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EARNINGS MANAGEMENT AND QUALITY OF FINANCIAL REPORTING OF LISTED CONSTRUCTION COMPANIES IN NIGERIA

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ABSTRACT

The study examined earnings management and quality of financial reporting of listed construction companies in Nigeria. The objectives of the study among others are; to examined the relationship between accrual earnings and faithful representation of financial reporting of listed construction companies in Nigeria. And to evaluate the relationship between earnings persistence and faithful representation of financial reporting of listed construction companies in Nigeria. The study employed expo facto research design. The population of the study was the nine (9) listed construction companies in the Nigerian Stock Exchange during the period 2015-2021 (7) years. While the Sample size is 6. The study employed secondary data. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested using the multiple regression analysis with the aid of E-view (10). The findings of the study were that; there is positive and significant relationship between accrual earnings and faithful representation of construction companies in Nigeria. Meanwhile, there is positive but insignificant relationship between earnings persistence and faithful representation of listed construction companies in Nigeria. The recommended that construction companies in Nigeria accruals earnings is positive and significantly related. Thus, management should maintain this level of accruals earnings management. The construction sector should monitor the compliance with the provisions of the Nigerian code of corporate governance by companies will help strengthen faithful representation of financial reports.

Keywords: Earnings management, Quality of financial reporting, Faithful representation, Accrual earnings and Earnings persistence

INTRODUCTION

Accounting information is relevant to the extent that it is capable of influencing decision makers by helping them to predict the outcomes of current events or to confirm or correct prior expectations (Sukeecheep et al. 2014). Olowokure et al. (2016), opined that financial reporting is a communication system that involves the firm's management as the preparer, the investors and creditors as primary users, and other secondary users, such as government authorities and the general public. Financial statements should always provide reliable information to assist users in decision making. The statement should contain relevant, reliable, comparable, understandable information and must be timely and faithfully represent the firm’s economic value and realities, have predictive value or feedback value or both (Kamaruzaman et al. 2019). However, financial information quality in Nigeria remains weak compared to many advanced jurisdictions (Olowokure et al., 2016). Johnson (2015), added that annual reports in Nigeria can never be completely free from bias, since economic phenomena presented in annual reports are frequently measured under conditions of earnings management and creative accounting.

Tang (2017), asserts that earnings management is the act of intentionally influencing the process of financial reporting to obtain some private gain. Earnings management involves the alteration of financial reports to mislead stakeholders about the organization's underlying performance, or to "influence contractual outcomes that depend on reported accounting numbers. Earnings management refers to deliberate intercession by the management in the process of reporting to deceive the stakeholders about the company's economic and financial position, or with the personal intention of gaining income from contracts with these manipulated financial reports (Ajibolade & Uwuigbe, 2013). The financial manager or management of a company chooses to exhibit only those things in their financial reports which project their company in good status in order to gain profit from that. Earnings management is a bad thing as most of the calculations of profit shown in the reports will be either fake or prepared based on uncertain future judgments.

