associations between the variables are less than (<) 0.80, meaning that there is low or no correlation between the variables.

**Hausman Specification Test**

**Ho**: difference in coefficients not systematic

chi2(8) = (b-B)'[(V_b-V_B) ^ (-1)] (b-B) = -0.20

Prob < chi2< 0.0000

Table shows the Hausman specification test to ascertain the most appropriate model to be used in the research estimation, the Null hypothesis is rejected because the probability statistics reported a significant value of 0.000 being less than (<) 0.05; meaning that the fixed effect model is the appropriate model for the estimate.

**Regression Analysis**

| DAC | Coef. | Std. Err. | t | P>t | [95% Conf. | Interval] |
|---|---|---|---|---|---|---|
| CSH | -0.0941361 | 0.0577433 | -1.63 | 0.106 | -0.2084542 | 0.020182 |
| LQD | -0.0478028 | 0.0337699 | -1.42 | 0.159 | -0.1146592 | 0.019054 |
| OPC | -0.0001539 | 0.0009381 | -0.16 | 0.870 | -0.0020112 | 0.001703 |
| SVL | 0.1432293 | 0.0830127 | 1.73 | 0.087 | -0.0211163 | 0.307575 |

| | | | | | | |
|---|---|---|---|---|---|---|
| MNO | -0.446339 | 0.3586073 | -1.24 | 0.216 | 1.156297 | 0.263619 |
| INSO | -1.240176 | 0.2606612 | -4.76 | 0.000 | -1.756223 | -0.72413 |
| FON | -0.6261298 | 0.3146216 | -1.99 | 0.049 | -1.249006 | -0.00325 |
| ONC | 0.1519973 | 0.2641857 | 0.58 | 0.566 | -0.3710281 | 0.675023 |
| _cons | 1.081861 | 0.3532403 | 3.06 | 0.003 | 0.3825286 | 1.781193 |
| No of obs = | | 156 | | | | |
| Prob > F = | | 0.0013 | | | | |
| $R^2$ = | | 0.1851 | | | | |
| Adj $R^2$ = | | 0.1312 | | | | |
| Root MSE = | | 0.55051 | | | | |
| F (8, 121) = | | 3.43 | | | | |

The coefficient of determination ($R^2$) from the above table is observed to be 0.1851, and the adjusted R-squared is also equal to 0.1312, it shows that the independent variables is only able to explain 18.51% of the dependent variable while the remainder of 81.49% represent other independent variables not listed in this study. The value of the F-statistics is 3.43 with a corresponding probability Prob(F-statistics) of 0.0013, meaning that all the variables jointly explained the dependent variable and has significant positive effect on the environmental accounting disclosure quality of all the listed industrial companies in Nigeria.

From the following hypothesis:

**Cash holding has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of -0.0941361with a corresponding prob(0.106> 0.05), meaning that there is a negative insignificant relationship between cash holding and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in cash holding will result in a 9.41% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***.

**Liquidity has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of -0.0478028 with a corresponding prob(0.159 > 0.05), meaning that there is a negative insignificant relationship between liquidity and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in liquidity will result in a 4.78% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Operating Cycle has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis also showed a coefficient of -0.0001539with a corresponding prob (0.870> 0.05), meaning that there is a negative insignificant relationship between operating cycle and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1%

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VII July 2024

increase in operating cycle will result in a 0.02% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Sales value has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of 0.1432293with a corresponding prob(0.087 > 0.05), meaning that there is a positive insignificant relationship between sales value and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in sales value will result in a 14.32% increase in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Managerial Ownership has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of -0.446339 with a corresponding prob(0.216> 0.05), meaning that there is a negative insignificant relationship between managerial ownership and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in managerial ownership will result in a 44.63% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Institutional Ownership has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of -1.240176with a corresponding prob(0.000< 0.05), meaning that there is a negative significant relationship between institutional ownership and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in institutional ownership will result in a 124% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Foreign Ownership has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of -0.6261298with a corresponding prob(0.049< 0.05), meaning that there is a negative significant relationship between foreign ownership and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in foreign ownership will result in a 62.61% decrease in reported earnings quality of the sampled companies. The null hypothesis is ***rejected***

**Ownership Concentration has no significant effect on reported earnings quality of listed industrial goods companies in Nigeria.**

