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Firm Attributes and Earnings Management among Listed Consumable Goods Companies in Nigeria

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Abstract

The perpetration of earnings management in the preparation and presentation of financial statements poses a huge risk to stakeholders and indeed the sustainability of businesses in recent times. A major instrument being employed is traceable to firm attributes of the company. Firm attributes contribute greatly in influencing the likelihood and nature of earnings management problems within a firm. Therefore, this study investigated specific firm attributes and their impact on earnings management in Nigerian listed consumer goods businesses. The study focused on analyzing the effects of debt, firm size, profitability, and liquidity on earnings management among thirteen listed consumer goods companies. Thirteen (13) companies were selected using purposive sampling technique from study's population of 21 firms over a ten-year period from 2013 to 2022. The data for the analysis was gathered from the audited annual reports of the chosen companies, and the methodology involved panel data estimation, correlation analysis, and descriptive statistics. According to the findings, profitability demonstrated a substantial negative impact on Earnings Management (t-val. = -2.210, $p < 0.05$), implying that profitable companies engage in lower rates of earnings manipulation. Furthermore, the control variable of audit firm size (t-val. = -2.763, $p < 0.05$) exhibited a significant negative effect on Earnings Management, while firm size (t-val. = -2.509, $p < 0.05$) also showed a negative and significant

influence on Earnings Management. This suggests that larger companies report reduced earnings manipulation, indicating a lower incidence of earnings manipulation in companies audited by the Big 4 auditing firms (audit firm size).Based on the study's findings, it can be concluded that firm characteristics such as profitability, size, and audit firm size significantly impact Earnings Management. It is recommended that managers and shareholders of consumer products firms in order to prevent idleness and liquidation should improve the efficacy and efficiency of their liquidity and profitability in order to improve or strengthen the financial performance of their organizations.

Keywords: Earnings management, Firm attributes, Financial statements, Leverage, Liquidity

Introduction

Numerous accounting scandals that have shaken the world over the last 20 years have served as a catalyst for research on Earnings Management. Cases of earnings manipulation have occurred in the Nigerian corporate sector, including the alleged fraudulent accounting scandals involving African Petroleum Plc, Cadbury Nigeria Plc in 2006, Oceanic Bank Plc, and Intercontinental Bank Plc. Consumer products companies are also affected by this issue (Isa & Musa, 2018). In light of the numerous accounting scandals that have been published, it is necessary to determine what variables could be employed to lessen management's propensity to engage in dishonest accounting practices (Isa & Musa, 2018). Scholars and professionals have directed their attention towards diverse matters related to Earnings Management, particularly about the scope of Earnings Management operations and the firm-specific elements that could impact it (Mohammad et al., 2016).

Investors rely on financial statements for decision-making (Liu, 2012; Altarawneh, et al., 2020). However, confidence in the accuracy of corporate information has been eroded by financial scandals. Instances of irregular reporting and unethical accounting practices have led to decreased trust in financial reports, even in reputable companies (Al-Sraheen & Alkhatib, 2016).

The issue of corporate financial reporting has garnered global attention due to

business failures caused by inaccurate and deceptive financial reporting (Agrawal & Chadha, 2005). Deceptive financial statements aim to mislead users and lack key attributes like relevance, correctness, comparability, dependability, and compatibility. Falsifying records and misapplying accounting principles are common methods of deceit.

The justifications for preparing deceptive financial statements are debated. Some believe they are created to meet shareholders' demands for high returns. In Nigeria, the quality of financial information is perceived as misleading, and hindering the development of robust equities markets. Investors lament the unreliability of financial data on company performance. Therefore, this study aims to explore how business characteristics like firm size, liquidity, leverage, and profitability influence Earnings Management of listed consumer goods companies in Nigeria

Statement of the Problem

Earnings tampering is problematic because it lowers the caliber of financial information that is reported, thereby interfering with the economy's capacity to allocate resources effectively. This in turn modifies the link among the return of stocks and provided earnings. In light of the numerous accounting scandals that have been published, it is necessary to determine what variables could be employed to lessen management's propensity to engage in dishonest accounting practices (Isa & Musa, 2018). Academics and professionals have extensively studied EM, focusing on operational scope and specific factors (Mohammad et al., 2016). Manipulative policy decisions can reduce the quality of reported earnings, undermining investor confidence (Egolum, & Onodi, 2021).