Statement of Problem

Earnings management is a widespread problem in Nigeria 's listed firms. One reason is the administrative governance approach adopted in Nigeria, where regulators often rely on accounting numbers to govern the listed (Awotundun, 2001). For example, the Nigeria Securities Regulatory Commission (NSRC) requires listed firms to meet a certain level of return on equity (ROE) before they can apply for permission to issue additional shares to existing shareholders (rights issues); and the most important criterion for de-listing a listed company is a reported net loss for three consecutive years (Uwalomwa et al. 2016). A peculiar feature of the Nigerian listed firms is that some of them are in financial distress and should be bankrupt in terms of the criteria used in developed countries. However, they are still listed on the stock markets in Nigeria, in contrast with the practice of mature stock markets in developed countries. From web metric analysis, there is a draught in empirical literature on the topic of earnings management and the quality of financial reporting in Nigeria. Other related studies are by Appolos and Jerry (2019), Emmanuel et al. 2014: Abbott 2004; Bouaziz 2012; Zaman 2011; Muhammed, 2014; Dichev et al. (2002), etc. on corporate governance and earnings management prominently studied. And studies directed towards audit committee and financial reporting quality, mostly conclude that corporate governance and the audit committee have a strong influence on the quality of financial reporting of firms. Thus, to the best of the researcher's knowledge, the few studies on earnings management and quality of financial reporting and their related studies cannot adequately and specifically address the problems of earnings management and quality of financial reporting in empirical literature and in practice in Nigeria. Thus, in light of the above problems and the importance of finding a lasting solution to earnings equality for shareholders and investors, this researcher seeks to fill the gap in the study titled Earnings management and quality of financial reporting in listed construction companies in Nigeria to fill the content scope. Secondly, to statistically accept, debunk or reconcile the inconsistencies in existing empirical studies in developed economies, which are often generalized to developing economies to close the knowledge gap. Thirdly, by deviating from the concentrated manufacturing and banking sectors to focusing on the construction sector of Nigeria in order to fill the gap in analytical scope. Thus, it is the above content, dimensions, measures, and scope gaps noted, that incited the researcher to write about earnings management and the quality of financial reporting in listed construction companies in Nigeria.

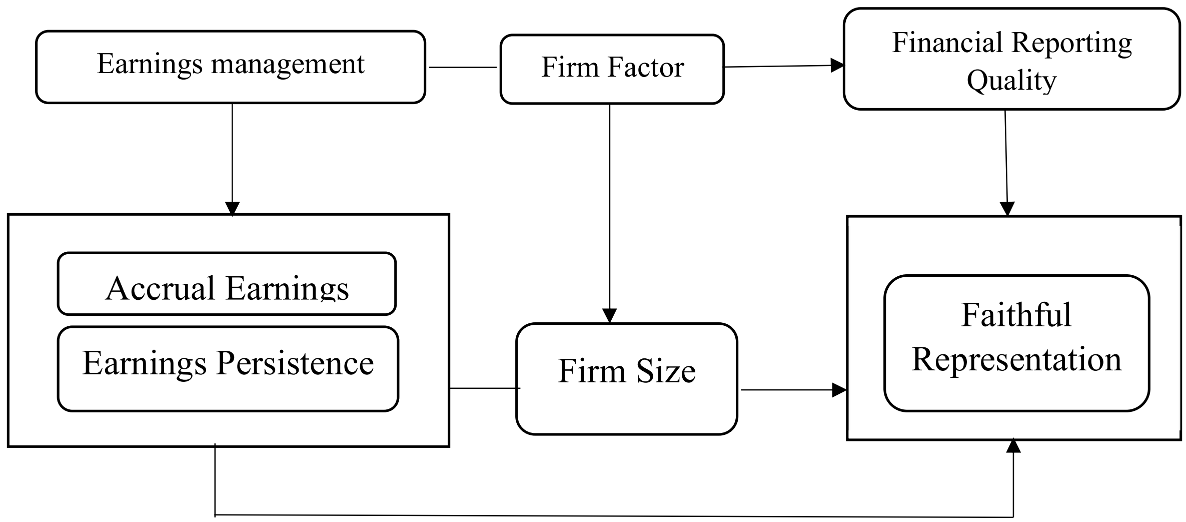

Figure 1.1 Conceptual Framework
Sources of conceptualization: Feng-Li et al. (2011); Dichev et al. (2002), Emmanuel et al. (2014); Pajunen and Saastamoinen (2013) and researchers' input (2020).

Aim and Objectives of the Study
The main aim of this study was to investigate earnings management and quality of financial reporting of listed construction companies in Nigeria. The specific objectives include the following:

1. Examine the relationship between accrual earnings and faithful representation of financial reporting of listed construction companies in Nigeria.
2. Evaluate the relationship between earnings persistence and faithful representation of financial reporting of listed construction companies in Nigeria.
3. Examine the effect of firm size on the relationship between earnings management and quality of financial reporting in listed construction companies in Nigeria.

