JOURNAL OF GLOBAL ACCOUNTING
9 (3) September, 2023.
ISSN: 1118 – 6828
https://journals.unizik.edu.ng/joga

CHIEF EXECUTIVE OFFICER TENURE AND EARNINGS QUALITY OF LISTED FIRMS IN NIGERIA: EVIDENCE FROM PRE- AND POST-2011 CODE REQUIREMENTS

***Paper Type**: Original Research Paper.*
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***Key words:** Chief Executive officer's Tenure, Earnings Quality, External Auditor Quality, Firm Size*

CITATION: Udeh, F.N.P. & Ogodor, B.N. (2023). Chief Executive Officer tenure and earnings quality of listed firms in Nigeria: evidence from pre and post 2011 code requirements, *Journal of Global Accounting*, 9(3), 247 - 269.

Available:https://journals.unizik.edu.ng/joga

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ABSTRACT:

There has been growing concerns about the decline in earnings quality reported in the financial statement of firms. This is attributed to earnings manipulations and ineffective code of corporate governance. Thus, chief executive officer engaged in various activities to maintain company's viability in order to assure investors of their investment and to invest. This study examined the effect of chief executive officer tenure (CEOT) on earnings quality of listed Nigeria companies in the context of pre- and post-2011 code of corporate governance reforms for the period 2003 to 2018. The period 2003–2010 represent pre and 2011–2018 as post-2011 code requirement. One-hundred and sixty-nine (169) listed companies as at 31st December, 2018 formed the population of study and Taro Yemane's formula was used to determine one hundred and nineteen (119) sample companies that were randomly selected as the sampled size. Data collected from secondary source (the publications of Nigerian Exchange Group and audited annual reports of the sampled firms between the period 2003 and 2018) were analysed on the basis of pool, fixed and random ordinary least square regression. Hausman test and Independent T-test was further carried out. The random effect result revealed that CEOT was negative and not significant on discretionary accrual of listed firms in Nigeria post-2011 than pre-2011 code reforms ($\beta 1$ = -0.019914, T-Stat.= -0.2775, Prob.> (t) = 0.7814). The study concludes that increase in CEOT has led to decrease in discretionary accrual which in turn increased earnings quality. The study recommends that the regulatory bodies should increase or maintain the numbers of times the chief executive officer retained his or her position in the subsequent amendment of the corporate governance mechanisms because this will reduce discretionary accrual practices by the management and in turn leads to increase earnings quality of the Nigerian listed companies.

1. INTRODUCTION

Earnings, according to Adegbie, Salawu and Shiyanbola (2019) can be used to assess the performance and sustainability of a firm, to them, it is an essential item to be considered in the financial report. Kirschenhater and Melumad (2002) asserted that reported earnings are used to predict future earnings, assess performance and determine the investment risk of a firm. The quality of earnings is high if accurate information is provided to determine the earnings. The quality of earnings becomes important to chief executive officer (CEO) since it determines their commitment to the firm's success and reflects the image of the firm for sustainable investment. The superior monitoring ability of chief executives officer as asserted by Fama and Jensen (1983) can be attributed to the incentive to maintain their reputations in the external labour market. The chief executive officer of the company helps to facilitate the company's strategic objectives for sustainable corporate performance and function as the head of management delegated by the board to run the affairs of the company (Setyawan & Anggraita, 2017). The long tenure of the chief executive officer can influence the knowledge of CEO in relevant areas of the firm's activities, thereby brings integrity and credibility into financial reporting. Thidao and Thithanh (2023) and Zhang (2010) confirmed that chief executive officer long tenure (CEOT) helps to enhance the quality of earnings in the financial reporting process of a firm. Contrary to this view were studies that reported a lower earnings quality of chief executive officer with long tenure (Brochet, Limbach, Schmid & Scholz-Daneshgari, 2021; Santoso, 2013).

Evidence in studies showed that chief executive officer in their effort to maintain company's viability, assure investors of their investment and ensure future investments engage in various activities such as the use of accrual and discretion costs to manipulate earnings. This was confirmed by Ijeoma (2014), who found that banks' executive officer engaged in earnings manipulations and change accounting policies to increase share price in the stock market thereby reduces company's risk and borrowing level. Nyabuti, Memba and Cheng (2016) confirmed that executive officers engaged in earnings manipulation that resulted to collapse of leading corporations around the globe. For instance, Enron BCCI in USA increased share price, Hindustan Zinc Ltd reclassified investment into non- current assets, Cardbury Nigeria Plc in 2006 presented erroneous financial statement that manifested accounting standard shortcomings, Larson and Toubro Ltd in India transferred the company's debts to its subsidiary, all in a bid to increase earnings.