Numerous rigorous studies have thoroughly examined the impact of firm-specific factors on Earnings Management, as demonstrated by Waweru & Riro (2013), Anagnostopoulou &Tsekrekos (2016), Osemene et al. (2018), Sae-Lim & Jermsittiparsert (2019), and Magaji et al., (2020). These comprehensive investigations, carried out in both developed and developing nations, unequivocally establish the positive effect of corporate governance and legal frameworks on the quality of earnings. Nonetheless, there remains a significant gap in our understanding of the relationship between firm-specific features and profits management in developing nations, notably in Nigeria, relative to consumerised nations. Three prominent firm

characteristics are identified as influencing Earnings Management structure, monitoring and performance variables

The interplay between firm size and leverage is a crucial focal point in the evaluation of financial reporting quality for listed manufacturing companies. Studies by Wang et al., (2015) and Asegdew (2016), have consistently unearthed a robust and statistically significant positive relationship between these variables. Wang et al. (2015) also emphasized a particularly strong correlation between overinvestment and the financial reporting qualities for companies with substantial free cash flow. While Egbunike and Okerekeoti (2018) underscored the significance of firm features, firm size, and leverage. Olowokure et al. (2016) arrived at the contrasting finding of an absence of substantial association between firm size, leverage, and financial reporting quality. It is the belief of the public that Nigerian manufacturing managers prioritize their gains over stakeholders. This study investigates if listed consumer companies in Nigeria use earning management to hide poor performance and mislead investors. It will also explore how company size, leverage, profitability, and liquidity impact earning management in Nigerian listed consumer goods companies.

Research Questions

The following questions were raised.

i) How does leverage influence the Earnings Management of listed consumer goods companies in Nigeria?
ii) What is the effect of firm size on the Earnings Management of listed consumer goods companies in Nigeria?
iii) To what extent does profitability influence the Earnings Management of listed consumer goods companies in Nigeria?
iv) What is the influence of liquidity on the Earnings Management of listed consumer goods companies in Nigeria?

Objectives of the Study

The specific objectives of the study are to:

i) examine the influence of leverage on the Earnings Management of listed consumer goods companies in Nigeria.
ii) determine the effect of firm size on the Earnings Management of listed consumer goods companies in Nigeria.

iii) assess the effect of profitability the Earnings Management of listed consumer goods companies in Nigeria.

iv) examine the effect of liquidity on the Earnings Management of listed consumer goods companies in Nigeria.

Research Hypotheses

H_{01}: Leverage has no significant influence on the Earnings Management of listed consumer goods companies in Nigeria.

H_{02}: There is no significant effect of firm size on the Earnings Management of listed consumer goods companies in Nigeria.

H_{03}: Profitability has no significant effect on the Earnings Management of listed consumer goods companies in Nigeria.

H_{04}: Liquidity has no significant effect on the Earnings Management of listed consumer goods companies in Nigeria.

Therefore, this paper is divided into five parts, namely, introduction, literature review, methodology, empirical results and conclusion and recommendations.

Literature Review

Conceptual Review

Earnings Management

Different definitions have been given to Earnings Management **(**EM) by numerous scholars, but all the definitions supplied have been pointing towards the same meaning and direction. Rahman et al. (2013) defines it as rational management with the goal of achieving steady financial results. Abolo (2022) describes it as any measure taken by a company's management to increase profit, and benefit executive directors over shareholders.

Ahmad (2016) notes that Earnings Management is a strategy used by business management to increase profits, often serving the executive directors' objectives over the shareholders' interests. Alzoubi (2019) identifies two types of Earnings Management as opportunistic and managerial situations. Opportunistic situations involve managers handling debt obligations and political costs as efficiently as possible. Earnings Management grants managers the autonomy to protect the company's interests and navigate unforeseen challenges (Umobung & Ibanichuka,

2017). In times of uncertainty, Earnings Management becomes more prevalent, as shown by recent accounting scandals (Al-Shaer et al., 2017).In managerial situations, earnings are managed by manipulating financial records to present a favorable image of the company's operations. This includes aspects such as manipulating earnings through accruals and delaying the purchase and sale of non current assets to boost current period profits (Akeju & Babatunde, 2017; Erna et al., 2022; Oyebamiji,2021). Managers may face pressure to engage in Earnings Management in order to meet financial expectations, boost the company's stock price, earn bonuses, and attract potential investors (Ahmad et al., 2022). This practice is employed to create a favorable impression of the company for the public, stakeholders, and investors, ultimately leading to better rewards. Managers use Earnings Management to influence investors' perceptions of their financial reporting discretion, employing tactics such as revenue and expense accumulation, changes in accounting policy, and accruals management (Erna et al., 2022). However, certain corporate governance structures have been identified to curtail Earnings Management, with some ownership structures exerting significant influence in promoting truthful information and reducing Earnings Management (Kao et al., 2004; Erna et al., 2022).