Research Hypotheses
The following null hypotheses were tested at a 0.05 level of significance.
Ho_1: There is no significant relationship between accrual earnings and faithful representation of financial reporting of listed construction companies in Nigeria.
Ho_2: There is no significant relationship between earnings persistence and faithful representation of financial reporting of listed construction companies in Nigeria.
Ho_3: Firm size does not have any significant moderating effect on the relationship between Earnings management and quality of financial reporting in listed construction companies in Nigeria.

Conceptual Framework
Earnings Management
Earnings management encompasses the selection of accounting and estimates that conform to the generally accepted accounting principles (GAAP). This implies that companies that practice earnings management would manage their earnings within the limits of accepted accounting procedures (Rahman & Ali, 2016). However, certain monitoring mechanisms can prevent managers from inflating earnings. The monitoring hypothesis acknowledges the impact of external monitoring (such as monitoring by creditors) on the practice of earnings management. Under constant monitoring, inflated earnings through management are likely to be detected and, therefore, unlikely to affect stock prices (Shih & Yueh, 2012). Meanwhile, pressure from financial

distress has significant adverse effects on the economy, whereby investors and creditors could possibly suffer substantial financial loss. If the firm is in financial distress, managers would anticipate having their bonuses cut, the possibility of being replaced, and suffering damage to their career and reputation (Liberty & Zimmerman, 1986; Gilson, 1989).

Dimensions of Predictor Variable

Accrual earnings

Accrual earning is the amount of an asset or liability that is not mandatory but is recorded in the system and that will be realized later when settled. Accrual earnings as a way to respond to asymmetric information and agency costs in their private information and strategies for financial information about the existence of fraudulent events. Choi (2011), and Hasnan (2012). Accrual accounting can provide more relevant information to investors on one hand, but it can also introduce errors and bias, resulting in less reliable information on the other. Sloan (2016), suggested that accruals may be less informative than cash flows because they are less reliable and thus more susceptible to estimation errors and managerial manipulation. Accrual's quality plays a critical role in determining the reliability of earnings information to users. Thus, several researchers use accrual quality to assess the quality of earnings, and they explain earnings quality as an increasing function of accrual quality and view earnings as being of higher quality if the quality of accrual items is high (Dechow & Dichev, 2002; Myers, 2003). Accrual quality is one of the dimensions we are using to measure earnings quality in this work.

Earnings Persistence

The quality of earnings reported by a firm is useful in assessing how well the reporting entity has utilized its resources to benefit the shareholders and sustain the existence of the firm. Existing research on earnings quality has used various measures because of different perspectives on the understanding of the construct. One of the attributes of earnings used in measuring earnings quality is how current earnings persist over time. Earnings persistence is a measure of the extent to which current earnings are repeated in the future. It indicates whether current earnings are stable and can be sustained in the future. Therefore, high persistence shows a high quality of earnings. Earnings persistence is a good measure of earnings quality because it depends on the fundamental performance of the firm as well as the system of accounting measurement employed.

Financial Reporting Quality

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions, enhancing overall market efficiency (IASB, 2006; IASB, 2008).

Faithful representation

Faithful representation is the second fundamental qualitative characteristic as elaborated in the ED. To faithfully represent economic phenomena that information purports to represent, annual reports must be complete, neutral, and free from material error (IASB, 2008:36). The economic phenomena represented in the annual report are "economic resources and obligations and the transactions and other events and circumstances that change them" (IASB, 2006: 48). Consistent with prior literature, faithful representation is measured using five items referring to neutrality, completeness, freedom from material error, and verifiability (Dechow et al. 1996; Willekens, 2018).

Firm Size
Firm size refers to the speed and extent of growth that is ideal for a specific company. Most companies are intent on expanding the size of their business operations to allow them to grow either in revenue, profit, number of employees, or size of facilities (Pervan & Visic, 2012). Many companies compete in rapidly changing industries, which may be imperative for survival (Dogan, 2013). Another strategy for retaining growth involves employing employees who like to work for a company. These people tend to enjoy the diversity of the challenges they encounter in the company, and they often have a strong interest in the firm's products and can provide their expertise to customers.

