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EXTERNAL AUDITORS' ATTRIBUTES AND INCOME SMOOTHING AMONG LISTED NON-FINANCIAL FIRMS IN NIGERIA

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ABSTRACT

This study investigated the degree of influence of external auditors' attributes on income smoothing among listed non-financial firms in Nigeria from 2011 to 2020. The research design adopted for the study was the ex-post facto research design because the data used for the study were already in existence and therefore the researcher had no control over the data set of the study. Hence, the sources of data were secondary sources taken from audited annual reports and accounts of the related non-financial firms as listed on the Nigerian Stock Exchange Fact Book. Using the filtering sampling technique, the study used a sample of seventy-five (75) non-listed firms drawn from ten (10) Nigerian non-financial sectors including agriculture, conglomerate, consumer goods, construction and real estate, healthcare, information and communication technology, oil and gas, industrial goods, natural resources and services. Data were extracted from the annual reports and accounts of these firms and were analyzed with the aid of binary logistic regression usingthe analytical software of Stata version 16 and Microsoft excel. From the marginal effect model, the variables of audit opinion (Coef. = 0.448; p-value = 0.000) and audit delay (Coef. = 0.000; p-value = 0.050) respectively have significant positive effects on Small Positive Income of listed non-financial firms in Nigeria. Audit fees (Coef. = -0.098; p-value = 0.002) has significant negative effect on Small Positive Income. Lastly, the variable of audit firm size (Coef. = -0.034; p-value = 0.351) has an insignificant effect on Small Positive Income of listed non-financial firms in Nigeria. Non-financial sectors are extremely crucial for the economic growth of a developing economy such as Nigeria. The study therefore concluded that the external auditors' attributes of interest in this study significantly determine whether or not managers of non-listed financial firms in Nigeria will engage in income smoothing. In general, it was revealed that managers of listed non-financial firms in Nigeria do practice earnings smoothing. It seems clear that except for the variable of audit firm type, all other variables of interest do significantly (positively or negatively) determine the likelihood of income smoothing among listed non-financial firms in Nigeria. It is therefore recommended that policymakers and managers of listed non-financial firms in Nigeria should continue to develop stronger internal control policies to checkmate accounting and bookkeeping errors which in turn should reduce the extent of substantive tests by external auditors to avoid detrimental and costly external audit delays.

KEYWORDS

External Auditors; Earnings Smoothing; Income Smoothing; Small Positive Income.

1. INTRODUCTION

Auditing is progressively an essential part of the financial reporting process because it helps to protect the interest of investors, creditors, government agencies all of which represent the stakeholders who rely on auditors' opinion to make well-informed business decisions.Despite auditors' oversight, recent accounting scandals including those of Rolls-Royce, Mitie Group, Carillion, and Bargain Booze appear tohave eroded investors' confidence, suggesting that audit quality and financial reporting quality needs further scrutiny. Most of these scandalous firms were audited by big four auditors of the world (Enron -2002, Arthur Andersen; Waste Management - 1998, Arthur Andersen; WorldCom - 2002, Arthur Andersen; Tyco International - 2002, PwC; Lehman Brothers - 2008, Ernst & Young and Parmalat - 2003, KPMG)which appear to suggestthat the quality of big four auditors (PWC, KPMG, EY, and Deloitte) is declining (Adeyemi & Fagbemi, 2010.)

Particularly, Scott (1997) noted that income smoothing cannot be wholly discussed without mentioning earnings management since it is a strategy or pattern of earnings management behavior that conveys the idea that risk averse managers especially have incentives to lower too high earnings and to increase too low earnings. Risk averse managers prefer a low variable bonus stream over time. Likewise, the issue of income smoothing cannot be effectively discussed without putting into consideration the need for efficient and high external audit quality. Several studies exist that shows that high external audit quality is capable of checkmating income smoothing practices among listed financial firms in Nigeria.According to Susanto (2013), external audit quality is important in reducing earnings management; since it has the capacity to reduce uncertainty in financial statements.Specifically, earnings quality which is practically a product of audit quality is vital for investors to rely upon to make informed business decisions.