The developed and developing economies had engaged in series of reforms of corporate governance to mitigate the effect of earnings manipulations. For instance, the Sarbanes-Oxley Act 2002, case of corporate governance of listed companies 2002 in developed economies, while in developing economies like Nigeria, we have the code of corporate governance for public listed companies 2003 as amended, issued by Security and Exchange Commission, Financial Reporting Council of Nigeria Act 2011, Company and Allied Matter Act 2004 as amended among others. In spite of these reforms, every nation has witnessed its fair share of earnings manipulations and corporate collapses (Chinedu & Augustine, 2018). The series of high-profile accounting scandals and various reforms of corporate governance practices has generated serious academic researches. For instance, chief executive director tenure on earnings quality was examined by Osemene, Adeyele and Adinnu (2018) in Nigerian listed deposit money banks for a period of five (5) years spanning through 2011-2016. The result indicated that directors' tenures has significant effect on earnings quality. In similar way, chief executive officer (CEO) tenure and earnings quality was investigated by Rashid, Mustapha, Hamid, Rasit, Yazid, and Afthanorhan (2018) and the study utilized fifty-eight (58) listed financial institutions on the Nigerian Stock Exchange from 2012 to 2016. The result indicated that CEO with longer tenure had a positive and significant effect on earnings quality. On the contrary was Santoso (2013), who indicated that CEOs with a longer tenure actually reported higher discretionary accruals than CEOs with a shorter tenure. On the whole, these studies were restricted to only one sector while other sectors were relegated.

As shown, prior studies mostly looked at the effect on single sector (Chinedu & Augustine, 2018; Chou & Chan, 2018; Osemene, Adeyeye & Adinnu, 2018; Rashid, Mustapha, Hamid, Rasit, Yazid & Afthanorham, 2018; Nkanbia- Davis, Gberegbe, Ofurum & Egbe, 2016; Dalhat, 2014; Oba, 2014; Allgood & Farrel, 2000). Also, most of the sampling techniques employed by previous studies do not allows majority of the population of the firms to be represented for a robust analysis. Overall, there is no clear case of the effect of chief executive officer tenure reforms on earnings quality of financial and non-financial firms among the developing countries particularly Nigeria. Moreover, the mixed, controversial and inconclusiveness of previous research results prompted the current study to collect a large number of samples comprising all sectors in Nigeria. Therefore, further studies are needed to disentangle the effect of chief executive officer tenure on earnings quality of financial and non-financial firms listed in the Nigerian Exchange Group by the use of pool, random and fixed effect ordinary least square regression approach. Also, previous studies did not test for the difference between pre-and-post 2011 codes of corporate governance reforms on chief executive officer tenure and earnings quality. Based on reviewed literatures, there lie gaps in knowledge which instigates the research question as follows: to what extent does chief executive officer tenure affects discretionary accrual of listed firms in Nigeria pre- and post-2011 code of corporate governance reforms.

1.1 Objective of the Study

The broad objective of this study is to assess chief executive officer tenure with a view to determine its pre- and post-2011 code reforms effect on earnings quality of listed Nigeria companies over a temporal scope of 2003 to 2018. The period 2003 to 2010 represents pre-2011 code and 2011 to 2018 represents post-2011 code reforms. The specific objective is:

i. to examines the effect of chief executive officer tenure on discretionary accruals of listed firms in Nigeria pre- and post-2011 code of corporate governance reform.

1.2 Hypothesis

The study formulates the null hypothesis as follows:

H_o: chief executive officer tenure has no significant effect on discretionary accrual of listed firms in Nigeria pre- and post- 2011 code of corporate governance reforms.

The dependent variable, earnings quality was proxied by discretionary accruals while the chief executive officer tenure formed the independent variable with two moderating variables: external audit quality and firm size. The remaining part of this write up was divided into four sections as follows: section two concerns the review of literature, section three shows methodology, section four presents results and discussion and section five concludes and proffers policy recommendation.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Earnings Quality

Earnings quality is the degree to which earnings reflect underlying economic effects. Earnings quality is defined by Leiwy and Perks (2013) as the substance of earnings and their sustainability into future accounting years. Sepe, Nelson, Tan and Spiceland (2012) viewed earnings quality as the ability of reported earnings to predict a company's future earnings. This study defined earnings quality as the ability of a firm to prepare financial reports that reflects compliance with International accounting standards, fundamental principles and other regulatory frameworks in order to sustain earnings into the future accounting periods. Earnings can be low or high in quality depending on the behaviour of the entity reporting it. Yee (2006) asserts that earnings are high in quality if it is timely, provide accurate information and precisely reflects the firm's fundamental earnings, thus, it can predict timely and accurately the shocks in the present value of expected future dividends. To Dechow and Schrand (2004), the common signal for high quality earnings includes minimum deviation of earning numbers from actual cash-flows to avoidance of deviation from industry and peer benchmarks, low accruals and long-term estimates, total correspondence of analyst forecast, consistent applications of accounting policies, estimate, and methods and strong corporate governance mechanisms. Lo (2007) confirmed that low earning management practice is a signal of high earnings quality and vice versa. To Dichev, Graham, Harvey and Rajgopal (2012), the quality of earnings is determined by corporate governance mechanisms in place in a company.

Walker (2013) identifies two elements of earnings to include total accruals and cash-flow from operating activities. Total accruals according to Anton and Carp (2019) are made up of discretionary accrual (DA) and non- discretionary accrual (NDA) used by management through the application of strict accounting principles and use of professional judgements to predict, assess and manipulate cash-flows to influence earnings of a period and reflect better performance of the economic unit, thus, a popular yardstick to determine earnings quality. Discretionary accrual are those items in the financial statement that influence financial report but management has complete control and authority over as it does not influence cash-flow, this could be through earnings smoothen, increase compensation, reduce exposure to government intrusions, avoid debts covenants violation (Ezekwesili & Ezejiofor, 2021). To detect the presence of discretionary accrual in a firm's financial report, the modified Jones Model by Dechow, Sloan and Sweeney (1995) is utilised. This model assumed that discretionary accrual is the excess of total accruals over non-discretionary accrual. Therefore, the study used discretionary accrual as proxy for earnings quality and focuses on the chief executive officer tenure's effect on earnings quality in Nigeria listed companies.