Firm Attributes

These are the qualities that influence the financial performance of companies. Siyanbola et al. (2020) emphasize that a firm's age, size, and profitability are crucial for its success.

Firm Size: A company's size is determined by its production potential, capabilities, and service variety. This influences its internal and external relationships, with larger companies more likely to maximize their value. In empirical corporate finance research, firm size is a significant variable, yet studies yield conflicting results on its impact .Lopez-Valeiras et al. (2016) found that indebtedness negatively impacts the link between company size and financial success. Ishak et al. (2018) observed that larger companies face more agency problems when managing diversified operations. There is also a strong correlation between real earnings manipulation and firm size, suggesting potential profit manipulation within larger businesses due to the complexity of their transactions.

Leverage: Leverage in a company's capital structure represents the ratio of debt to equity (Omondi & Mutur, 2013). This helps gauge the percentage of total assets

financed by debt and assesses financial and business risks. Additionally, high debt reliance for new ventures is seen as risky, potentially scaring away investors and leading to earnings manipulation to meet debt covenant requirements (Ishak et al., 2018). The risk of bankruptcy pushes leaders to adopt better management techniques, including good governance practices

Profitability: Return on assets (ROA) is a key measure of profitability, calculated as profit after taxes divided by total assets. It indicates a company's asset efficiency and overall yield. Zuhroh (2019) revea1ed that pr0fitabi1ity has a p0sitive and significant effect 0n firm va1ue,and this was supported by Fajaria and Isna1ita (2018) that pr0fitabi1ity can significant1y increase firm va1ue.

Liquidity: The company's ability to turn short-term assets into cash for daily operations, known as liquidity, is crucial for meeting current liabilities. In the absence of external financing, businesses can use liquid assets for funding. Liquidity ratios, such as quick and current ratios, assess a company's short-term financial health (Katchova & Enlow, 2013)

Control Variables

i. Audit Fees

The audit fee which is the sum charged by auditors for reviewing an organization's financial statements is a critical control variable in this study. It is essential that these fees are affordable, as external auditors are required to maintain high audit quality by law. By ensuring adequate compensation, auditors can sustain the quality of their services, benefitting both the auditors and the organizations they audit. The public and shareholders must ensure the audit fee maintains the audit opinion's credibility for corporations and auditors.

ii. Audit Firm Size

The study used a key control variable, whether an audit company is part of the "Big 4". This is a well-studied indicator of audit characteristics (DeFond & Francis, 2005). Larger audit companies are less susceptible to client pressure to ignore accounting issues, and the reputations of Big 4 auditors are more valuable than those of smaller firms..

Theoretical Framework

The study is built on signaling theory (Ross, 1977), which argues that the presence of information asymmetry can justify the use of financial information by good companies to communicate with the market. According to (Teixeira & Lima, 2007), the market

perceives manager-disclosed information as a positive signal because it reduces information asymmetry. Signaling theory was first introduced by Spence (1973) to explain information asymmetry in the labour market, and this has been subsequently applied to corporate reporting to explain voluntary disclosure. Due to the information asymmetry between management and owners, managers have the autonomy to select accounting methods and calculations that allow them to obscure the true economic value of the business.

Empirical Review

In order to investigate the influence of business characteristics on Earnings Management in Nigeria's pharmaceutical industry from 2012 to 2021, Bello et al. (2023) examined data from five different companies. Their multiple regression research demonstrated the strong influence of firm attributes on Earnings Management in Nigeria's quoted pharmaceutical sectors by revealing that audit quality and board independence had a considerable impact on the industry's Earnings Management.

