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# Audit Committee Attributes and Earnings Management of Quoted Food Beverages Firms in Nigeria

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**Abstract**

This work examined the nexus between audit committee attributes and earnings management of quoted food beverage firms in Nigeria. The secondary source of data collection was adopted, and the ordinary least square (OLS) regression technique was used to analyzed the data collected, and to determine how valid these data were, a robustness was conducted. When the researchers carried out multiple regression analysis on the collected data, a mixed relationship on the nexus between audit committee attributes and earnings management was observed, while an inverse relationship was observed between financial expertise and earnings management, the independence of audit committee and frequency of committee meetings reported a positive and significant association. On the basis of the observed findings, the research recommended among other things that, the food beverage firms should adhere strictly to the code of corporate governance that both the Companies and Allied Matter Act 1990 (CAMA, 1990) and the Securities and Economic Commission (1970) SEC (1990) provided.

**Keywords:**
Committee Independence, Committee meeting, Committee size, Earnings management, Financial expertise

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**Background to the Study**

Unscrupulous accounting practices, which mainly took the form of earnings manipulation, were the cause of the financial wrongdoings or crimes that shook the financial institutions and the final demise of numerous multinational firms. These earnings manipulations (also known as earnings management) include any action that leads management to believe that the company's value is being maximized while also assisting them in lowering the dangers they confront. This is typically accomplished through the manipulation of accounting figures or their use. Rahman and Alli (2006) assert that management of an entity either induces, manipulates, or influences reported earnings by employing particular accounting techniques or changing techniques, to either reduce income or increase expenses, with the ultimate goal of influencing earnings in the short term. As a result, the quality of earnings would decline, and financial reports will be distorted (Levitt, 2008).

It is impossible to overstate the value or significance of profits accounting to business owners and investors because, to shareholders, the expansion, survival, and future of the company depend on it. The health of the company is also taken into consideration. Existing or potential investors base their investment decisions on these pillars. Investors lose faith in the accuracy and significance of the company's disclosed financial statements when earnings manipulation (earnings management) is prevalent (Bughshan, 2005). Investors must be able to trust the published financial statements for reported earnings to be in accordance with the country's code of best practices. This is so that any governance and accounting reporting issues that might arise can be resolved. The global financial crisis of 2008 put every nation on edge to make sure that entities follow by the codes of best practices they give.

According to Idomigie (2010), she is not the only one who notices variations among the various corporate governance codes in Nigeria. The Sarbanes-Oxley Act is a law in the United States, the Cramme Code is in Germany, the Principles and Guidelines on Corporate Governance are in New Zealand, the King's Report is in Canada, and the Olivencia Report is in Spain.

Nigeria has numerous corporate governance laws, including the Securities and Exchange Commission's (SEC) Code of Corporate Governance from 2003, the Central Bank of Nigeria's (CBN) Code from 2006, and the Nigeria Insurance Commission's (NAICOM) Code from 2009 (Idomigie, 2010). Due to these factors, all companies listed on the Nigerian Exchange Group are required by section 359(3) and (4) of the Companies and Allied Matters Act to establish an audit committee that will assist in monitoring the activities of management with the goal of reducing the occurrence of earnings manipulations (Nelson & Jamil, 2012). Additionally, it was noted that the majority of these studies were conducted in advanced climes, and their conclusions served as a catalyst for the completion of additional research aimed at elucidating the influence of audit committee characteristics on earnings manipulations in emerging climes (Nelson & Jamil, 2012).

More concerning is the fact that, despite the focus on study in this area, business failure has persisted due to the negligible impact of earnings manipulation on publicly released financial accounts. This served as more inspiration for the investigation. The conflicting outcomes seen in other studies is another element that motivated our investigation. For instance, whereas Nelson and Jamil (2012) reported an inconsistent outcome, Beasly and Selterio (2001) saw a good consequence, making this study on the food and beverage firms essential. The periods or times that prior research covered are another gap that was found to be necessary for this investigation. Leslie and Okoeguale's (2013) study included a six-year period (from 2005 to 2020), whereas Fodio, lbikunle, and Oba's (2013) study covered a four-year period (from 2007 to 2010). These times, based on observation, are not up to date enough to reflect the current situation. For instance, the 2011 corporate governance code published by the Nigerian Securities and Exchange Commission (SEC) raised several questions that have yet to be resolved in the conclusions of earlier studies. The fact that earlier studies were conducted in the banking and conglomerate sectors (Uadiale, 2012, Lesbie & Okoeguale, 2013, and Ugbede, Lizam & Kazen, 2013), but none have been conducted in the food and beverage companies in Nigeria, is also extremely concerning.

