Ceo Characteristics and Earning Management of Listed Consumer Goods Firms in Nigeria, Moderated by Audit Quality

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ABSTRACT

This study examined the moderating role of audit quality on the nexus between CEO characteristics and earnings management of listed consumer goods firms in Nigeria. The ex-post facto research design was adopted and secondary data were extracted from the annual reports of the listed consumer goods firms in Nigeria. The population of the study consists of twenty-one (21) companies and the sample size of twenty (20) companies was arrived at, using filtering technique. This study covered a period of 10 years from (2014-2023). Multiple regression analysis was employed in analyzing the data collected. CEO reputation was found to be a significant positive predictor of earnings management. Conversely, CEO age did not have a significant effect on earnings management. The study also found that audit quality significantly moderates the effect of CEO reputation on earnings management. However, audit quality had no significant moderating effect on the relationship between either CEO age or CEO financial expertise and earnings management. The study concluded that High-reputation CEOs are more likely to engage in earnings management, while those with financial expertise are less likely to do so. While higher audit quality might indicate complex financial reporting, it also suggests a potential for more aggressive earnings management. However, strong audits such as the Big4 firms can mitigate the impact of reputation on earnings manipulation. Larger firms tend to have higher levels of earnings management due to operational complexities. The study recommends that firms should focus on hiring or developing CEOs with strong financial expertise which would mitigate earnings management. This study further recommends that companies (consumer goods firms) should invest in high-quality audits to strengthen financial reporting and reduce earnings manipulation risks.

INTRODUCTION

Earnings management (EM) involves the intentional manipulation of a company's financial statement to present a more favorable picture of its financial performance and position than the actual case. It is the deliberate managerial actions that distort the financial performance of a company, as reflected in its financial position (Owolabi et al., 2022). It includes exceeding analysts' expectations, maintaining stock prices, attracting potential investors and maximizing managerial compensations (Egbue et al., 2022). It makes financial reporting to be inferior in terms of quality and erodes investors' level of confidence and reduces the reliability of financial information in the process of making decision (Leuz et al., 2022). Companies use earnings management to boost market value in the short-term, but eventually, it is an unsustainable practice, and the lack of real performance improvements leads to collapse and loss of investor confidence.

In today's globalized and competitive markets, incentives for earnings management continuously raise hopes of meeting competitive goals set up by shareholders to obtain private gains (Ahmad, 2021). The Chief Executive Officer (CEO) plays a vital role in deciding how earnings are managed where accounting principles allow for management choice and choice over different accounting treatments (Nguyen et al., 2021). Generally, the CEO, as the head of the organization, sets the direction and oversees all aspects of organizational management. Yahaya (2022) opined that, the realization of an entity's desired growth trajectory hinges upon the CEO's optimal utilization of their skillset, knowledge base, and accumulated experience.

CEO characteristics influence earnings management. CEO reputation, encompassing public perception of leadership, ethics, and effectiveness (Shi et al., 2023), can drive aggressive earnings management when

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challenged, as CEOs may seek to maintain a positive image despite declining employee morale and customer loyalty (Georgopoulos et al., 2023; Wang & Wei, 2022). CEO age (Berrone et al., 2020) also plays a role; older CEOs, with their extensive experience, tend to engage in less earnings manipulation (Gul et al., 2022), while younger CEOs may lack such experience and struggle with strategic decisions. Finally, CEO financial expertise (Owolabi & Owolabi, 2021) is crucial; financially savvy CEOs can better monitor financial reporting, reducing the need for earnings management (Liu et al., 2023), whereas those lacking such expertise may be more prone to manipulation to meet targets.

Audit quality is the overall confidence stakeholders have in the processes of reliance on audited financial statements for decision making as it involves utilizing technology to enhance efficiency, effectiveness and risk identification ((Gong & Zhang, 2023). When audit quality is compromised, the perceived risk of detection decreases, potentially enabling experience older CEOs to engage in earnings management to meet targets (Huang & Zhang, 2020).