2.1.2 Chief Executive Officer Tenure

The chief executive officer who in some organization double as the managing director is the head of the management who is knowledgeable in relevant areas of the company's activities and demonstrate industry, credibility and integrity (Security and Exchange Commission Code of Corporate Governance, 2008). Also, the tenure for CEO according to Financial Reporting Council of Nigerian code of Corporate Governance (2018) should be determined by the board taking into account his performance, the existing succession planning mechanism, continuity of the board and the need for continuous refreshing of the board. The code further stated that in order to achieve the company's strategic objectives for sustainable corporate performance, the Chief Executive Officer (CEO) is the head of management delegated by the board to run the affairs of the company. Some researchers are of the view that the longer the tenure of CEOs, the better the earning quality of the firm. However, others are of the contrary view. For instance, Zhang (2010) noted that CEOs with long tenures report earnings less aggressively than CEOs with short tenures. Similarly, it was observed by Ali and Zhang

(2013) that in the early years of CEOs, overstatement of earnings increases to management incentive of multiple retention, but, CEOs with longer tenure establishes a reputation of high ability, subsequently, these CEOs will have the incentive to avoid overstating earnings to prevent the loss of their reputation. In addition, Setyawan and Anggraita (2017) indicated that CEOs with longer tenure proved to have less earnings manipulation. However, they noted that newly appointed CEOs uses real and accruals earnings management to increase earnings, while longer tenure CEOs use only real earning management to increase earnings in the final year of their tenure. On the contrary, studies indicated that CEOs who have a longer tenure actually reported higher discretionary accruals than CEOs with a shorter tenure (Santoso, 2013; Nurmayanti & Rakhman, 2017). Similarly, Francis, Rajgopal, Huang, and Zang (2010) believed that CEOs reputation gained over a long term of service lead to poor earnings quality of firms. The study concluded that because such firm requires more talent managers and hence, engages more CEOs which will result to poor earnings quality.

2.1.3. External Auditor Quality

The quality of external auditor is expected to mitigate earning manipulation. An external auditor is appointed to provide an authoritative, best of judgement and independent opinion on the true and fair view of the financial statements of the company, to give assurance to stakeholders on the reliability of the financial statements audited by them. However, it was observed in Odia and Ogiedu (2013) that many external auditors were found to have compromised with the managers to indulge in earnings manipulations in most of the popular cases of accounting scandals recorded over the years. On the contrary, Francis and Wang (2008) suggested that audit size correlated with accrual quality, thus firm which employed the services of Big4 auditors (i.e., KPMG, Akintola Williams Delloitte, Ernst and Young, and Price Water-House Cooper) had lower discretionary accruals than firms with Non-Big4 auditors. Similar to this, Kim, Chung and Firth (2003) and Francis and Wang (2008) suggested that audit size correlated with accrual quality, thus firm which employed the services of Big4 (KPMG, PWC, Akintola Williams Deloitee, and Ernst & Young) auditors had significantly downward management of earnings than firms with Non-Big4 auditors. In other words, firms audited by BIG4 firms had lower earnings management and consequently higher earnings quality, because Big 4 auditors were more competent and independent than Non-Big4.

Furthermore, Darabi, Mehr and Hassannejad (2012) and Alzoubi (2016), Houqe, Ahmed, and Zijl (2017) argued that an increase in audit quality considerably result to decrease in opportunities of the management to involve in management earnings. Similarly, Xu (2014) noted that audit quality practice by management can help to minimise earnings management behaviours of chief executive officer in the company and by extension increase earnings quality. Okolie, Izodonmi and Enofe (2013), Aliyu Musa and Zachariah (2015) and Tyokoso and Tsegba (2015) in Nigeria, Bassiouny, Soliman and Ragad (2016) in Egypt, Nazir and Afza (2018) in Pakistan provided evidence to support the argument that external audit quality enhances earnings quality practices in firms. However, Chalaki, Didar and Riahinezhad (2012) argued that earnings quality does not depend on the size of audit firm, that earnings quality is a function of ethical practices of management and the audit firm. This argument was supported by Memis and Cetenak (2012)'s study, who indicated that the BIG 4 auditors did not prevent earnings management behaviour in every emerging country, but only effective legal system that can constrain earning management, thereby, increase earnings quality.