From the table the regression analysis showed a coefficient of 0.1519973with a corresponding prob(0.556> 0.05), meaning that there is a positive insignificant relationship between ownership concentration and reported earnings quality of companies listed in the industrial goods sectors of the Nigeria economy, that is a 1% increase in ownership concentration will result in a 15.20% increase in reported earnings quality of the sampled companies. The null hypothesis is ***accepted***

**Multicollinearity Test**

| Variables | VIF | 1/VIF |
|---|---|---|
| CSH | 2.61 | 0.383131 |
| SVL | 2.42 | 0.414045 |

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue VII July 2024

| FON | 1.90 | 0.526940 |
|---|---|---|
| MNO | 1.67 | 0.600460 |
| INSO | 1.65 | 0.604316 |
| ONC | 1,59 | 0.628717 |
| LQD | 1.54 | 0.647878 |
| OPC | 1.34 | 0.748972 |
| MeanVIF | 1.84 | |

The table revealed that the variance inflation factor (VIF) showed a tolerance (1/VIF) value that is uniformly less than (<) 1, which indicates the absence of multicollinearity among the independent variables, it is therefore, fit for the estimate.

**Heteroskedastic Test**

| Heteroskedastic linear regression | Number of obs | = | 156 |
|---|---|---|---|
| ML estimation | | | |
| | Wald chi2(7) | = | 4.38 |
| Log likelihood = -113.3475 | Prob > chi2 | = | 0.7348 |

From the heteroskedastic test table above the Chi squared reported a value of 4.38, with a corresponding probability 0.7348 or 73.48%, which is greater (>) than 0.05, the null hypothesis is therefore accepted; indicating that the residuals are homoscedastic in distribution which is desirable.

## CONCLUSIONS AND RECOMMENDATION

The main crux of the study is to investigate the effect of earnings and ownership characteristics on reported earnings quality of listed industrial goods companies on the Stock Exchange of Nigeria. The data collected were analyzed with results as followed; that *cash-holding* has a negative insignificant effect with reported earnings quality, the result is consistent with the findings of but inconsistent with the result of the study by Hasanzadeh et al., (2012), the regression result also reported a negative insignificant effect between *liquidity* and reported earnings quality the result is inconsistent with the findings by Gharezi and Zadeh (2013); at the same time a negative insignificant relationship exist between *operating cycle* and reported earnings quality the result is consistent with the findings by Gharezi and Zadeh (2013) and Banimahd et al., (2014), inconsistent with the result of the study by Jelodari and Kordshouri (2016); a positive insignificant relationship between *sales value* and reported earnings quality exist which agrees with the work done by Hamidzadeh and Zeinali (2015), but at variance with Gharezi and Zadeh (2013) study; sales value has influence on the reported earnings, because the measures the operational effectiveness of the firm; in the same vein a negative insignificant relationship between *managerial ownership* and reported earnings quality was revealed a result which is in agreement with Ologhodo (2020) findings, but disagrees with Ayadi and Boujelbera (2014); also is a negative significant relationship between *institutional ownership* and reported earnings quality consistent with Amos et al., (2016)'s result, but not consistent with that of Seiyaibo and Okoye (2020); a negative significant relationship between *foreign ownership* and reported earnings quality was reported which agrees with Ekpulu and Omoye (2018), but disagrees with Nguyen et al., (2021); a positive insignificant relationship between *ownership concentration* and reported earnings quality, this result is inconsistent with the findings by Ologhodo (2020), and Ayadi and Boujelbena (2014). The result of the findings of this study compared to other

studies revealed mixed outcome showing that result of studies can be influenced by data availability, research settings, the researchers' perspectives and expectations and other factors.

**Recommendations**

1) Cash-holding is necessary however, there should be a balanced to ensure that too much cash is not held, to avoid pilferage and wastage, but just enough is available to quickly take advantage of emerging contingencies.

2) The liquidity of a company cannot be overemphasized, for reported earnings to be of quality, the industry average of liquidity must be maintained, and excess liquidity must be prudently invested in profitable ventures.

3) To be profitable, increase market share, and attain cost leadership, company management must ensure that the operating cycle period is reduced through provision of attractive incentives that will make customers be willing to comply with such incentives.

4) The sales inflows from operations must be adequately investigated to verify and ascertain the channeling of such funds, and what they are being used for, to determine the quality and validity of such expenditures.

5) Managers of companies should be given enough stake in the companies they manage so that they can share in the risk like other shareholders, to eliminate as far as possible earnings management and income smoothing.