**Review of Related Literature**

**Conceptual Framework**

**Audit Commission**

This is the group or collection of individuals picked from among the executives charged with the responsibility of ensuring that auditors are as independent as feasible (Arens, Elder, & Besaly, 2009). The committee is primarily set up to make sure that the quality of audit reports is not compromised and to assist in ensuring that the executives are subjected to sufficient inspections in order to raise the credibility and dependability of published financial statements.

According to Section 350 (3) and (4) of the Companies are Allied Matters Act, 1990 as modified, all quoted enterprises must establish an audit committee to guarantee the integrity, dependability, and applicability of financial reports. The aforementioned Section of CAMA 1990, as amended, describes other duties that the committee carries out in addition to the one described above.

**Earnings Management**

Because different researchers interpret the topic from various perspectives, the Generally Accepted Meaning of the word "earnings management" has not been established. According to Schipper (1989), it is an intentional interference by management into their financial records with the goal of achieving personal gain. According to Roman (2009), earnings management occurs when management takes advantage of the chance to make financial decisions that could modify reported income and potentially takes full advantage of those chances. Earnings management is also defined as the manipulation or post-processing of financial record results by an entity's management with the intention of deceiving stakeholders about the firm's state of affairs and perhaps influencing their decisions (Healy & Wahlen, 1999). Earnings management, according to The Certified

Fraud Examiners (1993), is the purposeful distortion of an entity's financial situation, manifested by intentional falsification of accounting records with the ultimate goal of confusing or misleading the users. According to Levitte (2008), a grey area occurs when accounting entries or results are manipulated, when managers take shortcuts, or when the reported earnings do not accurately represent the state of the company as a whole.

A stable and predictable financial outcome is what management should aim for when making decisions based on reports, (Rahman & Alli, 2006) Even if this definition seems incongruous, it cannot be disregarded when problems with accounting conventions are taken into account. When an item's materiality in relation to its impact on financial statements is examined, that is an excellent illustration. The question that arises is whether the absence of an item or its misstatement will cause a distortion in the published financial statement that will have an impact on the consumers' choice. If so, it is relevant; if not, it is not.

**Theoretical Framework**

The agency theory, which provides a clear explanation of the existence of incentives that prompt managers to adopt earnings management practices in managing the affairs of the firms under their control, is the foundation of this work. Other relevant theories include stewardship, stakeholders, resource dependency, to name a few. Salah (2010) (in Abdul-rauf, Johari, Sharif & Rahman, 2012) argues that managers of a corporation utilize earnings management to deceive shareholders by presenting a false image of the firm's profit in order to support this claim.

Additionally, according to Sun and Rath (2008), profits manipulation might appear when there is an information failure. This typically occurs when management takes advantage of the comparative information at their disposal to the prejudice of the fund providers and fund owners get disconnected from the day-to-day activities of the company. Management recognises the market's shortcomings and uses discretionary accounting to satisfy their egocentricity without taking into consideration the advantages of the fund providers. Managers take every possible step to deceive investors by disseminating information about the company's performance in an improper way, according to Trueman and Titman (1988) and Schipper (1989).

**Empirical Review**

**Audit Committee Size and Earnings Management**

There are many studies on the subject under examination in the accounting literature. In the wake of the Malaysian Government Transformation Programme, Nelson and Jamil (2011) conducted research on how the size of the audit committee impacts the accuracy of the financial reports. They found in their study that audit committee size is favourably impacted by earnings management. Rahman and Ali (2006), Ismail, Skandar, and Rahmat (2008), and Sharma and Kuang all conducted studies that saw positive and noteworthy results. Their finding supports Jensen's (1993) thesis that boards with more efficient operations have better management, which in turn has a favourable impact on the size of

the audit committee. This suggests or shows that smaller audit committees are better and more effective at monitoring financial reports than bigger ones, which lessens the likelihood of earnings management.