Theoretical Framework
Agency Theory
This theory originated in economics, specifically information economics. The theory was primarily developed to investigate more general questions of incomplete facts and risk sharing (Moe, 1984). The key postulation of this theory is that rationality and wealth-seeking traits are used to describe principals and agents who are eager to make the most of their own utility functions. Agency theory is used to understand the relationships between agents and principals. The agent represents the principal in a particular business transaction and is expected to represent the best interests of the principal without regard to self-interest. The different interests of principals and agents may become a source of conflict, as some agents may not always act in the principal's best interests. The resulting miscommunication and disagreement may result in various problems and discord within companies. Incompatible desires may drive a wedge between each stakeholder and cause inefficiencies and financial losses. This leads to the principal-agent problem. The principal-agent problem occurs when the interests of a principal and an agent conflict. Companies should seek to minimize these situations through solid corporate policy. These conflicts present normally ethical individuals with opportunities for moral hazard. Incentives may be used to redirect the behavior of the agent to realign these interests with the principal's concerns.

Empirical Reviews
Many researchers have attempted to study earnings management and the quality of financial reporting of public corporations. Some of these eminent scholars include: Musa and Shehu (2014), designed to examine the impact of audit quality on financial performance of quoted firms in Nigeria. The study is descriptive in nature and the correlational and ex-post facto designs were adopted in carrying out this research. The data was obtained basically from the published annual reports and accounts, and notes to the financial statements of the four firms that represent the sample of the study. The data collected was quantified and presented in tables. Multiple regression analysis using SPSS Version 15.0 was employed in analyzing the data and testing the stated hypotheses. The results of the findings show that auditor size and auditor independence have significant impacts on the financial performance of quoted cement firms in Nigeria. However, auditor independence has more influence than auditor size on financial performance. The study recommends that the management of quoted cement firms in Nigeria increase the remuneration of auditors in order to improve their financial performance. The study further recommends that management should employ the services of audit firms whose character and integrity are beyond question.
Oluyinka et al. (2020), examine the effect of audit quality on the financial reporting quality of deposit money banks listed on the Nigerian stock exchange. Methodology: The data was extracted from audited annual reports of all the 11 deposit money banks listed on the Nigerian stock exchange for ten years, 2009-2018. The study used panel multiple regression and employed Hausman's test to choose between a random and a fixed-effect model. A random effect model was chosen and interpreted. Findings: We found out that audit firm size, audit tenure, and audit fees affect financial reporting quality (FRQ), but only the effect of audit fees was statistically significant. Unlike many previous studies, this study employed the relevance of financial reports

based on the time lag between the accounting year-end and the date the report was signed by the external auditor to measure financial reporting quality (FRQ).
Oladejo (2020), determined the effect of the ownership structure on the earnings quality of listed financial firms in Nigeria. The study employed secondary data. The study population comprised all the 16 listed financial firms on the Nigerian Stock Exchange. A possive sampling technique was adopted to select the top 10 banks whose shares are consistently traded on the stock market. The data for ownership structure and earnings quality were sourced from the audited financial statements of the selected firms and the Nigerian Stock Exchange Fact book over a period of 10 years (2009-2018). Collected data was analyzed using pooled ordinary least square, fixed effect and random effect estimation techniques. The results of the study showed that institutional ownership (t=4.3, p 0.05) had a positive and statistically significant relationship with earnings quality, while ownership concentration (t=-2.5, p 0.05) had a negative and significant relationship with earnings quality.
Leonard et al. (2018), examined the effect of international financial reporting standards (IFRS) adoption on the financial performance of quoted manufacturing firms in Nigeria. It utilized data on two key financial performance indicators: earnings per share (EPS) and return on assets (ROA) of five selected manufacturing firms quoted on the Nigeria Stock Exchange for the period of 2007 – 2016, segregated into the pre-IFRS (NGAAP) regime and the post-IFRS regime. Descriptive analysis (Mean) and inferential statistics (paired sample t-test) were employed in analyzing the data collected. The results of the analysis indicated that, on the one hand, IFRS adoption in Nigeria exerts an insignificant negative effect on the firms' EPS, while, on the other hand, it exerts a significant negative effect on the firms' ROA. The study thus concluded that manufacturing firms in Nigeria have not fared better with regards to their reported financial performance following the adoption of the new financial reporting standards. The study therefore recommended that the financial reporting council of Nigeria should consider a review of the tenets of IFRS as specified by the International Accounting Standard Board to incorporate local content. Hence, instead of full adoption, convergence could be the way to go for Nigeria firms.