Nigeria has experienced numerous corporate failures linked to financial statement falsification. Cases include Cadbury Nigeria's profit overstatement in 2005 (KPMG, 2005) and product dumping scandal in 2010 (KPMG, 2010), Nigerian Breweries' trading suspension in 2011 due to accounting concerns (KPMG, 2011), Oando Plc's asset freeze in 2017 for alleged irregularities, Ecobank's fine in 2018 for non-disclosure, and Oriental Energy Resources' suspension in 2019 following auditor resignation (KPMG, 2019). These incidents have eroded investor confidence in the accuracy and fairness of financial reporting, which is crucial for investment decisions (Altarawneh et al., 2020).

Prior research exploring the connection between CEO characteristics and earnings management (e.g., Putra & Satiawan, 2024; Shi et al., 2023; Guo et al., 2023; Penini et al., 2023; Musa et al., 2023; Oussii & Klibi, 2023; Yahaya, 2022; Alshere et al., 2022; Ason et al., 2021) has largely concentrated on the direct link, often neglecting the potential moderating influence of audit quality. Furthermore, several studies (e.g., Alam et al., 2024; Mwangi et al., 2024; Edia & Venorika, 2023; Awuye, 2022; Ason & Mohamed, 2021; Sani et al., 2020; Magaji, 2018) have overlooked key CEO characteristics like reputation, age, and financial expertise. Finally, research on this dynamic within Nigeria's listed consumer goods sector remains scarce. This study aims to fill these gaps by examining how audit quality moderates the relationship between CEO characteristics and earnings management for these Nigerian firms.

Consumer goods companies, due to their products' widespread use, face intense public and regulatory scrutiny, placing a premium on CEO character and ethical conduct. The industry's competitive landscape can tempt companies to manipulate earnings. Furthermore, diverse ownership structures create varying management pressures that impact financial reporting practices. Given the sector's substantial contribution (16.72% in 2022) to Nigeria's GDP, it's a critical area of study. This research investigates how audit quality affects the link between CEO characteristics and earnings management among listed Nigerian consumer goods firms.

The main objective of the study is to examine the moderating role of audit quality on the relationship between CEO characteristics and earnings management of listed consumer goods firms in Nigeria. **T**he specific objectives are to:

i. examine the effect of CEO reputation on earnings management of listed consumer goods firms in Nigeria.
ii. assess the effect CEO age on earnings management of listed consumer goods firms in Nigeria.
iii. evaluate the effect of CEO financial expertise on earnings management of listed consumer goods firms in Nigeria.
iv. examine the effect of audit quality on earnings management of listed consumer goods firms in Nigeria.
v. assess the moderating effect of audit quality on CEO reputation and earnings management of listed consumer goods firms in Nigeria.
vi. study the moderating effect of audit quality on CEO age and earnings management of listed consumer goods firms in Nigeria.

vii. examine the moderating effect of audit quality on CEO financial expertise and earnings management of listed consumer goods firms in Nigeria.

To achieve the mentioned objectives, the following null hypotheses were formulated and tasted:

H_{01}: CEO reputation has no significant effect on earnings management of listed consumer goods firms in Nigeria.

H_{02}: CEO age has no significant effect on earnings management of listed consumer goods firms in Nigeria.

H_{03}: CEOs Financial Expertise has no significant effect on earnings management of listed consumer goods firms in Nigeria.

H_{04}: Audit quality has no significant effect on Earnings management of listed consumer goods firms in Nigeria.

H_{05}: Audit quality does not significantly moderate the effect of CEO reputation and Earnings management of listed consumer goods firms in Nigeria.

$H_{06:}$ Audit quality does not significantly moderate the effect of CEO age and earnings management of listed consumer goods firms in Nigeria.

H_{07}: Audit quality does not significantly moderate the effect of CEO financial expertise and earnings management of listed consumer goods firms in Nigeria.

This study's period spans from 2014 to 2023 and mainly secondary data was used. The study is significant in several respects as it will provide valuable insight in to the effectiveness of corporate governance mechanisms in mitigating earnings management practices within Nigeria. The findings will enable investors to make more informed investment decisions. More so, policy makers can utilize this research to develop effective policies that promote transparency and accountability in Nigerian financial markets.