In the context of income smoothing, Ozili (2017) noted that income smoothing is a critical strategy of earnings management which can be either "artificial" or "real". Real smoothing involves decisions that affect cashflow and dissipate firm value having obvious costs. However, artificial smoothing has subtler costs, such as those related to loss of credibility or consumption of the manager's time in such activities. Boudiche, (2013), documented that managers seek to change the stakeholder's perception of the financial situation of the company. Similarly, Dechow and Skinner, (2000) posited that managers manipulate the figures "down" to reduce the amount of taxes or manage it "upward" or smooth income to meet the expectations of financial analysts.Similarly, Bartov, Givoly, and Hayn (2002) noted that managers are forced to manage earnings to prove good performance records to shareholders and other financial statement users.

Further, Amat &Gowthorpe, (2004) documented that managers are more likely to smooth income not by providing information but simply using it as an illusory device to manipulate accounting information to suit their interests. This clearly supports the notion of intentionally smoothed income which arises from artificial smoothing procedures (Eckel, 1981). Therefore, income smoothing is viewed as unethical under accounting principles, irrespective of whatever reasons that motivated the managers to practice it.Again, risk averse managers prefer a low variable bonus stream over time. Several studies exist that shows that high external audit quality is capable of checkmating income smoothing practices among listed financial firms in Nigeria. Big 4 auditors have greater resources, knowledge, technical experience, capacity, and reputation, hence better equipped to detect income smoothing practices among listed non-financial firms in Nigeria.

However, prior related literatures suggested that an audit is an autonomous guarantee of the reliability of financial reports, which helps to preserve shareholders' interests and trust(Gaynor et al., 2016; Tarmidi et al., 2021). Therefore, audit quality enhances reliable and high-quality financial reporting (Gaynor et al., 2016; Tarmidi et al., 2021) thereby raising the reliability of the financial reporting. Still, the characteristics of the external auditor have a significant role in spotting and reporting income smoothing. Therefore, the extent to which financial reports are reliable depends on the quality of the audit which in turn depends on the credibility of the external auditors' characteristics.

Furthermore, according to the agency theory, conflict of interest and any potential opportunistic behaviours by managers tend to decrease when external auditors align the interests of shareholders with managers (Jensen & Meckling, 1976). This is because shareholders select auditors to supply essential information (Tarmidi et al., 2021; Watts & Zimmerman, 1983). As a result, reviewing financial reports is possibly a way to cut down agency costs because external auditors have a lessened tendency to smooth out income (Kustono, Roziq&Nanggala, 2021).

1.2 Statement of problem

Income smoothing practices conceals real financial performance of firms and reduces the ability of shareholders to make informed investment and business decisions. Poor investment decisions as a result of earnings manipulations are a bane to market efficiency and economic development of both developed and developing economies such as Nigeria. Several recent audit failures and corporate scandals have largely been blamed on poor audit quality and the failure of external audit function to stop earnings manipulations.Most corporate scandals have been linked to managerial inefficiencies, and the fact that financial statements do not show the true situation of the organization implies that financial statements quality as well as the confidence of stakeholders is a function of the external auditors whose responsibilities are to address managerial inefficiencies through efficient and effective execution of the audit assignments.

Although, most corporate failures have been mostly documented for developed nations such as the United States of America, the United Kingdom, Germany, Spain, a hand full of cases have also been spotted in developing nations such as Nigeria.Adeyemi and Fagbemi, (2010) asserted that the high-profile corporate scandals of 2008 through to 2009 in Nigeria have continued to raise a lot of concern about the integrity of financial and auditing reporting systems in the country.Studies in Nigeria such as those of Okoh (2015), Okolie (2014), Ndubuisi and Ezechukwu (2017), and Ashtiani, Oskou and Takor(2016) documented varying result as regards the relationship between audit quality and earnings management.While Okoh (2015) and Okolie (2014) revealed positive relationships, the study of Ndubuisi and Ezechukwu (2017), Ashtiani et al. (2016) documented negative results. These inconsistencies in results suggest that there is need for further investigation in this area of study, hence this study.

Much more, earnings management have also surfaced in certain other formats including but not limited to fraud cases, restatements, and abnormal accruals. (Abbott, Park & Parker 2000; Antle Gordon, Narayanamoorthy& Zhou; 2006). However, prior studies particularly in the context of Nigeria shows that discretionary accrual models dominate earnings management literature (Lin & Hwang, 2010) which is also consistent with the study of Dechow, Sloan and Sweeney (1995) who asserted that the analysis of earnings management mostly focuses on management's use of discretionary accruals. These studies tend to neglect other possible earnings management avenues one of which is income smoothing.In the views of Assem (2011) the use of income smoothing conceals

information about the current year and the future year earnings of the company noting that this action mis-informs users of the financial statements about the actual underlying economic performance of the company.