Johnson et al. (2023) utilized panel regression data from a sample of 12 manufacturing firms to explore the link between firm attributes and earnings predictability of quoted manufacturing companies in Nigeria from 2017 to 2021. Their findings indicate a weak but positive impact of firm attributes on earnings predictability

Alyaarubi et al. (2021) established the link between internal audit quality and Earnings Management in Omani enterprises. The study analyzed 80 participants from the consumer and service sectors of the Muscat Securities Market (MSM) in Oman using Smart PLS 3.0. The findings indicated a favorable connection between Earnings Management and internal audit quality in both sectors, suggesting that improving audit quality can enhance the Earnings Management of Omani quoted companies

Nwoye et al. (2021) investigated the impact of audit quality on Earnings Management in Nigerian insurance companies, focusing on accruals and performance metrics of earnings manipulation. Utilizing multiple regression analysis, the study revealed a significant influence of audit quality on Earnings Management in financial institutions in Nigeria.

In Nigerian manufacturing enterprises that are publicly traded, Kelvin (2020) investigated the connection between firm characteristics and the quality of earnings. Using annual data from six manufacturing companies from 2011 to 2018, the study's panel data analysis revealed a positive and substantial association between the firm's

attributes (assessed by return on assets and current ratio) and the persistence of its profitability. The results showed that, as demonstrated experimentally, increasing liquidity assets and turnover can enhance the quality of a company's reported earnings. From 2009 to 2019, Magaji et al. (2020) looked at the governance structure, Earnings Management, and audit quality of fourteen Nigerian quoted deposit money institutions. The study found, using multiple regression analysis, that audit independence, managerial ownership, and board independence significantly harmed the management of profitability in quoted Nigerian banks, but auditor size and audit tenure had no effect.

The impact of financial elements on Earnings Management and earnings quality was investigated by Saleh et al. (2020). Additionally, the study looks at how Earnings Management influences earnings quality by acting as a mediator between financial issues and earnings. Multiple regression analysis is used in the study during a ten-year period (2009-2018). The findings show that the model's entire set of financial parameters has an impact on both Earnings Management and earnings quality. Furthermore, the impact of financial considerations on earnings quality is totally mediated by Earnings Management, which also had inverse influence on Earnings Quality.

The influence of Chief Executive Officer personal traits on Real Earnings Management practices in Jordan was investigated by Alhmood et al. in 2020. To accomplish the goals of this study, data from 58 firms that were quoted for six years, from 2013 to 2018, on the Amman Stock Exchange, were used. The study's findings indicated positively and substantially between REM and CEO experience. The results also showed a significant inverse relationship between CEO dualism and REM. Finally, it was found that real EM and CEO political contacts were highly positively correlated

The association between ownership structure and earnings management of thirty Vietnamese commercial banks was investigated by Tran et al. (2020). The paper examines data spanning from 2005 - 2019, and adopts the ordinary least square method to investigate this link. Asymmetric information theory and agency theory are also used in the investigation. Six independent ownership structure-related factors were studied by the authors, and these parameters are characteristic of commercial banks in Vietnam. The findings indicated that ownership concentration has a beneficial

influence on Vietnamese commercial banks' practices related to earnings management, the foreign ownership ratio has the reverse effect.

Dang and Van,(2020) carried 0ut an investigati0n 0f the effect 0f earnings qua1ity 0n firm va1ue 0f 1isted c0mpanies in Vietnam. Data f0r the study was s0urced fr0m financia1 statements 0f c0mpanies samp1ed f0r the study. A t0ta10f 3,910 firm 0bservati0ns were emp10yed f0r a peri0d 0f 9 years 2010-2018 and regressi0n ana1ysis using G1S was ad0pted f0r the study. The study f0und that earnings qua1ity had a p0sitive significant effect 0n firm va1ue. The resu1t sh0wed that earnings qua1ity had a negative effect 0n firm size, rate 0f investment in n0n-current assets and dividend pay0ut rati0

Kaj01a, et a1, (2020) examined the re1ati0nship between c0rp0rate b0ard attributes and earnings management in Nigerian banks f0r the peri0d 2009-2018. The dependent variab1e (earnings management), was derived using m0dified J0nes m0de1's discreti0nary accrua1s, whi1e f0ur c0rp0rate b0ard attributes (size, independence, gender diversity and b0ard meetings) served as independent variab1e. The auth0rs used Rand0m effect genera1ised 1east square regressi0n t0 disc0ver a negative and significant re1ati0nship between b0ard size, b0ard independence and earnings management. B0ard gender diversity and b0ard meetings, h0wever, have n0 significant ass0ciati0n with earnings management. The study Srec0mmended that c0rp0rate g0vernance 1egis1ati0n sh0u1d supp0rt 1arge number 0f direct0rs (subject t0 a manageab1e size) and m0re 0f externa1 direct0rs sitting 0n c0rp0rate b0ards.