2.1.4 Firm Size

Firm size as defined by Olayiwola (2022) is the ability, amount and variety of production capacity possessed by a firm for a period to several periods. To Ajao and Ogieriakhi (2018), Firm size is one of the major factors that determines earnings quality of a firm. Firms according to Watts and Zimmerman (1990) is categorised into small and large firms. They stated that large firms were more likely to engage in earnings management so as to minimize current earnings for the purpose of lowering their public visibility and minimizing their political costs. Ali Noor, Khurshid and Mahmood (2015) documented that large firms had more funds to utilize the best technology and expertise and also generate financial information to the public. Therefore, the large sized firms managed their earnings less as compared to small sized firms by keeping in view their reputation and cost in the existence of financial analysts. In addition, Irfan and Ali (2017) confirmed that large firm has the capacity to recruit chief executive officer with best skill, innovation and professional knowledge compared to small firm, thus, large firm has better strategies to improve its quality of earnings. On the contrary, the study of Barton and Simko (2002) revealed that the large sized firms managed earnings more than small size firm because of the pressure of investors and meeting the expectations of analysts. Umobong and Ironkwe (2017) assert that managers are likely to select accounting techniques to manipulate the current earnings if they observed they are being monitored by government agency. In addition, they suggested that the reasons for earnings manipulation could be that larger firms attract higher political cost than smaller firms. Larger firms according to Poorheydari and Hemati (2004) are politically more sensitive than smaller ones because these firms contribute more to the national economy; hence, an increase in the reported earnings of larger firms creates greater sensitivity, and larger firms bear greater bargaining costs in order to survive.

The theoretical framework explained in the immediate next section and the literature reviewed formed the bedrock of the conceptual framework of this study. The conceptual framework is in line with the stakeholder theory which operates within the study's formulated hypothesis of chief executive officer tenure and earnings quality. The relationship between these variables is presented in Figure 1

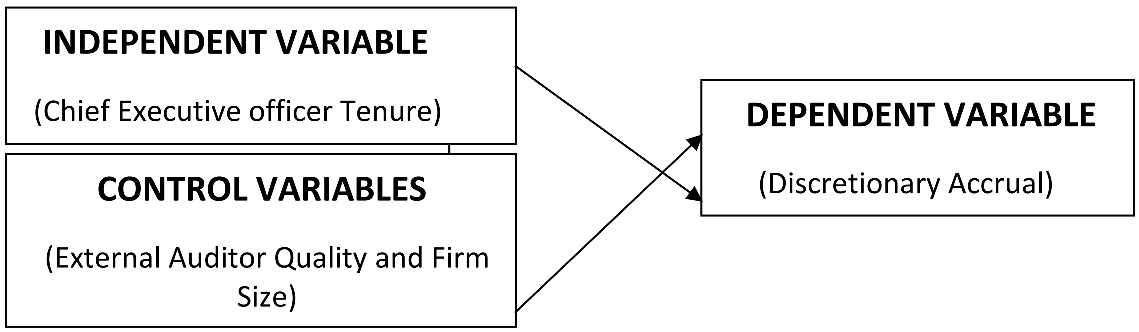

Figure 1 Conceptual Framework on Chief Executive officer Tenure and Earnings Quality

Source: Researchers' Concept.

2.2 Theoretical Review

2.2.1 Stakeholder Theory

The study was anchored on the stakeholder theory propounded and developed by Freeman in 1984. This theory is based on the premise that firms should be accountable to a broad range of stakeholders (Kiel & Nicholson, 2003). Freeman (1984) defines stakeholder as 'any group or individual who can effect or be affected by the achievement of corporation's objectives. Thus, the term stakeholder may cover a large group of participants; in fact, it applies to anyone according to Carroll and Buchholtz, (2002) who has a direct or indirect stake in the business of a firm. Stakeholders include shareholders, employees, suppliers, customers, creditors and communities in the vicinity of the company's operations, in addition to the public. According to Tyokoso and Tsegba (2015), the stakeholders that should be taken into consideration in the governance structure include investors (including banks), managers, employees, customers, business partners (suppliers and subsidiaries), local communities, civil society (including regulators and pressure groups) and the natural environment. The stakeholder theory supports the contention according to Kiel and Nicholson (2003) that, 'companies and society are interdependent and therefore the corporation serves a broader social purpose than its responsibilities to shareholders'. The stakeholder theory focuses not only on shareholders, but it has been expanded to take into account the interests of many different stakeholder groups, including interest groups with social, environmental and ethical considerations (Clarke, 2004). The chief executive officer has a responsibility to ensure that shareholders receive fairly and credible financial reports for decision making; it also has a responsibility to all stakeholders and should manage and alleviate the conflicts of interest that may exist between the firm and its stakeholders. Chief executive officer should be in a position of trust and should manage the company in a way that creates long-term sustainable value, while simultaneously considering their relationships with wider stakeholder groups including employees, customers, suppliers and communities that their activities affect.

This theory is relevant to the study since it assumes that good relationships between firms and various internal and external stakeholders in the broader environment is essential for the implementation and improvement of effective governance mechanisms and processes that will results to quality earnings (Christopher, 2010). According to stakeholder model, corporate governance is mainly concerned with how effective different governance mechanisms can result to high earnings quality by encouraging long-term investment, sustainable earnings, growth, stability and commitment among the various stakeholders (Pesqueuy & Damak-Ayadi, 2005; Maher & Anderson, 2000). This therefore implies that chief executive officer who consider the interest of all stakeholder will maximise performance, increase stakeholder satisfaction and by implication contributes to earnings quality of a firm.