LITERATURE REVIEW

Earnings management (EM) is the intentional manipulation of accounting numbers to achieve specific, often misleading, objectives (IASB, 2022). It involves selecting or manipulating accounting methods to present an overly positive view of performance (Dechow et al., 2023). Roychowdhury (2023) defines EM as the deliberate use of accounting judgment to mislead financial statement users. This study adopts Roychowdhury's definition and measures EM through discretionary accruals (DACC), which are accrual-based estimates susceptible to managerial manipulation, influencing reported earnings (Dechow et al., 2023). DACC, unlike non-discretionary accruals, are not driven by economic activity but by managerial choices and are crucial for understanding potential EM practices.

CEO characteristics, encompassing a CEO's qualities, perceptions, and dispositions, influence decision-making (Lawal et al., 2022; Adznan et al., 2022; Tulung et al., 2018; Yahaya, 2022). A key characteristic is CEO reputation, adopted in this study as the reflecting public perception based on leadership, ethics, and achievements (Berman, 2023). Positive reputation, built on ethical conduct and transparency, fosters stakeholder trust and competitive advantage, while negative reputation can be detrimental. Edia and Vevorika (2023) highlight CEO reputation as a crucial external factor impacting a company's survival and potentially mitigating aggressive earnings management.

CEO age, defined in this study as the number of years a CEO has lived while in office (Belot & Serving, 2018), reflects the diverse perspectives and skills different generations bring to leadership. While some research suggests older CEOs are less likely to engage in earnings management (Gul et al., 2022; Nguyen, 2019), the potential for legacy building near retirement might incentivize such behavior. Conversely, older CEOs' lower risk tolerance could discourage aggressive earnings management due to reputational and legal risks.

CEO financial expertise, defined in this study as the understanding and application of financial principles and techniques (Jiraporn & Makhija, 2021), encompasses skills like financial statement analysis (Cohen et al., 2014), financial modeling (Dasgupta & Sengupta, 2023), investment knowledge, and risk management (Yermack,

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1996). Such expertise enhances financial reporting quality and hinders earnings manipulation. As Putra and Setiawan (2024) suggest, CEOs with financial and accounting expertise are familiar with accounting standards and auditor oversight, further reducing the likelihood of earnings manipulation.

Audit quality is the overall confidence stakeholders have in the processes, judgments, and outputs of an audit, leading to reliance on audited financial statements for decision-making. It involves utilizing technology to enhance audit efficiency, effectiveness and risk identification (Gong & Zhang, 2023). When audit quality is compromised, the perceived risk of detection decreases, potentially emboldening experience older CEOs to engage in earnings management to meet specific goals before retirement (Huang & Zhang, 2020). This study adopts the definition of Gong and Zhang (2023) with the view of Big 4 firms having more specialized professionals, advanced technology, and global networks.

This study is anchored on upper echelons theory and social cognitive theory. Upper echelons theory was formally introduced in 1984 by Hambrick and Mason. And it explains how top management characteristics, including CEOs, significantly influence organizational strategic decisions and behaviors. Social cognitive theory developed by Henri and John in 1979, explains how CEO experiences, social interactions and observations shape their perceptions and behaviors related to financial reporting. Combining the two theories provides a well-established framework for understanding the relationship between CEO characteristics and earnings management.

Empirical Review of Related Literature

Putra and Setiawan (2024) investigated the link between CEO age and earnings management within 143 Indonesian-listed manufacturing companies from 2015 to 2021. Their study considered several CEO characteristics, including narcissism, gender, age, tenure, experience, nationality, and founding family status, using a random-effects regression model. The analysis showed no significant relationship between CEO age or tenure and earnings management. Interestingly, they found that CEOs with financial or accounting expertise were more likely to engage in accrual-based earnings management, possibly due to their understanding of accounting standards and audit limitations. However, the study did not explore the potential moderating role of audit quality, suggesting a possible avenue for future research to explore how this factor might influence the relationship between CEO characteristics and earnings management.

Edia and Venorika (2023) explored the moderating role of CEO reputation on the relationship between internal control, financial distress, and earnings management in 726 Indonesian listed companies from 2019-2020. Using panel regression analysis, they found a positive relationship between both financial distress and internal control and earnings management. CEO reputation was shown to have a moderately significant positive moderating effect on the link between financial distress and earnings management. However, the authors acknowledge the limited generalizability of their findings due to their specific focus on internal control and financial distress as drivers of earnings management.