When Yang and Krishman (2005), conducted their research in the United States between 1996 and 2000, they had a different perspective. In their research, they discovered a detrimental connection. Studies by Lin, Li, and Yang (2006) were conducted concurrently with the one mentioned above. Beasley and Sacterio (2001), stated that larger audit committees are superior to smaller ones in terms of maintaining financial reporting issues. Additionally, they offered evidence to back their conclusions by claiming that when the audit committee's size is purposefully increased by adding external directors, it exceeds the minimum requirements with the ultimate goal of boosting audit effectiveness. It is clear from the aforementioned case that encouraging earnings management.

Fodio *et al*. (2013) found a considerably negative correlation between the size of the audit committee and reported earnings in a developing country like Nigeria. Leslie and Okeoguale (2013) likewise found a negative result in their investigation on the relationship between earnings management and the size of the audit committee. In a related discovery, Baxter and Cotter (2013) noted a variable result in their investigation.

**Preposition One:** We suggest a negligible correlation between the size of the audit committee and earnings management, based on the contrasting views of scholars discussed above and the existing body of material we have evaluated.

**Audit Committee Independence and Earnings Management**

The body of literature already in existence offers a variety of viewpoints on the subject at hand, but the majority of them share the belief that independent audit committee members make the process of monitoring financial records largely effective, which raises the credibility and reliance of the published financial statements. This concurs with the findings of Nelson and Jamil (2012), who found that the more independent the audit committee, the more likely it is that earnings will be managed because they can operate unchecked.

Nelson and Jamil (2012) disagree with a study conducted by Chtouson, Bedard, and Courteau (2001). The relationship between corporate governance and earnings management in US corporations was examined by Chtourou, Bėdard and Courteau (2001). One of the two companies they looked at had a significant amount of earnings management, whereas the other had less. In their investigation, they found a link between management of income-increasing wages and a high proportion of external members who are not on the management team of other organisations.

This discovery is also consistent with Klein's (2002) observations that anomalous accruals (earnings management) and the presence of independent directors on the audit

committee have a detrimental effect. Additionally, Mala and Ballestra (2009) noted that audit committee independence can encourage discretionary accrual by boosting investors' faith in the financial statements that have been publicly released.

Similar to this, Sharma and Kuang (2013) believed that when an audit committee is composed of directors who are not executive members, the likelihood of hostile or aggressive profits management will be significantly reduced. Their claims are supported by research by Broncon Carcello, Hollingsworth, and Neal (2009) and Beasley (1999), which established that hostile earnings management is restrained by the participation of independent directors on the board. Instead, according to Baxter and Cotter (2013), there is no meaningful connection between the independence of the audit committee and earnings management.

Nelson and Jamil (2011) found a positive but insignificant correlation between audit committee independence and earnings management, which supports Baxter and Cotter (2013). In the case of Nigeria, Fodio *et al*. (2013) found that the audit committee's independence and earnings management had a positive and substantial link, contradicting Nelson and Jamil's (2011) findings. the findings of the study by Xie (2003) on the relationship between corporate governance and earnings management.

**Proposition Two:** From the foregoing, we propose the existence of insignificant association between audit committee independence and earnings management.

**Audit Committee Financial Expertise and Earnings Management**

An understanding of finance is often anticipated of at least one member of the audit committee. The Companies and Allied Matters Act (1990), as amended, namely section 309(3) and (4), mandates that one of the committee members must have expertise in finance. According to Beasley, Carcello, Hermanson and Neal (2009), having a high degree of financial literacy will have a favourable effect on their reputations, increasing the value of their work. According to Krishman (2008), high levels of financial competence will result in high-quality financial reports. Additionally, Ruhaida (2011) found that audit committee financial expertise and earnings management had a favourable but negligible association.