Empirical Knowledge Gap

From the related empirical studies reviewed, major gaps were noted. First, from web metric analysis, there is a draught in empirical literature on the topic of earnings management and the quality of financial reporting in Nigeria. Other related studies are by Appolos and Jerry, (2019), Emmanuel et al. (2014), Abbott 2004; Bouaziz 2012; Zaman 2011; Muhammed, 2014; Dichev et al. (2002), etc, on corporate governance and earnings management prominently studied. And studies directed towards audit committee and financial reporting quality. Mostly, it concludes that corporate governance and audit committees have a strong influence on the quality of financial reporting of firms. Thus, to the best of our knowledge, the few studies on earnings management and the quality of financial reporting and their related studies cannot adequately and specifically address the problems of earnings management and the quality of financial reporting in empirical literature and in practice in Nigeria. Thus, this researcher seeks to fill the gap in the study titled Earnings management and quality of financial reporting in listed construction companies in Nigeria to fill the content scope. In order to empirically cover the missing content gap, the study applied accrual earnings, income smoothness, and earnings persistence as dimensions and measures of faithful representation and relevance. Thirdly, to statistically accept, debunk or reconcile the inconsistencies in existing empirical studies in developed economies, which are often generalized to developing economies to close the knowledge gap. The study is also unique as the analytical scope covers 7 years' time lag (2015-2021) to solve the problem of obsolesce of empirical information data. Thus, it is the above premises that incited the researcher to write about earnings management and the quality of financial reporting of listed construction companies in Nigeria.

METHODOLOGY

The study employed expo facto research design. The population of the study was the nine (9) listed construction companies in the Nigerian Stock Exchange during the period 2015-2021 (7) years. Out of the nine (9) companies, three (3) companies have incomplete financial statements which leave the sample size to be six (6) listed construction companies were used as sample size. The study emphatically employed the use of secondary data. The formulated research questions were analyzed with descriptive statistics. The hypotheses were tested using the multiple regression analysis with the aid of E-view (10).

Table 1: Names of the Six Listed Companies

S/N	Name of Listed Company
1	Arbico Plc.[bls]
2	Julius Berger Nig.
3	SFS Real Estate Investment Trust
4	Smart Products Nigeria Plc[MRF]
5	Union Homes Real Estate Investment Trust (REIT)
6	UPDC Real Estate Investment Trust

Source: Authors computation form NSE, 2021

Table 2: Operational Measurement of Variables

<table>
<tr><th>Variable</th><th>Type of Variables</th><th colspan="2">Measurement Scale</th><th>Source of Data</th></tr>
<tr><td>Accruals Earnings</td><td>Dimension of independent variable</td><td colspan="2">The reverse measure of discretionary accruals using modified Jones' (1991) model proposed by Dechow and Dichev (2002).
TCAi,t / Ai,t-1 = α0,i + α1,i(CFOi,t-1 / Ai,t) + α2,i (CFOi,t / Ai,t) + α3,i (CFOi,t+1 / Ai,t)</td><td>Annual report</td></tr>
<tr><td>Earnings Persistence</td><td>Dimension of independent variable</td><td colspan="2">The estimate of regression of the future value of the variables on its current value is carried out as in (Dechow and Schrand)
$NIBEXT_{it} = bo_i + b_{jt}NIBEXT_{jt\ -t} + U_t$</td><td>Annual report</td></tr>
<tr><td rowspan="4">Faithful Representation</td><td rowspan="4">Measure of Faithful Representation variable is a construct, that comprises of;</td><td>1. Completeness</td><td>Completeness / Verifiability of information (e.g. Jonas and Blanchet, 2000; Maines and Wahlen, 2004)</td><td rowspan="4">Annual report</td></tr>
<tr><td>2. Neutrality / Free from bias</td><td>Predictive value of both gains and losses (e.g. Dechow et al., 1996; Sloan, 2001, McMullen, 1996; Razaee, 2003; Cohen et al., 2004;</td></tr>
<tr><td>3. Unqualified auditor's report</td><td>External auditor's report (eg Ferdy et.al., 2009).</td></tr>
<tr><td>4. Corporate governance statement</td><td>Board of Directors statements / codes (eg Ferdy et.al., 2009).</td></tr>
</table>