2.3 Empirical Review

Thi Dao and Thi Thanh (2023) examined the relationship between chief executive officer's characteristic and company's performance in Vietnam. The study specifically focused on chief executive officer's tenure, educational background and professional experience of 245 listed firms on the Ho Chi Minh Stock Exchange for the period 2015 to 2020. The panel data model revealed the CEO's long tenure have positive effect on performance of sampled firms.

Chou and Chan (2018) provided evidence from the United States (US) Banking Industry on the impact of CEO characteristics on real activities manipulation achieved by changing the normal operation. The study used a sample size of seventy-three (73) banking institutions for the period 2004 to 2007 and employed pooled t-test and z-test to test the formulated hypotheses and the result showed that CEO's tenure was negatively associated with earnings management for the sampled firms in US.

In Indonesia, Sumayyah (2018) examined the effect of CEO tenure in the board of directors on earnings management for firms listed in Indonesia Stock Exchange (IDX) with a sample of three hundred and eighty-eight (388) observations for the period 2014 to 2016. The regression results established that there was a negative association between CEO tenure and earnings management, thus, suggesting that increase in the tenure of the CEO would result to higher earnings quality of the sampled firms in Indonesian listed companies.

The relationship between CEOs tenure and earnings quality was examined by Rashid, Mustapha, Hamid, Rasit, Yazid, and Afthanorhan (2018) who utilised fifty-eight (58) listed financial institutions on the Nigerian Stock Exchange from 2012 to 2016 to examine the mediating effect of CEO characteristics on corporate governance attributes and earning management. The study applied secondary source of data collection from annual reports and analysed the data with multiple regression statistical technique and the result indicated that CEO tenure had a positive and significant effect on earnings quality of the sampled firms in Nigeria, thus, implying that the longer the tenure of CEO, the better the earnings quality of the sampled firms.

Osemene, Adeyele, and Adinnu (2018) used panel least-square method to analyse the data collected from fifteen (15) quoted banks for the period between 2011 and 2016 and assessed how the aggressive earnings management was affected by ownership structure and the characteristics of the boards on listed deposit money banks in Nigeria. The study's outcome provided evidence to support that CEOs with a short-term and minor tenure, reports earnings more aggressively than those with long-term tenures, except for the penultimate year prior to their leaving.

In Indonesia firms, the study by Setyawan and Anggraita (2017) carried out a review of the impact of CEO career concerns on earnings management and used the regression statistical approach to analyse data from samples of CEOs of companies listed on the Indonesia Stock Exchange from 2012 to 2014. The outcome of the study provided that newly appointed CEOs have been proved to use real and accruals earnings management to increase profits in the early period of their tenures, while CEOs leaving their posts use only real earning management to increasing earnings in the final year of their tenure. In addition, the study concluded that since there is a high tendency that CEOs use real earnings management during their tenures and so the enforcement of regulations related to the disclosure of management career profiles should be encouraged.

Zouari, Lakhal and Nekhili (2015) provided empirical evidence from France on the impact of CEOs characteristics on earnings management with a sample of one hundred and fifty-three (153) French listed companies during 2008. The study used discretionary accruals as a proxy for earnings management and revealed that a significant positive relationship between CEO characteristics and earnings management existed. The study suggested that since reputed CEOs are well compensated and they protect the chances of losing their compensation level, thus, they will have the motive to engage in earnings manipulation for the firms.

The relationship between chief executive officer (CEOs) tenure and earnings quality, in Portuguese firms, CEO's age, education, expected tenure was specifically investigated by Isidro and Gonçalves

(2011) and the study focused on its effect on earnings management with a sample of nineteen (19) listed Portuguese firms for the period 2005 to 2009. The study's outcome indicated that older CEOs tenure has a negative and insignificant relationship with earnings management, thus, suggesting that the fact that the chief executive officer is about to leave the job does not seem to increase earnings management rather, increase earnings quality. In addition, the study provided that the possible reason for this result is that in a small business environment CEO is often re-appointed as CEO or appointed to other relevant job in the firm and even when he leaves the firm it is common that he maintains his personal integrity and professionalism links.

3. MATERIAL AND METHOD

The study adopted ex-post facto research design to show the effect of chief executive officer tenure on the earnings quality of Nigerian listed companies in the context of pre- and post-2011 code of corporate governance reform. The one-hundred and sixty-nine (169) listed companies on the Nigerian Exchange Group (NGX) as at 31st December, 2018 formed the population of study. Each firm in the population had annual reports for sixteen consecutive years for the period of 2003 - 2018 divided into 2003 to 2010 to measure pre-2011 code of corporate governance and 2011 to 2018 represents post-2011 code of corporate governance. This period was justified because it covered the period of first code of corporate governance, 2003 and amended in 2011. Thus, the periods allowed for pre and post 2011 code analysis. The study adopted Taro Yemane (1967) formula to determine the one hundred and nineteen (119) companies that formed the sampled population. This Taro Yemane's formular was considered to be the best fit to determine the sampled population because it is scientific, allows two third of the total population of the studied companies to be represented and in this context, many researchers such Ilaboya and Mgbame (2015) and Omoye and Wilson-Oshilim (2018) have utilised this technique to estimate company's size. Therefore, the statistical formula was stated as:

$$n = \frac{N}{1 + N(e^2)}$$

Where:

n = sample size

N = Population size

e = Level of significance desired, given that:

e = 0.05 and N = 169

$$n = \frac{169}{1+169(0.05)^2} = 118.81$$

Thus, one hundred and nineteen (119) companies were determined and were randomly selected from total population to form the sampled size. The choice of random sampling technique was because it removes all hints of bias and allows individual in the large population set the same probability of being selected. To randomly select the sample size, the following restrictions were imposed: the sampled company must be listed each year over the period of 2003 to 2018; the firm must have published its complete financial statements for the sixteen (16) years period from 2003 to 2018 and the shares of the sampled companies must be actively traded in the period under consideration. In order to randomly select the sample of one hundred and nineteen (119) from the one hundred and sixty nine (169) listed companies in the NGX as at 31st December 2018, a sample size distribution table is presented below:

Table 1 Sample Size Distribution

S/N	Sectoral	Population	Sample Size
1	Basic Material	11	11
2	Consumer Goods	26	24
3	Consumer Services	15	12
4	Finance	63	29
5	Health Care	10	06
6	Industrials	24	23
7	Information Technology	07	04
8	Oil and Gas	13	10
	Total	169	119

Source: Researcher's Computation, 2022

The study employed secondary source of data and obtained data from the publications of the audited annual financial statements and accounts of sampled firms, fact books and publications of the Nigerian Exchange Group from 2003 - 2018. Other sources were journals, library and the internet. The study employed descriptive statistics to explain the variables in terms of their mean, median, minimum, maximum, standard deviation. In addition, the explanatory variable and dependent variable were determined by regression analysis using pools, random and fixed effect estimations to test the hypotheses specified in the study. The study also carried out Hausman test to determine the appropriateness of either the random or fixed effect model for the interpretation of the regression analysis and a period comparison using Independent Samples T-Test was carried out to test for equality of means in order to compare the earnings quality (Adjusted R^2) difference between pre- and post-2011 code of corporate governance reforms periods. For robustness, the study carried out diagnostic test which is multicollinearity test to test the linearity of the independent variables from each other using Variance Inflation Factor (VIF).

The dependent variable was earnings quality proxied by discretionary accrual (DA). This was adopted from the modified Jones model provided by Dechow, Sloan and Sweeney (1995). The basic assumption under this model was that the higher the level of DA, the greater the distance between economic performances (earnings quality) and results shown in the financial statements. This therefore suggests that high DA signals low earnings quality, otherwise, high earnings quality. The independent variable was the chief executive officer tenure with two control variables- external auditor quality and firm size.

EQ = f(CEOT)……………………………………………………………………………Equation 1

Given that EQ represents earnings quality measured by discretionary accruals (DA) and it is a function of CEOT (chief executive officer tenure) with two control variables- external auditor quality and firm size. The functional equation is presented below:

DA = f(CEOT, EAQ, FS.) ………………………………………………………….. Equation 2

The linear regression model to specify pre- and post-2011 code of corporate governance reform is as shown below:

Model 1 Pre-2011 Corporate Governance Reform

$DA_{it} = \beta_0+\beta_1CEOT_{it}+\beta_2EAQ_{it}+ \beta_3FS_{it}+eit$ …………………………………………….. Equation 3

Model 2 Post-2011 Corporate Governance Reform

$DA_{it} = \beta_0+\beta_1CEOT_{it}+\beta_2EAQ_{it}+ \beta_3FS_{it}+e_{it}$…………………………………………… Equation 4

Where;

DA= Discretionary Accrual measured as the excess of total accruals over non-discretionary accruals as follow: $DA_{it} = TA_{it} - NDA_{it}$. The Total Accruals ($TA_{it}$) is measured as the difference between income before tax and extraordinary ordinary items ($EBXI_{it}$) and net cash flow from operating activities (CFO_{it}) as follow: $TA_{it}= EBTXI_{it}– CFO_{it.}$ and non-discretionary accrual as $NDA_{i,t}= A_{it-1}+ (\Delta REV_{it} - \Delta AR_{it})+ PPE_{it}$ using the modified Jones model provided by Dechow, Sloan and Sweeney (1995); CEOT = Chief Executive Officer Tenure measured as the numbers of times the chief executive officer retained his or her position and it is measured by a dummy variable "1" when there was change of CEO otherwise "0"; EAQ= External Auditor Quality Measured as dummy variable which equal to "1" if a company used Joint audit firms, ''0.5'' for BIG-4 Audit firms and "0" if otherwise. {The BIG-4 Audit firms are KPMG, Delloitte, Ernst & Young, and Price Water House

Cooper (PWC)}; FS = Firm Size measured as the natural logarithm of total assets; β_0 = Intercept for each model; $\beta_1 - \beta_3$ = Coefficients of the independent variables and eit = Disturbance terms that absorbs effect from other variables that are ignored.

3.2 Decision Rule

Accept the alternative hypothesis, if the P-value of the test is less than 0.05. Otherwise accept H_o.

4. RESULT AND DISCUSSIONS

4.1.1 Descriptive Statistics

The descriptive statistic is presented in Table 4.1.1 and 4.1.2 describing the values for the Mean, Median, Maximum, Minimum, Standard Deviation, Probability, and Observations of the Variables.