According to Danelson and Ege (2013), an audit committee performs well when analysing issues pertaining to earnings management since it demonstrates a high level of financial acumen. To counteract this, they recommended that at least one of the members have financial expertise. Sharma and Kuang's (2013) study on New Zealand's aggressive profits management, voluntary audit committee characteristics, and incentives was another one that had a poor outcome. However, Krishnan (2008) found a weak conclusion in a study he conducted on the relationship between the audit committee and the importance of quality earnings management. The findings of this study concur with those of Nelson and Jamil (2012) and Xie (2003), in which there was no evidence (no correlation) to support the claim that the size of management of quarterly reported earnings is only weakly related to the financial expertise of the audit committee.

**Proposition Three:** From the above scenario, we can juxtapose that the relationship between audit committee financial expertise and earnings management is inconclusive.

**Audit Committee Meetings and Earnings Management**

It is important to note the importance of audit committee meetings in regard to earnings management since they help the committee properly carry out its oversight duties and effectively monitor management performance. According to Collier and Gregory (1999), the committee is more effective at monitoring management activities the more meetings it holds, which will help to lessen or control the severity of any financial issues that may arise. This statement is in agreement with their findings.

According to Price Waterhouse (1993), a renowned audit practitioner, the audit committee should meet at least four times each year, with emergency sessions excluded. According to Menon and William (1994) and Beasley (1999), the audit committee should meet no less than once to assess the interim and annual reports of the Securities and Exchange Commission (SEC) in order to effectively carry out its professed monitoring responsibility.

In their study, Chtouron *et al*. (2001) found a favourable correlation between twice-monthly audit committee meetings and earnings management. According to Ramsay (2001), holding regular audit committee meetings will enable the committee to fulfil its function of financial oversight and to keep tabs on the management's plans to manipulate earnings.

Regulators have recently been shown to be continuously doubting the audit committee's ability to ensure that financial reports are stated accurately and free of any signs of manipulation.

**Proposition Four:** From the above discussions, we can infer that there is no significant relationship between audit committee meetings and earnings management.

**Analytical Framework and Model Specification**

The researchers adopted a cross-sectional research design as the study examined the nexus between audit committee attributes and earnings management of food and beverage firms listed on the Nigerian Exchange Group (NGX) between 2014 and 2020. Statistical sampling was not used because of the population size, instead the filtering method was used. On the basis of this, eight companies were selected because they satisfied the stated criteria of capitalization.

Data for the study were gotten from the published annual reports and accounts of the selected firms for the periods under review. This secondary source was imperative because of the standard analytical tools adopted for the study. The Ordinary Least Square (OLS) regression technique was adopted, using the STATA package as the analytical tool.

Regression was employed to easily ascertain the cause-and-effect relationship of each variable. Also, Robustness tests were also conducted to test the validity of the statistical inference. Model Specification The model stated below is used to empirically test the propositions made. The was adapte model is adopted from the works of Yang and Krishnan (2005), Nelson and Jamil (2011) and Baxter and Cotter (2013),

$$JARRit = \beta_{oit} + \beta_1 AUSIZ + AUDID\,\beta_2 + AUFEP\,\beta_3 + AUDMT\,\beta_4 + \Sigma$$

Where:

| | | |
|---|---|---|
| $B_0$ | = | Constant |
| AUSIZ | = | Audit Committee Size |
| AUDID | = | Audit Committee Independence |
| AUFEP | = | Audit Financial Expertise |
| AUDMT | = | Audit Committee Meetings |
| FMSIZ | = | Firm size |
| $\Sigma$ | = | Other factors not captured by the model. |

**Estimation Techniques and Discussion of Findings**

**Descriptive Statistics**

Table 1 below presents the summary of the descriptive statistics for the dependent and independent variables for 189 observations. For the variable, JARR, it shows that JARR has a mean value of -0.0805 and a standard deviation of 0.2513. The maximum in JARR is 0.08190 while the minimum is -2.0810.