Sources: Beest et al., (2009); Cheung et al. (2010); Willekens (2008), Feng-Li et al. (2011) and Dechow and Schrand (2003), Dechow and Dichev (2002) and Ferdy et.al., 2009) and Saverio et al. (2017).

Model Specifications
Cobb-Douglas economic production function model was adopted for this study. The model is specified as:
$Y = f(x_1, x_2, \ldots x_n + \mho)$ *3.1*
Baxter and Cotter (2009) and Emmanuel, Ayorinde, and Babajide (2014), defined corporate governance (earnings management) components as the summation of X functions.
Thus,
X = f (earnings management) *3.2*
In this study combining the two models will yield a richer econometric model that will facilitate estimation. The earnings management (EM) components in the study are [Accrual Earnings (ACCE) and earnings persistence (EPER)] defined as two components used in the study; this modification will help us investigate the impact of earnings management on financial reporting quality of listed construction and real estate companies in the Nigerian.
$AC = f(\text{ACCE} + \text{EPER})$ *3.3*
And because,
Y = f (*EM*) according to Cobb-Douglas economic production function model and Baxter and Cotter (2009) and Emmanuel, Ayorinde, and Babajide (2014).
Hence;
$Y = f[(\text{ACCE} + \text{EPER} + \mho)]$ *3.4*
Thus:
$FREP = \beta o + \text{ACCE} + \text{EPER} + \mho$.........................*3.5*
$REV = \beta o + \text{ACCE} + \text{EPER} + \mho$.........................*3.6*
Where;

ACCE	= Discretionary Accruals
EPERS	= Earnings Persistence
FREP	= Faithful Representation
β_0	= Constant term (y intercept)
β	= Coefficient of the independent variable
$\mho$	= Error term (causes of Faithful Representation not explained by variables in the model)

Thus, the study developed one multivariate hypotheses models:
The First Model: The first hypothesis test model; shows the relationship between discretionary accruals and size, independence, and financial expertise:
$FREP_{it} = \beta o + \beta_1(ACCE)_t + + \beta o_2(EPERS)_t + \mho\ (.05)$ *3.7*
To make the data uniform and easy to regress and analyses due to the fact that some of the data like committee renumeration are in thousands of hundred and others are in units and ratio, and percentages the data were converted to natural logarithm (log) form as follows:
$NLFREP_{it} = \beta o + \beta_1(NLACCE)_t + \beta o_2(NLINSM)_t + \beta o_3(NLEPER)_{t\,t} + \mho\ (.05)$...................*3.8*
Where;

NLACCE	= Natural logarithm of Accruals Earnings
NLEPER	= Natural logarithm of Earnings Persistence
NLFREP	= Natural logarithm of Faithful Representation

Data Analyses and Results Interpretations

Table 3: Descriptive Statistics

	ACCE	EPER	FREP
Mean	0.001363	18.69793	6.800000
Median	0.002040	0.100150	8.000000
Maximum	0.374980	1953.000	8.000000
Minimum	0.240520	3.327400	0.000000
Std. Dev.	0.095067	191.5166	2.172379
Skewness	2.780551	10.05016	2.285974
Kurtosis	5.989549	102.0071	7.530709
Jarque-Bera	49.76319	44227.86	181.2564
Probability	0.000000	0.000000	0.000000
Sum	0.143100	1944.585	714.0000
Sum Sq. Dev.	0.939926	3777898.	490.8000
Observations	76	76	76