Methodology

Research Design

"Ex-post facto" research design was used in this study because the data required for it already existed. The population of the study comprised 21 listed consumer goods companies' in Nigeria; while Purposive sampling technique was used to determine and select sample size of 13 based on the availability of published financial statements. Secondary data were obtained from the companies' annual financial reports for a period of 10years (2013 – 2022). Descriptive statistics and panel regression techniques were employed in this study in addition to relevant diagnostic tests

Model Specification

The model specification for this study was adapted by (Kelvin, 2020) was specified in functional and stochastic forms.

$$AEM = f(LEV, FS, PRF, LIQ, AFES, AUFS)$$

$$AEM_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 FS_{it} + \beta_3 PRF_{it} + \beta_4 LIQ_{it} + \beta_5 AFES_{it} + \beta_6 AUFS_{it} + \varepsilon_{it} \quad (3.7)$$

Where:

AEM= Accrual Earnings Management

LEV= Leverage

FS =Firm size

PRF= Profitability

LIQ= Liquidity

$AUFS$= Audit firm size

$AFES$= Audit fees

ε_{it} = Error term

β_0,= Constant term, i- company; t- time

β_1 …β_6= Regression Coefficients

Measurement of Variables

Dependent variable is Accrual earnings (AEM) and it measures as Discretionary Accrual. The earning management metric originates from Dechow & Schrand (2004), also referred to as DD. The basis of the DD model is the degree to which working capital accruals map into cash flow realisations; a poor match indicates low accruals quality. Consequently, we regress working capital accruals on operating cash flows that are past, present, and future: $TCA_{it} = \delta_0 + \delta_1 CFO_{it-1} + \delta_2 CFO_{it-1} + \delta_3 CFO_{it+1} + \delta_4 \Delta REV_{it} + PPE_{it} + \omega_{it}$where:$TCA_{it} = (\Delta CA_{it} - \Delta Cash_{it})$-$(\Delta CL_{it} - \Delta STDBET_{it})$ Independent variables are; Firm size represented by Natural log of total assets; Leverage stands for ratio of Total debt to Equity; Profitability stands as Percentage of net income to total asset; Liquidity stands for ratio of current asset to current liability while the control variables are Audit Firm size represented by1 for businesses employing Big 4 auditors as outside auditors, and "0" otherwise and Audit fees represented by Natural log of all amounts paid for audits.

Results and Discussion

Table 1: Descriptive Statistics

	AEM	LEV	FS	LIQ	PRF	AFES	AUFS
Mean	0.092	0.439	17.945	1.553	7.269	7.325	0.923
Median	0.060	0.268	18.160	1.060	5.686	7.418	1.000
Maximum	0.413	5.175	19.780	12.579	26.517	8.955	1.000
Minimum	0.001	0.017	15.732	-1.24	-44.161	5.797	0.000
Std. Dev.	0.095	0.692	1.160	2.093	9.544	0.781	0.268

Skewness	1.832	4.318	-0.248	3.444	-1.128	0.001	-3.175
Kurtosis	5.956	25.068	1.879	15.574	8.803	1.983	11.083
Jarque-Bera	120.050	3041.778	8.139	1113.472	209.949	5.599	572.399
Probability	0.000	0.000	0.017	0.000	0.000	0.061	0.000
Sum	11.983	57.123	2332.928	201.895	945.098	952.287	120.000
Sum Sq. Dev.	1.154	61.803	173.670	564.972	11749.21	78.669	9.231
Observations	130	130	130	130	130	130	130

Source: Author's Computation (2024)

The results displayed in Table 1. The results indicate that the average value of EM stands at 0.092 with min. and max. value of 0.001 and 0.413 with a std dev. of 0.095.Firm financial leverage has an average of 0.439 with . dev. of 0.692 indicating that has no wide variation in the EM of Nigerian consumer goods firms with a min. and max. of 0.017and 5.175 respectively.