For AUSIZ, the variable has a mean value of 5.7513 and a standard deviation of 0.9148. The variable, audit committee independence, the mean value is 0.4892 and a standard deviation of 0.1250. Audit committee meeting has a mean value 3.6402 and a standard deviation of 0.8859. The p-values of the Jacque-Bara statistics of nearly the variables are less than 0.0000 which indicates that the data of all the studied variables are normally distributed at 5% level of significant level. This connotes that the studied firms are not dominated by firms of any particular extreme values.

**Table 1:** Descriptive Statistics

| | JARR | AUSIZ | AUDID | AUDMTP | AUFE | FMSIZ |
|---|---|---|---|---|---|---|
| Mean | -0.0805 | 5.7513 | 0.4892 | 3.6402 | 0.7249 | 7.4256 |
| Median | -0.0690 | 6.0000 | 0.5000 | 4.0000 | 1.0000 | 7.6000 |
| Maximum | 0.8190 | 9.0000 | 1.0000 | 6.0000 | 1.0000 | 8.6800 |
| Minimum | -2.0810 | 2.0000 | 0.1700 | 1.0000 | 0.0000 | 5.3500 |
| Std. Dev. | 0.2513 | 0.9148 | 0.1250 | 0.8859 | 0.4478 | 0.7576 |
| Skewness | -3,2482 | -1.6211 | 2.0518 | -0.8896 | 1.0071 | - 0.7113 |
| Kurtosis | 28.464 | 8.6942 | 11.526 | 3.6067 | 2.0142 | 2.8795 |
| Jarque-Bera | 5438.7 | 338.18 | 705.08 | 27.825 | 39.599 | 16.053 |
| Probability | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0003 |
| Sum | -15.219 | 1087.0 | 92.450 | 688.00 | 137.00 | 1403.4 |
| Sum Sq. Dev. | 11.870 | 157.31 | 2.9381 | 147.53 | 37.693 | 7.90 |
| Observations | 189 | 189 | 189 | 189 | 189 | 189 |

**Source**: Computed from Various Annual Reports Using E-Views 10.

**Table 2:** Correlation Matrix

| Correlation | JARR | AUDID | AUDMT | AUFEP | FMSIZ |
|---|---|---|---|---|---|
| JARR | 1.000000 | | | | |
| AUSIZ | 0.121548 | 00 | | | |
| AUDID | -0.034499 | 1.40 | 000000 | | |
| AUDMT | -0.120801 | 56 | -0.063764 | 1.000000 | |
| AUFEP | -0.120802 | 89 | 0.009120 | -0.143605 | 1.000000 |
| FMSIZ | 0.097044 | 71 | -0.132906 | 0.484560 | -0.179556 |

**Source**: Computed from Various Annual Reports Using E-Views 10

Table 2 shows that the measure of performance, JARR, has mixed correlations with the various variables used in the study. Using JARR to measure of earnings management, only JARR has a positive correlation with AUSIZ, AUDMT and FMSIZ, while the correlations of AUDID and AUFEP are negative. The table reveals that no two of the explanatory variables are perfectly correlated or nearly so Thus, the problem of multi-colinearity does not exist in this model.

**Table 3:** Regression Analysis and Testing of Hypotheses

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| AUSIZ | 0.025492 | 0.024681 | 1.032865 | 0.3030 |
| AUDID | -0.015175 | 0.150841 | -0.100603 | 0.0102 |
| AUDMT | 0.025017 | 0.023863 | 1.048357 | 0.0053 |
| AUFEP | -0.051186 | 0.042068 | -1.216753 | 0.0042 |
| FMSIZ | -0.004333 | 0.032523 | -0.133235 | 0.0035 |
| C | -0.241501 | 0.220204 | -1.096718 | 0.0041 |

| | | | |
|---|---|---|---|
| R-squared | 0.091111 | Mean dependent var | -0.080524 |
| Adjusted R-squared | 0.006639 | S.D. dependent var | 0.251274 |
| S.E. of regression | 0.250690 | Akaike info criterion | 0.102033 |
| Sum squared resid | 11.50073 | Schwarz criterion | 0.204945 |
| Log likelihood | -3.642076 | Hannan-Quinn criter. | 0.143725 |
| F-statistic | 1.175244 | Durbin-Watson stat | 1.839407 |
| Prob(F-statistic) | 0.003014 | | |