Therefore, this study was conducted in a bid to discover weather managers of listed non-financial firms in Nigeria do practice other forms of earnings manipulations specifically income smoothening and investigate how well certain external auditor's characteristics tend to checkmate such activities.It is in line with this rare measure of earnings management that this study was conducted with the application of small profit model of earnings smoothing.

Hence, the broad objective, research question and hypothesis for the present study were:
1. To determine the effect of external auditors' attributes on income smoothing of listed non-financial firms in Nigeria.
2. To what extent do auditors' attributes determine the probability of on income smoothing practices among listednon-financial firms in Nigeria?
3. $H_{01:}$ The probability that auditors' attributes will determine income smoothing practices among listed non-financial firms in Nigeria is statistically insignificant.

This study examined the effect of external auditors' attributes on income smoothing among listed non-financial firms in Nigeria. This study covered the period between 2011 and 2020 which is considered sufficient for a study of this nature. This period witnessed unprecedented competition for fresh capital by companies listed on the Nigerian Exchange Group which is capable of motivating public companies to engage in earnings manipulation (Bello & Yero, 2011). This study focused on fourexternal auditors'attributes: auditor firm type, audit opinion, audit delay, audit fee, which represented the independent variables while the dependent variable (income smoothing)was represented by small positive net income.

2.0 Review of related literature

2.1 Conceptualreview

2.1.1 Income smoothing

Basically, income smoothing is a miniature of earnings management that involves the reduction of the variance in periodic profit over time to the extent allowed by accounting and management principles (Chi-Yih, Boon, & Xiaoming, 2012). Healy and Wahlen (1999) noted that income smoothing occurs when managers use judgment in financial reporting to structure transactions or alter financial reports for the purpose of either misleading stakeholders about the underlying economic performance of the company or influence contractual outcomes that depend on reported accounting numbers. Belkaoui (2006) described income smoothing as reducing income fluctuations from one year to another. It is achieved by transferring income from the years of high earnings to the less favorable periods. The main reasons why managers practiceincome smoothingareto maximize their wealth, reduce the perceived riskiness of the firm, enhance firm value, meet debt covenants, reduce tax and political costs, and enhance the reliability of financial forecasts (Hosam, Eko, Roekhudin,& Wuryan 2019).

However, income smoothing can also arise from the practice of non-disclosure of positive financial statements. Corporate managers may be motivated to smooth out their income (or security), assuming that income stability and growth rates are preferred than higher average income streams with more significant variability. Samak, El Said and El Latif (2014) advanced two categories of income smoothing, such as the intentional or real income smoothing and the artificial income smoothing,

which is the unintended income smoothing. Real (intentional) income smoothing indicates management actions that seek to control economic conditions that directly affect future corporate earnings and such actions affects the cash flow of the organization. While the artificial type of income smoothing may not directly affect the cash flow but reveals the manipulations carried out by management to smooth income.

From the above, effective management of earnings towards a predetermined target is income smoothing. Income smoothing reduces the variability of reported earnings by exercising decision over financial reporting. Artificial smoothing implies the use of accruals which do not affect cash flow and is not based on economic events, while real smoothing affects cash flow and is based on economic events.

2.1.1 Small positive net income

Rather than report negative income, managers of listed non-financial institutions in Nigeria prefer to manage reported earnings towards positive earnings and report small positive net income. For the present study, small positive net income was an indicator variable that equals one if return on assets (ROA) measured as net income scaled by total assets was less than 3%. Prior studies used the frequency of small positive net income as a metric to provide evidence of managing towards positive earnings (Burgstahler &Dichev, 1997; Leuz, Nanda & Wysocki, 2003). Cash flow from operations and changes in working capital are two major components of earnings commonly used to achieve increases in earnings (Burgstahler &Dichev, 1997).This study agrees because from the foregoing, and based on evidences from practice and extant literature, low frequencies of small decreases in losses and usually high frequencies of small increases in earnings and small positive income exist among listed non-financial firms in Nigeria.