6) Institutional ownership should largely be encouraged, especially profit-oriented companies to enhance monitoring and supervision roles, to curb as far as possible management detrimental excesses.

7) There are lots of important benefits companies in this industry stand to get from foreign stakeholders that should be encouraged which will eventually affect earnings quality report positively.

8) The concentration of large stake to few owners should be discouraged because it will create a cartel that might impact negatively on the interest of the minority stakeholders as well as other users.

**Limitations and Suggestions for further studies**

This study is limited by setting, data and results of the findings being based on companies in the Nigeria economic environment, the applicability may be jurisdictionally restricted. There were also other limitations such as funding, availability of data, and study timing, the topic cannot be exhausted. Further study in this area is proposed in respect of other variables of reported earnings quality and its characteristics not covered in this study concerning listed industrial goods companies, and in other sectors, like the natural goods, consumer goods, conglomerate sectors both in Nigeria and overseas. This is to give a wider range of decision packages to the users of financial information to take informed decisions and make better investment choices.

## REFERENCES

1. Abdullah, W.Z.W. (2008). The impact of board composition, ownership and CEO duality on audit quality: The Malaysian evidence", Malaysian Accounting Review, 7(2), 17-28. https://www.researchgate.net/
2. Adegbie, F.F, Akintoye, R.I., Nwaobia, A.N., &Kwarbai, J.D., (2019). Earnings quality and growth of listed firms in Nigeria. International Journal of Research and Methodology in Social Science,5(1), 74-82. https://doi.org/10.5281/zenodo.26674.
3. Ahmed, K. & Henry, D. (2012). Accounting conservatism and voluntary corporate governance mechanisms by Australian firms. Journal of Accounting and Finance, 52(3), 31-62. https://doi.org/10.1111/j.1467-629X.2011.00410

4. Amadeo, K., (2929). Volatility and its five types. How to Measure Price Changes. https://www.thebalance.com/volatility.
5. Amos, B. Ibrahim, G. Nasidi, M. & Ibrahim, K.Y., (2016). The impact of institutional ownership structure on earnings quality of listed food/beverages and tobacco firms in Nigeria. Journal of Arts. Science and Commerce, http//doi.org/10.18843/rwjasc/v7i1(1)/03.
6. Ayadi, W. M., &Boujelbène, Y., (2014). The relationship between ownership structure and earnings quality in the French context. International Journal of Accounting and Economics Studies, 2(2), 80-87.
7. Banimahd, B. Boustani, S., &Hamidian, M., (2014). Relationship between operating cycle and quality of accounting information in Tehran stock exchange listed firms. International Journal of Academic Research in Accounting, Finance, and Management Sciences, 4(4), 326-332.
8. Bekaert, G. & Harvey, C. R., (2000). Foreign speculators and emerging equity markets. Journal of Finance, 55, 565–614.https://doi.org/10.1111/0022-1082.00220.
9. Bushee, B. J. (1998). The influence of institutional investors on myopic R&D investment behaviour. The Accounting Review,73(3), 305–333. https://doi.org/10.1504/IJAAPE.2008.020195
10. Chen, C., Yen, G., Fu, C.& Chang, F. (2007), "Family control, auditor independence, and audit quality: empirical evidence from the TSE-listed firms. Corporate Ownership and Control, 4(3), 96-110. https://doi.org/10.22495/cocv4i3p9.
11. Clarke, T. (1998). The stakeholder corporation: a business philosophy for the information age. Long range planning, 31(2), 182–194https://doi.org/10.1016/S0024-6301(98)00002-8
12. Dahlquist, M., & Robertson, G., (2001). Direct foreign ownership, institutional investors and firm characteristics. Journal of Financial Economics,59(1), 413–440. https://doi.org/10.1016/S0304-405X (00)00092-1
13. David, P., Yoshikawa, T., Chari, M. D. R., & Rasheed, A., (2006). Strategic investments in Japanese corporations: do foreign portfolio owners foster underinvestment or appropriate investment? Strategic Management Journal, 27, 591–600. https://doi.org/10.1002/smj.523
14. Dechev, P.M., &Dichev, I.D., (2002). The quality of accruals and earnings. The role of accrual estimation errors. The Accounting Review, Supplement, 1-47. https://doi.org/10.2308/ACCR.2002.77.S-1.35
15. Dibia, N. O., & Onwuchekwa, J. C. (2014). An appraisal of corporate governance mechanisms and earnings management in Nigeria. International Journal of Finance and Accounting,3(2), 49-59. https://doi.org/10.5923/j.ijfa.20140302.01
16. Douma, S., Rejie, G., & Kabir, R., (2006). Foreign and domestic ownership, business group, and firm performance: evidences from a large emerging market. Strategic Management Journal,27(7), 637–657. https://www.jstor.org/stable/20142364
17. Ekpulu, G. A., & Omoye, A. S., (2018). Ownership structure and earnings management: Evidence from Nigerian listed firms. Accounting and Taxation Review, 2(2), 57-74. https://www.researchgate.net/publication.
18. Francis, J. Lafond, R. Olsson, M. P.& Schipper, K., (2004). Cost of capital and Earnings Attribute, The Accounting Review, 79(4) 969-1010. https://hrmars.com/
19. Franks, J., & Mayer, C., (2015). The ownership and control of German corporations. Review of Financial Studies, 14(4), 943-977. https://doi.org/10.1093/rfs/14.4.943
20. Friedman, A.L. & Miles, S., (2002). Developing stakeholder theory. Journal of Management Studies, doi:10.1111/1467-6486.00280
21. Gharezi, D., & Zadeh, M.R.A., (2013). The relationship between quality of earnings and liquidity risk in the stock exchange of Tehran. Interdisciplinary Journal of Contemporary Research in Business,5(3), https://www.semanticscholar.org/
22. Hamidzadeh, S, & Zeinali, M., (2015). Effect of sales growth and growth potential on financial reporting quality of listed companies in Tehran stock exchange. Arabian Journal of Business and Management Review,4(7), 115- 120. https://www.arabianjbmr.com/
23. Hakim, M. Z., &Naelufar, Y., (2020). Analysis of profit growth, profitability, capital structure, liquidity, and company size of profit quality. JurnalAkademiAkuntansi,3(1), 12-35. https://doi.org/10.22219/jaa.v3i1.10348
24. Harrison, J.S. Barney, J.B. Freeman, R.E. & Philips, R.A., (2019). Stakeholder Theory and Accounting. The Cambridge Handbook of Stakeholder Theory. Chapter 11, 173-188 https://radar.brookes.ac.uk.