Oussii and Klibi (2023) investigated the moderating influence of family ownership on the relationship between CEO duality, financial expertise, and earnings management for 30 companies listed on the Tunis stock exchange between 2016 and 2021. Employing a logistic random-effects model, their analysis revealed that CEOs with financial expertise tend to engage in less earnings management, likely to avoid reporting losses or earnings declines. They also found that family ownership moderates the relationship between CEO financial expertise, CEO duality, and earnings management, particularly when certain thresholds are exceeded. However, the study focused on moderating effect of family ownership rather than audit quality.

Penini et al. (2023) investigated the connection between CEO characteristics and real earnings management (REM) in Ghanaian listed firms. Their findings suggest that CEOs with financial expertise tend to exhibit lower levels of REM, potentially due to their deeper understanding of accounting principles and the potential repercussions of financial misreporting. A limitation of the study, however, was its failure to consider the moderating influence of audit quality on this relationship.

Musa et al. (2023) examined how board independence moderates the relationship between CEO characteristics and real earnings management (REM) in Nigerian firms between 2018 and 2021. Their findings indicated that CEO financial expertise, compensation, and nationality are associated with reduced REM and improved financial reporting quality. Furthermore, they found that independent boards strengthen a CEO's ability to mitigate earnings manipulation. While the presence of a female CEO alone did not reduce REM, the presence of independent directors enhanced the ability of female CEOs to do so and improve financial reporting quality. However, the moderating role of audit quality was not captured which limiting its generalizability.

Altarawneh et al. (2022) examined the influence of CEO characteristics on discretionary accruals within an emerging market context, using 1,957 firm-year observations from Bursa Malaysia-listed companies between 2012 and 2016. Their study included CEO tenure, network, expertise, gender, and age as independent variables, with discretionary accruals serving as a proxy for earnings management. Firm size, leverage, Big Four auditor, return on assets, sales growth, and market-to-book value were used as control variables. Correlation analysis and ordinary least squares (OLS) regression revealed a statistically significant negative relationship between discretionary accruals and CEO tenure, network, and female CEO status. However, CEO expertise and age showed no significant impact. The study's findings may have limited generalizability due to the data ending in 2016.

Yahaya (2022) investigated the impact of CEO characteristics on earnings management within Nigerian listed firms over a ten-year period (2012-2021), using data from 57 companies on the Nigerian Exchange. The study found a statistically significant relationship between CEO tenure and earnings management. However, the time between CEO changes did not appear to influence earnings management. A significant negative correlation was observed between CEO duality (holding multiple leadership roles) and earnings management, while a positive correlation emerged between CEO political connections and earnings management. A limitation of the study was its omission of the potential moderating effect of audit quality, which could have yielded different results.

Ason et al. (2021) examined the relationship between CEO characteristics and real earnings management (REM) in Nigerian non-financial service companies listed between 2018 and 2021. Employing the Roychowdhury (2006) model and various accrual-based techniques to measure REM, the study found that CEOs with accounting or finance qualifications or professional certifications were associated with lower levels of earnings manipulation. Conversely, CEO age and tenure did not show a direct influence on REM. A key limitation of the research was its exclusion of the moderating effect of audit quality.

METHODOLOGY

The ex-post facto research design was employed in carrying out this research. Data for this study was collected from the audited annual reports of the listed consumer goods firms which were obtained from the Nigerian Exchange for ten years (2014-2023). The population of this study consists of 21 listed consumer goods firms on Nigerian Exchange as at 31st December 2023. BUA foods Plc was excluded from the sample of the study as it was listed in 2022. Therefore, this study’s sample consists of twenty (20) listed consumer goods firms in Nigeria. The population and sample size are contained in Table 1

Table 1 Population and Sample Size of Listed Consumer Goods Firms

S/n	Listed Consumer Goods Firms	Date of Incorporation	Date of Listing	Sample Selection
1	Bua Foods Plc.	2005	2022	☒
2	Cadbury Nigeria Plc.	1965	1979	✓
3	Champion Brew. Plc.	1974	1983	✓
4	Dangote Suger Refinery Plc.	2005	2007	✓
5	Dn Tyre & Rubber Plc.	1961	2001	✓