The firm size is found to have recorded 17.946on average with std. dev. of 1.160 indicating no wide variation in the size of the sampled firms. The average liquidity was shown in the Table to be 1.5530 with a std. dev. of 2.0928 and min. of -1.240and max. of 12.579 respectively. This implies that the liquidity ratio of the sampled consumer goods firms was very poor and not encouraging because the average value less than the consumer norms of 2:1.The average return on asset is 7.3 percent with std. dev. of 9.544 indicating wide variation in the profitability of the sampled firms with a min. and max. of -44.2 percent and 26.5 percent respectively. The results also found the mean audit fees to be 7.325 with a std. dev. of 0.781, min. value of 5.798 and max. of 8.955 respectively. The average audit firm size was found to be 92 percent with min. of 0 and max. of 1 respectively as well as std dev. of 0.268. This implies that all the 92% of sample consumer goods companies were audited by Big four audit. The probabilities of Jarque-Bera of almost all the variables are less than 0.05 significance level, which means null hypothesis is rejected.

Correlation Analysis

Table 2: Correlation Matrix with VIF

	AEM	**LEV**	**FSIZ**	**LIQ**	**PROF**	**ADFES**	**AUDFS**	**VIF**
AEM	1.000							-
LEV	-0.164	1.000						1.109
FS	-0.026	0.005	1.000					1.219
LIQ	-0.113	0.102	0.245	1.000				1.115
PRF	0.155	0.055	0.218	0.107	1.000			1.109
AFES	0.076	-0.259	-0.257	-0.109	-0.081	1.0000		1.329

AUFS	-0.257	0.037	0.043	0.045	0.125	0.312	1.000	1.175

Source: Author's Computation, 2024

The estimated correlation coefficient obtained for model was displayed in Table 2. The results in Table 2 revealed a weak inverse connection between leverage and earnings management given the estimated correlation coefficient of -0.164. The results also reveal a weak inverse connection between firm size and liquidity and earnings management given the estimated correlation coefficient of -0.026 and-0.113 respectively. In addition, the results reveal a weak positive relationship between the profitability and audit fees and earnings management given the estimated correlation coefficient. of 0.155 and 0.076 respectively. In addition, inverse connection exists between audit firm size and earnings management with correlation coefficient. of -0.257. The results further reveal weak relationship among the explanatory variables as the correlation coefficient. among the explanatory variables is relatively low with none of them even up to 0.5. The implication is that the problem of multicolinearity may not arise in the study. The study demonstrates that no explanatory variable has a VIF greater than 10.0. It exhibits a range between 1.109 and 1.329 indicating there is no multicollinearity among the explanatory variables in the model.

Test of Hypotheses

Table 3 **Panel Regression Results of Model**

Variables	Pooled	Random Effect	Fixed Effect
β_0	-0.024	-0.044	0.770**
	(-0.138)	(-0.252)	(2.448)
β_1	-0.014	-0.013	-0.0397
	(-1.141)	(-0.567)	(-0.234)
β_2	0.006	0.007	-0.0397**
	(0.819)	(-0.930)	(-2.509)
β_3	-0.001	-0.0014	-0.001**
	(-1.490)	(-1.550)	(-2.210)
β_4	-0.005	-0.005	0.002
	(-1.220)	(-1.215)	(0.396)
β_5	0.016	0.017	0.007
	(1.375)	(1.445)	(0.334)

β_6	-0.098**	-0.099	-0.125 **
	(-3.036)	(-2.359) **	(-2.763)
Adj. R^2	0.29	0.29	0.37
F-stat	3.028 (0.009)	3.083(0.008)	3.8471(0.0001)
Durbin-Wat	1.509	1.492	2.083
Heteroskedasticity			2.511(0.225)
Serial Corr. LM			2.0775(0.129)
Hausman Test			37.691 (0.0241)

t- stat. values in parentheses

P-val<0.05**

Source: Author'sCompilation (2024)

The Hausman Test's P-value of (0.0241) in Table 3 suggests that the fixed effect is the most preferred. Given that the variables were chosen and incorporated appropriately, the model is fit and significant at the 5% level, as indicated by the probability value of 0.000 <0.05 and the F-statistic of 3.847. This suggests that the sampled Nigerian consumer products firms' EM is positively impacted by the firm. The explanatory variables account for approximately 37% of the overall variance in EM, with the random error term accounting for the remaining 63% of the variation in EM that remains unexplained. The results of Durbin Watson's analysis of 2.08 show that auto-correlation is not a problem, indicating that all predictor variables were taken into account while determining the profits management. In addition, result of serial correlation of p- value 0.129indicated no existence of auto serial correlation in the data which is not significant at 5%. Similarly, there was no presence of heteroscedasticity in the study.