Source: Data Result from E-view (v.12), 2022

Table 4.1 shows that the descriptive statistics of the data collected for the independent variable's dimensions of the study. The accrual earnings (ACCE) and earnings persistence (EPER) have a mean value of 0.001363 and 18.69793 respectively, also, median value of 0.002040 and 0.100150 respectively, also the maximum and minimum values of accrual earnings (ACCE) were 0.374980 and 0.240520 and earnings persistence (EPER) were 1953.000 and 3.327400 On the other hand, the standard deviation values of 0.095067 and 191.5166 signifying that the data deviate from the mean values of the three study dimensions, which implies that there is a wide dispersion of the data from the means because the standard deviation is closed to the mean.

On the other hand, Skewness and Kurtosis calculated mean values which is a measure of the departure of a distribution from symmetry above for three study dimensions {accrual earnings (ACCE) and earnings persistence (EPER)}, shows a positive skewness values that is greater than 1. This indicates that the three study dimensions are normally distributed. More so, the Kurtosis result which measures the extent of flatness or peakedness of a distribution in relative terms to a normal distribution confirms that accrual earnings (ACCE), and earnings persistence (EPER) are normally distributed and are not platykurtic (not having negative values / flatted curved) as its kurtosis coefficient are more than 3. Also, the p-value for the three study dimensions for Jarque-Bera statistics [(JB (PValue > 0.05) = Accept Ho (Normal Distribution) and also JB (P Value < 0.05) = Reject Ho (Non-Normal Distribution)]. Thus, the values of 0.000000 and 0.000000 for accrual earnings (ACCE) and earnings persistence (EPER) respectively of Jarque-Beta and its statistical probabilities were accepted. The result forward strengthens the normality test of variable of normally distributed.

The table also indicates for the two measures of the dependent variable of the study that faithful representation (FREP) have a mean value of 6.800000. On the other hand, the standard deviation values of 2.172379 signifying that the data deviate from the mean values of the two study measures, which implies that there is a dispersion of the data from the means because the standard deviation is closed to the mean.

Multivariate Regression Analysis and Results Interpretations

The First Model: The first hypothesis test model; shows the relationship between faithful representation and accrual earnings, income smoothness, and earnings persistence:

$NLFREP_{it} = \beta o + \beta_1(NLACCE)_t + \beta o_2(NLEPER)_t + \mho\ (.05)$ 3.10

Table 4: Model 1

Dependent Variable: NLFREP
Method: Least Squares
Date: 04/06/21 Time: 07:09
Sample (adjusted): 1 76
Included observations: 76

Variable	Coefficient	Std. Error	t-Statistic	Prob.
NLACCE	1.893836	2.271551	0.833720	0.0064
NLEPER	0.000840	0.001138	0.738657	0.0619
C	6.921362	0.254900	27.15322	0.0000

R-squared	0.536046	Mean dependent var	6.776699
Adjusted R-squared	0.503467	S.D. dependent var	2.187003
S.E. of regression	2.190791	Akaike info criterion	4.444463
Sum squared resid	475.1569	Schwarz criterion	4.546783
Log likelihood	-224.8899	Hannan-Quinn criter.	4.485906
F-statistic	0.882520	Durbin-Watson stat	1.744405
Prob(F-statistic)	0.000018		

Source: Researcher's Statistical Result from E-view (v.12), 2022

From the output of table 4.6, the coefficient of NLACCE is 1.893836. This value mean that there is a positive relationship between NLACCE and NLFREP with the implication that every unit increase in NLACCE is predicted to be accompanied by 1.893836 units increase in NLFREP. Meanwhile, the coefficient of NLEPER 0.000840. This value means that there is a positive relationship between NLACCE, NLEPER and NLFREP with the implication that every unit increase in NLEPER is predicted to be accompanied by 0.000840 respectively units increase in NLFREP.