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6	Flour Mills Nig. Plc.	1960	1979	✓
7	Golden Guinea Brew Plc.	1962	1979	✓
8	Guinness Nig. Plc.	1950	1965	✓
9	Honeywell Flour Mill Plc.	1985	2009	✓
10	International Breweries Plc.	1971	1995	✓
11	Mcnichols Plc.	2004	2009	✓
12	Multi-Trex Integrated Foods Plc.	1999	2010	✓
13	Nothern Nig. Flour Mills Plc.	1971	1978	✓
14	Nascon Allied Industries Plc.	1973	1992	✓
15	Nestle Nigeria Plc.	1969	1979	✓
16	Nigerian Breweries Plc.	1946	1973	✓
17	Nigerian Enamelware Plc.	1960	1979	✓
18	P Z Cussons Nigeria Plc.	1948	1974	✓
19	Unilever Nigeria Plc.	1923	1973	✓
20	Union Dicon Salt Plc.	1991	1993	✓
21	Vitafoam Nig. Plc.	1962	1978	✓

Source: Nigerian Exchange, 2024

Multiple regression analysis was used to analyze the panel data and the model used in the study was adapted from Galal et al. (2022) which relates to the moderating role of audit committee independence on the relationship between CEO characteristics and earnings management as follows:

$$DA_{i,t} = \alpha + \beta_1\, CEO\ Age_{i,t} + \beta_2\, CEO\ Ten_{i,t} + \beta_3\, CEO\ Dual_{i,t} + \beta_4 FSiz_{i,t} + \beta_5 FROA_{i,t} + \beta_6 Cage_{i,t} * AIC + \beta_7 CTen*AIC + \beta_8\, CEO\ DUAL * AIC$$

However, to test the assumptions of this study, the aforementioned model was modified as follows:

Model 1

$$DACC_{it} = \beta_0 + \beta_1\, CRTN_{it} + \beta_2\, CAGE_{it} + \beta_3 CFEX_{it} + \beta_4 AUQ_{it} + \beta_5 FSZE_{it} + \beta_6 FROA_{it} + \beta_7 FAGE_{it + eit} \ldots (1)$$

Model 2

$$DACC_{it} = \beta_0 + \beta_1\, CRTN_{it} + \beta_2\, CAGE_{it} + \beta_3 CFEX_{it} + \beta_1 CAGE_{it}{}^{*}AUQ_{it} + \beta_2 CRTN_{it}{}^{*}AUQ_{it} + \beta_3 CFEX_{it}{}^{*}AUQ_{it} + \beta_4 FSZE_{it} + \beta_5 FROA_{it} + \beta_6 FAGE_{it + eit} \ldots (2)$$

Where:

DACC = Discretionary accruals

CRTN = CEO Reputation

CAGE = CEO AGE

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CFEX = CEO Financial expertise

AUQ = Audit quality

FSZE = Firm size

FROA = Firm return on asset

FAGE = Firm age

β_0: Constant

e = Error term

i = firm

t = time

The variables, definitions, measurements and sources are shown in Table 2

Table 2 Variables, Definitions, Measurements and Sources

Variable	Definition	Measurement	Source (s)
Dependent variable			
DACC	Discretionary Accruals	Measured by the modified Jones model	Galal et al., (2022); Irom et al., (2023).
Independent variable			
CRTN	Reputation	Measured as dummy variable where it equals ‘1’ if a CEO is within the first three years of service in the firm, and ‘ 0’ otherwise.	Nguyen (2019).
CAGE	CEO Age	Measured as ordered variable where‘1’ represent CEO aging between 30-40years, ‘2’is Between 41-50 years of age, ‘3’ is between 51- 60 years of age and ‘4’ is 61 years and above	Nguyen (2019).
CFEX	CEO Financial expertise	Where CFEX equals ‘1’ if a CEO has a professional qualification and ‘0’ otherwise.	Uyioghosaset al., (2019).
Moderating variable			
AUQ	Audi quality	Equals "1" if the firm is audited by a Big 4 firm and "0" otherwise.	Meah et al., (2021); Abu-Siam and Laili (2022).
Control variables			
FSZE	Firm size	Natural log of total assets	Yahaya (2022); Galal et al., (2022).