The study's findings, which are shown in Table 3, indicates that leverage has an associated (t-val = -0.234; p-value >0.05) unfavourable but negligible influence on the earnings management of quoted consumer goods companies. This suggests that the management of earnings is largely unaffected by indebtedness. Due to the increased danger of insolvency, the auditors will usually spend more time (all other things being equal) providing auditing and advisory services to heavily leveraged organisations. This result is consistent with that of Olowokere et al. (2021).The study revealed a significant negative impact of company size on the earnings management of quoted consumer companies, with a (t-val = -2.509; p-value <0.05) signifying the significance

at the 5 percent threshold. This suggests that larger companies tend to disclose less manipulation of earnings. The study's findings in Table 3 revealed a significant negative impact of profitability on the EM of quoted consumer goods companies, with a (t-val = -2.2096; p-value <0.05) signifying its significance at the 5 percent threshold. This implies that companies with higher profitability exhibit a lower propensity to manipulate their earnings. The study's findings in Table 3 indicate that the ability of quoted consumer goods businesses to control their earnings is marginally and positively impacted by liquidity. However, the (t-val = 0.396; p-val>0.05) suggests that this impact is not significant at the five percent level.

Regarding the control variables, it has been confirmed that audit fees do not have a bearing on earnings management (p-value > 0.05), but the size of the audit firm (Big 4 Audit firms) has a significant and negative impact on earnings management (t-val. = -2.7625; P-val. <0.05). This suggests that there is less accrual or earning manipulation in consumer products firms audited by the Big 4 auditing firms; this finding is consistent with the research of Nwoye et al. (2021).

Discussion of Findings

The impact of leverage on listed consumer products businesses' ability to manage earnings is minimal and unfavorable, suggesting that earnings management is not significantly influenced by leverage. Increased insolvency risk may lead auditors to spend more time providing services to heavily leveraged organizations. These findings are consistent with previous research.

These findings align with Olowookere et al. (2021) found that leverage had an insignificant impact on financial reporting quality. However, Hassan and Bello (2013), who reported a significant positive relationship between leverage and financial reporting quality in a sample of quoted manufacturing firms in Nigeria.

The financial reporting quality by quoted consumer products companies was significantly negatively impacted by firm size, indicating that financial information reported by major companies was of inferior quality. This aligns with the findings of Asegdew (2016) and Ishaq et al. (2018), who also observed a negative impact of firm size on the financial reporting quality in their respective studies. The results contradict the study's initial expectations and the conclusions from Rehmanl et al. (2019), who found a beneficial impact of business size on the FRQ in the banking sector in Pakistan. Additionally, leverage negatively and negligibly affects quoted consumer

goods companies' ability to manage their earnings.

The results indicated a negative impact of profitability on the earnings management of quoted consumer goods companies, which was significant at the customary level of significance. These findings align with Kelvin's (2020) study on the relationship between company traits and earnings quality of quoted manufacturing firms in Nigeria, which found a substantial impact of return on assets on earnings quality. Lastly, the ability of quoted consumer goods businesses to control their earnings is marginally and positively impacted by liquidity. These results contradict earlier empirical research (Soyemi & Olawale, 2019; Egbunike& Okerekeoti, 2018) that found a positive and substantial relationship between liquidity and the financial reporting quality in a sample of quoted non-financial enterprises in Nigeria.

Conclusion and Recommendations

On the basis of the study's findings, it might be said that earnings management of listed consumer goods companies is dependent upon firm features such as profitability, firm size, leverage and liquidity. Specifically, among Nigerian listed consumer products companies, profitability, company size, and audit firm size significantly impacted earnings management. Therefore, the study recommended that:

1) In order to prevent idleness and liquidation, businesses should improve the efficacy and efficiency of their liquidity oversight.

2) Profitable firms have lower earnings management; therefore, company should improve to strengthen their financial performance.

3) It is advised that the listed consumer goods businesses handle their debt from outside parties (creditors) more skillfully to prevent manipulating earning.

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