Table 2 Descriptive Statistic for Pre-2011 code Requirement

Var	Mean	Median	Max	Min	Std. Dev	Prob	Obs
DA	0.059	0.010	14.650	-9230	1.081	0.000	951
CEOT	0.657	1.000	1.000	0.000	0.475	0.000	951
EAQ	0.606	1.000	1.000	0.000	0.489	0.000	951
FS	5.550	6.310	15.650	0.980	2.564	0.461	951

Source: Researchers' Computation, E-view version 9.0 Output, 2022.

Table 3 Descriptive Statistic for Post-2011 code Requirement

Var	Mean	Median	Max	Min	Std. Dev	Prob	Obs
DA	0.052	0.010	12.192	-9.667	0.949	0.000	951
CEOT	0.744	1.000	2.000	0.000	0.451	0.000	951
EAQ	0.636	1.000	1.000	0.000	0.481	0.000	951
FS	5.639	6.441	17.210	0.000	2.602	0.467	951

Source: Researchers' Computation, E-view version 9.0 Output, 2022

Tables 2 and 3 presents the descriptive summary statistics of the variables used in the study. These show on average terms, the indicators of variables. They help to identify possible abnormalities in the dataset before the regression is carried out. The summary statistics are presented for both pre-and post-2011 code requirement of corporate governance mechanisms for chief executive officer tenure to give an in-depth understanding on the average indicators of the variables. On average, it is observed that, under pre- 2011 code requirement, firms exhibit higher discretionary accruals (DA) than under post-2011 code requirement but firms under post-2011 code requirement period reported higher number of

CEOT, EAQ and FS than firms under pre-2011 code requirement period which may be as a result of the reform in the chief executive officer tenure.

It is worth noting that, although these mean-descriptive statistics of the variables are indicative of the state of affairs regarding the possible effect of chief executive officer tenure reforms on earnings quality for both pre-and post-2011 code requirement periods, they are by no means absolute or conclusive as the standard deviations seem to correlate in their movements in tandem with the mean values, which lend themselves for further questioning.

4.1.2 Correlation Matrix

Tables 4 and 5 show the correlation matrices for both before-and after-2011 code requirement of chief executive officer tenure periods. The results of the two correlation matrices examine the extent of discretionary accrual practices pre-and post-2011 code requirement of chief executive officer tenure respectively.

Table 4 Correlation Matrix for Pre-2011 Code Requirement

	DA	CEOT	EAQ	FS
DA	1.000000	-0.008517	0.053806	0.058111
CEOT	-0.008517	1.000000	0.119908	-0.069453
EAQ	0.053806	0.119908	1.000000	0.080434
FS	0.058111	-0.069453	0.080434	1.000000

Source: Resaerchers' Computation, 2022.

Table 5 Correlation Matrix for Post-2011 Code Requirement

	DA	CEOT	EAQ	FS
DA	1.000000	-0.026217	-0.041254	0.076190
CEOT	-0.026217	1.000000	0.005147	-0.103412
EAQ	-0.041254	0.005147	1.000000	0.045574
FS	0.076190	-0.103412	0.045574	1.000000

Source: Researchers' computation, 2022.

For the pre-2011 code requirement, the correlation matrix reveals that there is a negative relationship (-0.008517) between DA and CEOT. This indicates a decrease in the extent of discretionary accrual practices by the listed companies when there is increase in chief executive officer tenure pre-2011 code requirement period. The post-2011 code requirement period, correlation matrix shows a positive relationship (-0.026217) between DA and CEOT. This implies that there is also a decrease in the extent of discretionary accrual practices by the listed companies when there is increase in chief executive officer tenure post-2011 code requirement period.

For the control variables, pre-2011 code requirement, the correlation matrix reveals that there is a positive relationship (0.053806) between DA and EAQ. This indicates an increase in the extent of discretionary accrual practices by the listed companies when there is increase in external audit quality pre-2011 code requirement period. The post-2011 code requirement period correlation matrix shows a negative relationship (-0.041254) between DA and EAQ. This implies that there is a decrease in the extent of discretionary accrual practices by the listed companies when there is increase in external audit quality post-2011 code requirement period. In addition, the pre-2011 code requirement correlation matrix reveals that there is a positive relationship (0.058111) between DA and FS. This indicates an increase in the extent of discretionary accrual practices by the listed companies when there is increase in firm size pre-2011 code requirement period. The post-2011 code requirement period correlation matrix also shows positive relationship (0.076190) between DA and FS. This implies that there is an increase in the extent of discretionary accrual practices by the listed companies when there is increase in firm size post-2011 code requirement period.

4.2 Test of Hypothesis

Chief executive officer tenure has no significant effect on discretionary accrual of listed firms in Nigeria post-2011 code requirement than pre-2011 code requirement of corporate governance.

The result on Table 4.3.1 (that is, pre-2011 code requirement and post-2011 code requirement) presented below shows the extent *to* which chief executive officer tenure affects discretionary accrual of listed firms in Nigeria.

