

Effect of Audit Committee Characteristics on Real Activities Manipulation: Evidence from Nigerian Listed Manufacturing Firms

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This study examines the effect of audit committee characteristics on real activity manipulation of listed manufacturing firms in Nigeria. The data were gathered from the annual financial reports of sampled firms for period of five years (2010–2014). The sample size of the study is 36 listed manufacturing firms. The study employed longitudinal panel, multiple regressions for the purpose of data analysis, using panel data to examine the role of corporate governance (audit committee attributes) on real activities manipulation practices. The model applied is composed of a single dependent variable; real activity manipulation and one explanatory variable (audit committee) with four proxies - audit committee independence, the number of meetings, financial literacy and audit committee size. The results reveal that, the independent audit committee has found to be effective in restraining real activities manipulation practices by the management in preparing financial statement. However, the other audit committee attributes like audit committee size, audit committee literacy and audit committee meetings were found to be in-significant in deterring real activities manipulation practice of listed manufacturing firms in Nigeria. The Nigerian Securities and Exchange Commission should make it mandatory that board should increase the proportion of the independent audit committee members as they appear to be efficient in constraining manipulative accounting practices by management.

Keywords: Audit Committee; Real Activities Manipulation; Manufacturing Firms; Nigeria