**Source**: Computed from Various Annual Reports Using E-Views 10

The table depicts that the explanatory variables do not account for much of the systematic variations in the dependent variable. The table reveals that R-squared and adjusted R-squared values of 0.0911 and 0.0066 respectively. This value of the R-squared statistic suggests that the explanatory variable explains about 9.1% adjustments in the dependent variable. For the model, the Durbin-Watson statistic (1. 8394) shows the absence of auto-correlation (since the statistic can be approximated to 2.0). The p- value of the F-statistic (0.0030) shows that the model overall is suitable for estimating the stated model.

**Proposition One:** There is an insignificant association between audit committee size and earnings management of listed food beverages firms.

**Table 4:** Regression Results on AUSIZ and JARR

| Variable | Coefficient | t-test statistic | p-value |
|---|---|---|---|
| AUSIZ | 0.0255 | 1.0329 | 0.3030 |

**Source**: E-Views 10 Computations (extracted from Table3)

With a coefficient of 0.0255, the results indicate that audit committee size positively impacts earnings management of listed food and beverage firms. while the probability value of 0.3030 shows that the positive impact is insignificant. This means, we should not accept the alternative hypothesis and accept the null hypothesis.

**Proposition Two:**
There is no significant association between audit committee independent and earnings management of listed food beverage firms.

**Table 5:** Regression Results Audit committee independence and JARR

| Variable | Coefficient | t-test statistic | p-value |
|---|---|---|---|
| AUDID | -0.0152 | -0.1006 | 0.0102 |

**Source**: Extracted from Table 3 (E-Views Computations)

With a coefficient of -0.0152 the results indicate that audit committee independence negatively impacts earnings management of listed food beverage firms, while the probability value of 0.0102 shows that the negative impact is insignificant. This makes us to not accept, the alternative hypothesis, thus accepting the null hypothesis. The researchers accept that audit committee independence are not significantly affects earnings management of listed food beverages firms and though such effect is negative.

**Proposition Three**
There is an inclusive relationship between audit committee financial expertise and earnings management of listed food beverage firms.

**Table 6:** Regression Results on Audit committee meetings and JARR

| Variable | Coefficient | t-test statistic | p-value |
|---|---|---|---|
| AUDMT | 0.0250 | 1.0484 | 0.0053 |

**Source**: E-Views 10 Computations (extracted from Table 3)

With a coefficient of 0.0250 the results indicate that audit committee financial expertise positively impacts earnings management of listed food beverage firms, while the probability value of 0.0053 shows that the positive impact is significant because it is less than 0.05. This leads to accepting the alternative hypothesis and not accepting the null Hypothesis. The researcher accepts that audit committee financial expertise significantly affects earnings management of listed food beverage firms and such effect is positive.

**Proposition Four**
There is no significant relationship between audit committee meetings and earnings management of listed food beverage firms.

**Table 7:** Regression Results on Audit committee meetings and JARR

| Variable | Coefficient | t-test statistic | p-value |
|---|---|---|---|
| AUFEP | -0.0519 | -1.2168 | 0.0042 |

**Source**: E-Views 10 Computations (extracted from Table 3)

With a coefficient of -0.0519 the results show that audit committee financial expertise negatively affects earnings management of listed food beverage firms, while the probability value of 0.0042 shows that the negative impact is significant because it is less than 0.05. This leads to accepting of the alternative hypothesis, thus not accepting the null

hypothesis. The researchers accept the fact that audit committee meetings expertise significantly affect earnings management of listed food beverage firms and such effect is negative.

**Discussion of Findings**

**AUSIZ (AUSIZ) variable:** With a coefficient of 0.0255 the results indicate that audit committee size positively impacts earnings management of listed food and beverage firms, while the probability value of 0.3030 indicates that the positive impact is not significant. This leads to not accepting the alternative hypothesis, thus accepting the null hypothesis that audit committee size does not significantly affect earnings management of listed food and beverage firms, and that such effect is positive. This finding is at variance with the findings of Yang and Krishman (2005), Lin *et al*. (2006), Leslie and Okoeguale (2013) and Baer and Colter (2009).