Table 6 Summary Random Regression Results for Model 1 and Model 2

	Pre-2011 Code Reform			Post-2011 Code Reform		
	$DA = \beta_0 + \beta_1 CEOT + \beta_2 EAQ + \beta_3 FS$			$DA = \beta_0 + \beta_1 CEOT + \beta_2 EAQ + \beta_3 FS$		
	Coeff.	T.Stat.	P-value.	Coeff.	T.Stat.	P-value
Constant	-0.606	-1.799	0.072	0.051	-3.068	0.002
CEOT	-0.037	-0.549	0.583	-0.010	-0.278	0.781
EAQ	0.145	1.324	0.186	-0.123	-1.279	0.201
FS	0.031	1.324	0.186	0.020	1.046	0.296
R-Sq.	0.008			R-Sq.		0.020
Adj. R-Sq	0.000			Adj. R-Sq		0.013
S.E.of Regr.	0.786			S.E of Regr		0.811

F-Stat.	1.018	F-Stat.	2.710
Prob.(F-Stat.)	0.046	Prob.(F-Stat)	0.007
Durbin Watson Stat.	1.807	Durbin Watson Stat.	2.259

*For P < 0.05

Source: researchers' Computation, 2022.

Based on the random effect model indicated in Table 6 the result of the effect of chief executive officer tenure on discretionary accrual of listed firms in Nigeria post-2011 code requirements was negative and not significant. The result showed that chief executive officer tenure (CEOT) was weak and negatively affects discretionary accrual at a t-value of -0.277510 with a probability value of 0.7814> P = 0.05 at the 5% level of significance. Hence, the null hypothesis which stated that chief executive officer tenure has no significant effect on discretionary accrual of listed firms in Nigeria post-2011 code requirement than pre-2011 code requirement of corporate governance could be accepted.

Furthermore, the coefficient on the result of the regression is substituted in the random least square regression equation specified in model 1 and model 2 of section three in this study and are presented below:

Model 1: DA = -0.060-0.037CEOT+ 0.144EAQ+0.031FS

Model 2: DA = 0.051-0.010CEOT-0.123EAQ+0.020FS

The random effect indicated in Table 6 revealed that the result of the effect of chief executive officer tenure on discretionary accrual of listed firms in Nigeria post-2011 (Model 2) code requirement was negative and not significant than the pre-2011 (Model 1) code requirement as indicated in Table 4.3.1. The implication of this result is that an increase in the numbers of times the chief executive officer retained his or her position would lead to decrease in discretionary accrual and by extension, increases earnings quality of the sampled companies if other variables are held constant. The result was consistent with the a-priori positive significant effect as predicted by the study. Also, this result collaborated with stakeholder theory that stated: if there is reform in chief executive officer tenure to increase the tenure of chief executive officer, it will help to improve the company's strategic objectives for sustainable corporate performance, thus enhance earnings quality of the firm. Setyawan and Anggraita (2017) indicated that CEOs with longer tenure proved to have less earning manipulation. Similarly, it was observed by Ali and Zhang (2013) that in the early years of CEOs, overstatement of earnings increases to management incentive of multiple retention, but, CEOs with longer tenure establishes a reputation of high ability and integrity, subsequently, these CEOs will have the incentive to avoid overstating earnings to prevent the loss of their reputation. In addition, our result support the

JOURNAL OF GLOBAL ACCOUNTING
9 (3) September, 2023.
ISSN: 1118 – 6828
https://journals.unizik.edu.ng/joga

outcome indicated by Chou and Chan (2018) from the United States (US) Banking Industry and the result showed that CEO's tenure was negatively associated with earnings management for the sampled firms in US. Similarly, our result is consistent with the position of Sumayyah (2018) from firms listed in Indonesia Stock Exchange who reported a negative association between CEO tenure and earnings management, thus, suggesting that increase in the tenure of the CEO would result to higher earnings quality of the sampled firms in Indonesian listed companies. Also in Nigeria, our result collaborated with the study carried out by Rashid, *et al.* (2018) from listed financial institutions on the Nigerian Exchange Group. However, our result is at variance with and the result provided by Osemene, *et al.* (2018) from quoted banks in Nigeria, who found that CEO tenure had a positive and significant effect on earnings quality of the sampled firms in Nigeria, thus, implying that the longer the tenure of CEO, the lower the earnings quality of the sampled firms. Similarly, the result indicated by Zouari, *et al.* (2015) reported a significant positive relationship between CEO characteristics and earnings management. The study suggested that since reputed CEOs are well compensated and they protect the chances of losing their compensation level, thus, they will have the motive to engage in earnings manipulation for the firms.

CONCLUSION AND RECOMMENDATIONS

The study generally assessed chief executive officer tenure and earnings quality (proxied by discretionary accrual) of listed Nigerian companies and focused on the pre- and post-2011 code requirements of corporate governance mechanisms. Hence, following the result of the analysis, the study concluded that the effect of chief executive officer tenure on discretionary accrual of listed firms in Nigeria after-2011 code requirement was negative and not significant than pre-2011 code requirement of corporate governance mechanisms. Hence, increase in the number of times the chief executive officer retained his or her position will lead to decrease in discretionary accrual, which in turn, increases earnings quality of the Nigerian listed companies.

Following the findings revealed by the random effect ordinary least square regression approach, the study recommends that the regulatory bodies such as Financial Reporting Council of Nigeria, Securities and Exchange Commission should increase or maintain the numbers of times the chief executive officer retained his or her position in the subsequent amendment of the existing code requirements of the corporate governance mechanisms because this will help to reduce discretionary accrual practice by the management and in turn leads to increase earnings quality of the Nigerian listed companies.

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