The Prob value of NLACCE 0.0064, which means the relationship between NLACCE and NLFREP is statistically significant at 5 percent significant level. Meanwhile the Prob values of NLEPER and NLFREP 0.0619 is statistically not significant at 5 percent significant level.

The Durbin-Watson statistics of 1.744405 also indicates the absence of serial autocorrelation.

Summary of Null Hypotheses Result Findings of the First Model Tested at 0.05 Level of Significance

Ho_1: There is significant relationship between accruals earnings and faithful representation of listed construction companies in Nigeria.

Ho_2: There is no significant relationship between earnings persistence and faithful representation of listed construction companies in Nigeria.

Analysis on the Moderating Variable

Ho_3: Firm size does not have any significant moderating effect on the relationship between Earnings management and quality of financial reporting in listed construction companies in Nigeria.

Table 5: Correlations

Control Variables			CSRA	CORP
NLFMSIZ	NLEM	Correlation	1.000	.618
		Significance (2-tailed)	.	.026
		df	0	76
	NLQFR	Correlation	.618	1.000
		Significance (2-tailed)	.026	.
		df	76	0

Source: Researcher's Statistical Result from SPSS V.24

From the output of the partial correlation explains that, firm size bears a significant influence on the relationship between earnings management and quality of financial reporting in listed construction companies in Nigeria. The correlation coefficient of 0.618 means that, firm size positively influences the interplay of earnings management and the quality of financial reporting as depicted by the probability level of 0.026 which is lesser than the chosen alpha level of 0.05, thus leading to the rejection of the null hypothesis and accepting the alternative hypothesis. Hence, there is significant influence of firm size in the relationship between earnings management and quality of financial reporting in listed construction companies in Nigeria.

Summary Results Findings

Table 4: Summary Computation of Hypotheses Results

Hypotheses	Coefficient	Std. Error	T-Stat	P-Value 0.05	Statistical Decision	Remark
$H0_1$	1.893836	2.271551	0.833720	0.0064	Significant	Reject $H0_1$
$H0_2$	0.000840	0.001138	0.738657	0.0619	Insignificant	Accept $H0_3$
$H0_3$				0.026	Significant	Reject $H0_7$

Source: Researcher's Computation, 2021

From the summary of hypotheses table above the result of the hypotheses of the study were presented in line with the statistical decision rule: 'if the probability value (PV) in is less than 0.05 alpha level, we Reject the null hypotheses and accept significant relationship. Meanwhile, if the probability value (PV) is greater than 0.05 alpha level, we accept the null hypothesis and accept insignificant relationship'. Hence:

a. There is positive and significant relationship between accrual earnings and faithful representation of construction companies in Nigeria.
b. There is positive but insignificant relationship between earnings persistence and faithful representation of listed construction companies in Nigeria.
c. There is significant influence of firm size in the relationship between earnings management and quality of financial reporting in listed construction companies in Nigeria.

CONCLUSIONS

Investors and users are interested in achieving a high quality of financial information, and this quality can be derived from having a high quality of earnings that is known as one of the most important indicators of capital market efficiency. This notion is one of the major concerns in assessing the financial health of entities to signify the level of reliability of reported earnings (Usman, 2013). Thus, the study concludes that, there is positive and significant relationship between accrual earnings and faithful representation of construction companies in Nigeria. Meanwhile, there is positive but insignificant relationship between earnings persistence and faithful representation of listed construction companies in Nigeria. Finally, there is significant influence of firm size in the relationship between earnings management and quality of financial reporting in listed construction companies in Nigeria.

RECOMMENDATIONS

1. Construction companies in Nigeria accruals earnings is positive and significantly related. Thus, management should maintain this level of accruals earnings management.
2. The construction sector should monitor the compliance with the provisions of the Nigerian code of corporate governance by companies will help strengthen faithful representation of financial reports.

3. Peer review mechanism of audit committees in the industry should be encouraged and implemented vigorously and be used as a platform to set benchmarks for effective monitoring.

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