**Audit committee independence (AUDID) variable:** With a coefficient of 0.0250 the results indicate that audit committee meetings positively impact earnings management of listed food and beverage firms, while the probability value of 0.0053 indicates that the positive impact is significant because it is less than 0.05. This leads to accepting the alternative hypothesis, thus not accepting the null hypothesis. The researchers accept that audit committee meetings significantly affect earnings management of listed food and beverage firms, and such effect is positive. This finding is in tandem with the findings of Nelson and Jamil (2012), Meca and Ballesta (2009) and Fodio et al. (2013) but not with the findings of Chtourou *et al*. (2001) and Klein (2002).

**Audit committee meetings (AUDMT) variable:** With a coefficient of 0.0250 the results indicate that audit committee meetings positively impact earnings management of listed food and beverage firms, while the probability value of 0.0053 indicates that the positive impact is significant because it is less than 0.05. This leads to accepting of the alternative hypothesis, thus not accepting the null hypothesis. The researchers accept that audit committee meetings significantly affect earnings management of listed food and beverage firms, and such effect is positive. This finding is tandem with the findings of Chtourou *et al*. (2001), but not with those of Yang and Krishnan (2005) and Xie (2003).

**Audit committee financial expertise (AUFEP) variable:** With a coefficient of -0.0519, the results indicate that audit committee financial expertise negatively affects earnings management of listed food and beverage firms, while the probability value of 0.0042 shows that the negative impact is significant because it is less than 0.05. This leads to the acceptance of the alternative hypothesis, while the null hypothesis is not accepted. The researchers accept that audit committee financial expertise significantly affects earnings management of listed food and beverage firms and such effect is negative. This finding is in agreement with the finding of Collier and Gregory (1999), Xie (2003) but at variance with the finding of Chtourou *et al*. (2001).

**Control Variable: Firm Size (FMSIZ) variable:** With a coefficient of -0.0043 the results indicate that firm size negatively affects earnings management of listed food and beverage firms, while the probability value of 0.0035 indicates that the negative impact is significant because it is less than 0.05.

**Conclusion**

An empirical examination of the nexus between audit committee attributes and earnings management was done to unveil the impact they will have on each other. Based on the analysis, the researchers conclude that, when the membership of audit committee increase, the activities of the managers are effectively monitored, and this will enable them in high financial reporting system.

The study also revealed that as the financial knowledge of committee members increase, the better they are in the detection of reported earnings, which enhances the value of the firms: It was deducted from the study that the independence of audit committee members does not guarantee that earnings may not be manipulated. It is also inferred from the study that more audit committee meetings will result to a more effective monitoring of firms' activities. Finally, it is observed that, the internal control and governance mechanisms of larger firms are stronger, hence, their ability to employ the services of large audit firms which will in turn provide high quality audit services. No doubt, this will help in reducing earnings management of the firm's management team.

**Policy Recommendations**

Firstly, shareholders of the studied firms should ensure that the directors and shareholders should be equally represented in the committee. The Companies and Allied Matters Act (CAMA) 2004 as amended had provided for six members. A situation where some firms do the contrary should be discontinued.

Secondly, the Securities and Exchange Commission (SEC) should clearly make their stands known on the composition of Audit Committee Members and their functions should also be well spelt out. It could by extension recommend that independent members should also have financial knowledge to enhance their functions in the Committee.

Thirdly, regulators like the Securities and Exchange Commission (SEC) should increase the number of members with financial expertise from one and also the Chairman should be one who has good financial analysis background or preferably a professional accountant as this will place them in a vantage position to check the likely occurrence of earnings management practices.

Lastly, Committee meetings should not be more four times to enhance proper monitoring, because, when it is more than this, monitoring could be compromised. This means that, regulators should take a stand on the number of times monitoring should be made.

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