25. Ho, J., Wu, A., & Xu, S., (2010). Corporate governance and returns on information technology investment: evidence from an emerging market. Strategic Management Journal, 32(6), 595–623. https://doi.org/10.1002/smj.886
26. Hussain, A., (2020). What is liquidity? How easily you can sell an asset for cash. How, when and why it matters to you. https://africa.businessinsider.com.
27. Indeed-Editorial Team, (2021). What is an Operating cycle? And how to calculate it. https://www.indeed,com.
28. Jaya, A., (2020). Cash holding strategy: earnings quality and audit committee expertise an analysis based on the asymmetry information perspective. Mukhlasin, Universitas KatholikIndonesia.19(3). https://www.abacademies.org/
29. Jelodari, A. &Kordshouri, F.A., (2016). A Survey of the Role of Earnings Quality in Accurately Forecasting Operational, and Cash Circulation of Listed firms in Tehran Stock Exchange. International Journal of Academic Research in Accounting, Finance, and Management Sciences,6(4),82-89. https://www.hrmars.com/
30. Jensen, M. C., &Meckling, W. H. (1976). Theory of firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026
31. Kane, G.D. &Velury, U. (2004). The role of institutional ownership in the market for auditing services: An empirical investigation. Journal of Business Research, 57(9), 976-983. https://doi.org/10.1016/S0148-2963(02)00499
32. Khan, K., Nemati, A. R., & Iftikhar, M. (2011). Impact of corporate governance on firm performance evidence from the Tobacco industry of Pakistan. International Research Journal of Finance and Economics, 61, 7–14. https://doi.org/10.18034/abr. v7i1.6
33. Liang, C.J., Lin, Y.L., & Huang, T.T. (2011). Does endogenously determined ownership matter on performance? Dynamic evidence from the emerging Taiwan market. Emerging Markets Finance and Trade. 47(6), 120–133. http://mesharpe.metapress.com/
34. Lin, H.C. & Chiu, S.C., (2017). Trade-off on corporate cash holdings: A theoretical and empirical analysis. Review of Quantitative Finance and Accounting, 49(3), 727-763. https://doi.org/10.1007/s11156-016-0606-9.
35. Mangos, N.C. and Lewis, N.R. (1995). A socio-economic paradigm for analyzing managers′ accounting choice behavior. Accounting, Auditing & Accountability Journal, 8(1), 38-62. https://doi.org/10.1108/09513579510079117
36. Miles, S., (2011). Stakeholder definitions: Profusion and Confusion. EIASM 1st Interdisciplinary Conference on Stakeholder, Resources and Value Creation, IESE Business School, University of Navarra, Barcelona. https://doi.org/10.1007/s10551-011-1090-8
37. Minick, B. M. (1975). Theory of agency: The policing 'paradox' and regulatory behavior. Public Choice (Winter),24(1), 27-42. https://doi.org/10.1007/BF01718413
38. Mitra, S., Hossain, M. &Deis, D. (2007), The empirical relationship between ownership characteristics and audit fees. Review of Quantitative Finance Accounting,28(3), 257-285. https://doi.org/10.1007/s11156-006-0014-7
39. Nguyen, H. A., Le, Q. L., & Vu, T. K. A., (2021). Ownership structure and earnings management: empirical evidence from Vietnam. Cogent Business and Management. 8(1),1-21. https://doi.org/10.10800/23311975.2021.1908006
40. NonahalNahr, A., Jabbarzadeh, K. S., &Pourkarim, Y. F., (2010). The relationship between auditor quality and accrual reliability. Iranian Accounting and Auditing Review,17(61), 53-68. https://www.sid.ir/EN
41. Ologhodo, J.C. (2020). Effects of Ownership Structure on Audit Quality of Listed Conglomerate Companies in Nigeria. International Journal of Advanced Research,8(5),1165-1177. http://dx.doi.org/10.21474/IJAR01/11030
42. Opler, T.L. Pinkowitz, R.S. &Willamson, R. (1999). The determinants and implications of corporate cash holding, Journal of Financial Economics, 52, 3-46. https://doi.org/10.1016/S0304-405X(99)00003-3