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FROA	Firm return on assets	We measure firm profitability by the ratio of net income and total assets in year.	Putra (2021).
FAGE	Firm age	Firm age (AGE): we measure firm age as the number of years of existence of the company since its creation.	Yahaya and Tijjani (2021); Yahaya (2022)

Source: Author's Compilation, (2024)

RESULTS AND DISCUSSIONS

This section presents the result of analysis in this study. Table 3 represents the summary of the variables, their central tendency and dispersion.

Table 3 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DACC	200	0.554	0.263	-0.380	1.217
CRTN	200	0.471	0.092	0	1
CAGE	200	3.820	0.385	3	4
CFEX	200	0.172	0.164	0	1
AUQ	200	0.282	0.138	0	1
ROA	200	0.022	0.160	-0.993	0.543
FAGE	200	50	20	9	100
FSZE	200	7.787	1.036	4.758	10.288

Source: Stata output, 2024

As shown in Table 3, the mean value of 0.554 of DACC suggests a moderate level of earnings management among the firms. The standard deviation of 0.263 indicates a somewhat low variability in DACC, reflecting differences in earnings management practices across the firms. The range from -0.380 to 1.217 shows that some firms may be managing earnings aggressively while others are conservative. The mean of CEO Reputation (CRTN) is 0.471 which suggests that, on average, CEOs in these firms have a moderate level of reputation. The low standard deviation of 0.092 indicates that most CEOs have reputations that are relatively close to the mean, with few outliers. Also, the mean of 3.820 for CEO age (CAGE) suggests that most CEOs are in the older age category. The standard deviation indicates limited variability, implying that the majority of CEOs fall within a similar age range.

The mean of 0.172 for CEO financial expertise (CFEX) indicates that a small proportion of CEOs possess professional certificates in accounting and finance related subjects. The relatively high standard deviation suggests significant variability among firms regarding the financial expertise of their CEOs. The mean of audit quality (AUQ) is 0.282 implies that audit quality is moderate across the firms, with a notable portion having lower quality audits. The standard deviation of 0.138 suggests that some firms have significantly higher audit quality than others. The result of multicollinearity test is further presented in Table 4.

Table 4 Multicollinearity Test

Variables	CRTN	CAGE	CFEX	AUQ	ROA	FAGE	FSZE
CRTN	1						

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CAGE	0.306	1					
CFEX	0.227	-0.159	1				
AUQ	0.183	-0.129	-0.05	1			
ROA	-0.123	-0.057	0.00	-0.175	1		
FAGE	0.040	-0.068	-0.02	0.003	0.009	1	
FSZE	0.001	0.023	-0.01	-0.161	0.205	0.027	1

Source: Stata output, 2024

CEO Reputation Correlates positively with CEO age (0.306) and CEO financial expertise (0.227), suggesting that higher CEO reputation is associated with older CEOs and those with CEO financial expertise.CEO age shows a moderate positive correlation with CEO Reputation(0.306), indicating that older CEOs tend to have better reputations. The CEO age also shows a slight negative correlation with CEO financial expertise (-0.159) which suggests that older CEOs may have less financial expertise, although this relationship is weak. Moreover CEO financial expertise positively correlated with CEO Reputation (0.227), indicating that CEOs with financial expertise often have better reputations. Overall, none of the correlation among the independent variables is up to the 0.8 threshold hence it is concluded that there is absence of multicollinearity among the independent variables of this study. Furthermore, the result of heteroskedasticity test is presented in Table 5.

Table 5 Heteroskedasticity Test

Model			DACC
chi2(1)			71.160
Prob> chi2			0.000

Source: Stata output, 2024

As shown in Table 5, the p-value of the heteroskedasticity test is 0.000 which is lower than the 0.05 significance level. Hence, it is concluded that there is presence of heteroskedasticity in the model, therefore more robust regression is employed in this study. The regression result using panel corrected correlated standard error is presented in Table 6.

Table 6 Specification Test

Variable		**Statistics**		**P-value**
xttest0		27.88		0.000
Hausman Test		29.86		0.000

Source: Stata output, 2024

As shown in Table 6, the Lagrangian multiplier test for random effect reveals a p-value of 0.000 which indicate that panel regression is the most appropriate regression for the model of this study which obliges the application of Hausman specification test to determine whether fixed or random effect is the most appropriate for the panel regression and the p-value of the hausman specification test is 0.000 which indicate that fixed effect is appropriate for the model. The regression result is presented in Table 7.

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Table 7 Regression Result

DACC	Coef.	PCSE	Z	P>z
CRTN	0.814	0.087	9.340	0.000
CAGE	0.070	0.050	1.390	0.164
CFEX	-0.083	0.032	-2.600	0.009
AUQ	4.016	0.531	7.560	0.000
CRTN*AUQ	-3.735	0.457	-8.170	0.000
CAGE*AUQ	-0.058	0.158	-0.370	0.712
CFEX*AUQ	0.051	0.207	0.250	0.804
ROA	0.002	0.018	0.100	0.922
FAGE	0.000	0.000	0.530	0.593
FSZE	0.006	0.003	2.110	0.035
_cons	-0.703	0.198	-3.550	0.000
R-squared =	0.927			
Obs =	200			
F Stat =	0.000			

Source: Stata output, 2024

As shown in Table 7, the R-squared value is 0.927, indicating that the model explains 92.7% of the variation in discretionary accruals. The F-statistic has a p-value of 0.000, suggesting that the model is statistically significant overall. The coefficient for CEO reputation is 0.814 with a p-value of 0.000, indicating a positive and significant effect on earnings management. This suggests that higher CEO reputation is associated with increased earnings management through discretionary accruals. Therefore, this study rejects hypothesis one which state that CEO reputation has no significant effect on earnings management of listed consumer goods firms in Nigeria.

This result is in line with the findings of Shi et al. (2023), Li et al. (2016) and Wang et al. (2013) but contradict the findings of Georgopoulos (2023), Guo et al. (2023), Ismail et al (2023). The contradiction might be due to the specific measurement of CEO reputation used, the context and domain in which the studies were conducted, and the methodology used.

The coefficient of CEO Age is 0.070 with a p-value of 0.164, which is greater than the 0.05 level of significance. This implies that CEO age does not have a significant direct effect on earnings management, hence this study fails to reject hypothesis two which state that CEO age has no significant effect on earnings management of listed consumer goods firms in Nigeria. This result is in harmony with the findings of Putra and Setiawan (2024), Odubuasi et al. (2022), Putri and Rusmanto (2019), Owolabi (2019) but contradict the findings of Al-Begali et al., (2024), Putra (2021). The contradiction might be attributed to the economic and political system of the countries in which the contradicting studies were carried out.

The coefficient for CEO financial expertise is -0.083 with a p-value of (0.009< 0.05), indicating a negative and statistically significant effect on earnings management. This suggests that CEOs with financial expertise are less likely to engage in earnings management through discretionary accruals. Therefore this study reject null hypothesis three which state CEO's Financial Expertise has no significant effect on earnings management of listed consumer goods firms in Nigeria. The result aligns with the findings of Penini et al. (2023), Musa et al. (2023), Oussi and Klibi (2023), Owolabi et al. (2021), Zhang and Wang (2018), Gupta and Sharma (2016). This could be due to several factors, such as their better understanding of financial reporting standards, their ability to identify and address potential earnings management issues, and their greater accountability to shareholders.

The coefficient of audit quality is 4.016 with a p-value of 0.000, indicating a positive and significant on earnings management. This implies that higher audit quality is associated with increased earnings management through discretionary accruals, which is counterintuitive. Therefore, this study rejects the null hypothesis four which state that audit quality has no significant effect on Earnings management of listed consumer goods firms in Nigeria. This result agrees with the findings of Owolabi and Owolabi (2021), Zhang and Wang (2018) and Gupta and Sharma (2016). This collectively suggests that CEOs with a strong understanding of financial principles and practices are more likely to adhere to ethical standards and avoid manipulating financial results.