43. Pagalung, G., &Sudibdyo, B., (2009). The Determinant factor of earnings quality and economic consequences. Ekuitas: Journal Ekonomi dan Keuangan, 16(1),105-122. https://doi.org/10.24034/j25485024.y2012.v16.i1.2318.
44. Parmar, B.I. Freeman, R.E. Harrison, J.S. Wicks, A.C, DeColle, S., & Purnell, L., (2010). Stake holder theory: The state of the art. The Academy of Management Annals.www.researchgate.com.
45. Pfeffer, J. (1972). Size, composition, and function of hospital boards of directors. Administrative Science Quarterly,18(2), 349-364. https://onlinelibrary.wiley.com/
46. Seiyaibo, C.M, & Okoye, E.I., (2020). Determinants of financial reporting quality in quoted manufacturing firms: Nigeria evidence. Trends Economics and Management, 36(2), 59-72. https://doi.org/10.13164/trends.2020.36.59
47. Shleifer, A., &Vishny, R.W. (1997). A survey of corporate governance. Journal of Finance, 52(2), 737-783.chttps://doi.org/10.1111/j1540-6261.1997.
48. Sullivan. U.Y., Peterson, R.M., & Krishnan, V., (2012). Value creation and firm sales performance: The mediating roles of strategic account management and relationship perception. Industrial Marketing Management. 41(1), 166-173. https://doi.org/10.1016/j.indmarman.2011.11.019
49. Thomson, L. (1993). Reporting changes in the electricity supply industry and privatization. Financial Accountability & Management, 9(2), 131-57. https://doi.org/10.1108.09513579210011835
50. Wahla, K. U. R., Shah, S. Z. A., & Hussain, Z. (2012). Impact of ownership structure on firm performance: evidence from non-financial listed companies at Karachi stock exchange. International Research Journal of Finance and Economics,13(2), 6–13. https://doi.org/10.24924/ijabm/2018.04
51. Warfield, T., Wild, J.J. & Wild, K. (1995). Managerial ownership, accounting choices, and informativeness of earnings. Journal of Accounting and Economics, 20(1), 61-91. http://www.sciencedirect.com/4101(94)00393-J
52. Xu, T. & Han, B., (2013). Managerial incentives and corporate cash holdings. Journal of Applied Business and Economics, 14(1), 72-85. https://www.semanticscholar.org/
53. Zureigat, Q.M, (2011). The effect of ownership structure on audit quality: Evidence from Jordan. International Journal of Business and Social Science, 2(10), 38-46. http://www.ijbssnet.com/