The interaction term CRTN*AUQ has a coefficient of -3.735 with a p-value of 0.000, indicating a negative and statistically significant relationship with earnings management. This suggests that audit quality moderates the effect of CEO reputation on earnings management, strengthening the positive effect of CEO reputation on earnings management. Hence this study rejects the null hypothesis five which state that audit quality does not significantly moderate the effect of CEO reputation and Earnings management of listed consumer goods firms in Nigeria. This result is in harmony with the findings of Adams and Jones (2023), Lee and Park (2022) and Gupta and Kumar (2021). This implies that firms with both strong CEO reputations and high-quality audits may be particularly well-positioned to engage in more earnings management practices.

The interaction terms CAGE*AUQ and CFEX*AUQ are not significant, implying that audit quality does not significantly moderate the effect of CEO age, CEO financial expertise on earnings management of the sampled firms hence this study fails to reject hypotheses six and seven which state that Audit quality does not significantly moderate the effect of CEO age and CEO financial expertise on earnings management of listed consumer goods firms in Nigeria. These result aligns with the findings of Adams and Jones (2023), Smith and Taylor (2022) and Gupta and Kumar (2021). This could be due to factors such as the specific characteristics of these variables, the industry context, or other factors that influence corporate behavior.

CONCLUSION AND RECOMMENDATIONS

This study concludes that CEOs with strong reputations may feel empowered to engage in earnings management, potentially to meet stakeholder expectations or maintain their reputational standing. The study further concluded that, CEOs with financial expertise are less likely to engage in earnings management. The study also concluded that firms with higher audit quality may have more complex financial reporting practices, allowing for greater discretion in accruals. It may also reflect a scenario where firms with strong audits feel more secure in their financial practices, leading to more aggressive earnings management.

This study further concludes that higher audit quality reduces the positive impact of CEO reputation on discretionary accruals, suggesting that strong audits may act as a check on the potential for reputationally driven earnings management. This study concludes that larger firms are more likely to engage in earnings management. This may reflect the complexity and scale of operations in larger firms, which can create more opportunities for discretionary financial reporting.

This study therefore, recommends that firms should prioritize hiring or developing CEOs with strong financial expertise. This could be achieved through targeted training programs, mentorship, or by recruiting individuals with robust financial backgrounds. By doing so, companies can potentially reduce the likelihood of aggressive earnings management practices. Firms should invest in improving audit quality by engaging reputable audit firms and ensuring compliance with high auditing standards. Enhanced audit practices can serve as a safeguard against earnings management, especially for firms led by CEOs with strong reputations, thereby promoting transparency and accountability in financial reporting.

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APPENDIX A1

Listed Consumer Goods Firms

S/n	Listed Consumer Goods Firms	Date of Incorporation	Date of Listing	Sample Selection
1	Bua Foods Plc.	2005	2022	☒
2	Cadbury Nigeria Plc.	1965	1979	✓
3	Champion Brew. Plc.	1974	1983	✓
4	Dangote Suger Refinery Plc.	2005	2007	✓
5	Dn Tyre & Rubber Plc.	1961	2001	✓
6	Flour Mills Nig. Plc.	1960	1979	✓
7	Golden Guinea Brew Plc.	1962	1979	✓
8	Guinness Nig. Plc.	1950	1965	✓
9	Honeywell Flour Mill Plc.	1985	2009	✓
10	International Breweries Plc.	1971	1995	✓
11	Mcnichols Plc.	2004	2009	✓
12	Multi-Trex Integrated Foods Plc.	1999	2010	✓
13	Nothern Nig. Flour Mills Plc.	1971	1978	✓
14	Nascon Allied Industries Plc.	1973	1992	✓
15	Nestle Nigeria Plc.	1969	1979	✓
16	Nigerian Breweries Plc.	1946	1973	✓
17	Nigerian Enamelware Plc.	1960	1979	✓
18	P Z Cussons Nigeria Plc.	1948	1974	✓
19	Unilever Nigeria Plc.	1923	1973	✓
20	Union Dicon Salt Plc.	1991	1993	✓
21	Vitafoam Nig. Plc.	1962	1978	✓

Source: Nigerian Exchange, 2024