2.2 External auditors' attributes and income smoothing

DeFond et al. (1998) found that audit plays a role in limiting income smoothing, and high-quality audit willeasily find and report misstatements or income smoothing. The simple linkage between external auditors'quality and income smoothing cum earnings management is based on the argument that high-quality auditors are more likely to detect questionable accounting practices than low-quality auditors (Francis, 2011).

However, the auditors' propensity to detect and report questionable accounting practices is not only a matter of training and experience, but is also influenced by incentives produced by agency relationships between audit firms and their clients (municipalities) and principals (voters and other stakeholders) (Watts & Zimmerman, 1986). The difficulty of evaluating and controlling the audit is even greater for external stakeholders. With theprincipals in a weak position, audit firms might let financial dependencies and client pressure compromise their independence, leading to deficiency in the audit quality (Watts & Zimmerman, 1986). This study is not at variance with this assertion given the iconic and sad examples of recent audit failures: Lehman Brothers (2008); Parmalat (2003); Enron (2002); WorldCom (2002); Waste Management (1998) and a host of others.

2.2.1 External auditor

Bédard et al(2008) defined auditing as a service purchased by companies in order to improve the credibility of their financial statements. Fan and Wong (2005) asserted that external audit has long been considered a full-fledged governance mechanism with the aim of regulating the relationships between the different stakeholders of a company. O'Sullivan and Diacon (2008) and Yeoh and Jubb

(2001) defined external audit as an important governance mechanism that participates and helps in ensuring the reliability and relevance of accounting data.

Particularly, the guidelines and measures of externalauditorattributes are set forth in academic and regulatory frameworks which show that external auditors' attribute is multidimensional.Due to its multidimensionality nature, Balsam et al. (2003) argued that external auditors' attribute is inherently unobservable, and no single auditor characteristic can be used to proxy for it. On the contrary, Lin and Hwang (2010) arguedthat, since external auditor attributes may be affected by several factors, it is no surprise that researchers have used various measures to represent external auditors' attributes.

Lin and Hwang, (2010) documented that audit firm size, auditor independence and audit tenure are often used as external auditor proxies. This author agrees. So, to bridge the gap in literature, and for the purpose of this study, audit firm size, audit fee, audit opinion and audit delays which are rarely used especially in the Nigerian context, were employed as proxies of external auditor attributes.

2.2.2 Audit firm size

Auditors' size indicates the large-scale income and organization of the public accountant firm, which is now called Big 4 (including its affiliation), comprising PricewaterhouseCoopers (PwC), Deloitte Touché, Ernst and Young (EY), and Klynveld Peat Marwick Goerdeler(KPMG). Arguably, the Big 4 auditorsare supposed have a better audit quality than small or non-Big 4 auditors because large audit firms have greater resources, knowledge, technical experience, capacity, and reputation compared to small audit firms.Moreover, Krishnan (2003) argued that large audit firms have greater incentives to protect their reputation due to their larger client base.

Becker et al. (1998) and Francis et al. (1999) reported a negative effect of big four auditors on income smoothing.Lin and Hwang (2010) argued that there is a negative relationship between the big 4/5/6 and earnings management.Houqe et al. (2017) suggested that high audit quality reduces earnings management which is consistent with the findings of Tendeloo and Vanstraelen (2008) who examined the effect of audit quality (proxying audit quality with auditor size) on earnings management and found that audits performed by big four audit firms result in less income smoothing.However, Bédard et al. (2008)reported that aggressive earnings management is negatively associated with the financial and governance expertise of audit committee members. While Davidson et al. (2005) reported a negative association between small increase in earnings management and the existence of an audit committee.

2.2.3 Auditors' opinion

The going concern audit opinion is an audit opinion with an explanatory paragraph regarding the auditor's judgment that there is incompetence or significant doubt on the viability of the company to run its operations in the future. Modification about going concern in the audit report is an indication that an auditor's assessment found the risks that the auditedfirm cannot stay in business. Specifically, the conditions and the following events lead to doubts about the ability of firms to have business continuity. (i) Operational losses large enough or lack of working capital), (ii) the company's inability to pay its obligations on the due date; (iii) the consumer loses, uninsured disaster, such as earthquakes or floods, or unusual employment problems and (iv) law of demand, violation of law or the likes which can interfere with the ability of the company (IKATAN, 2001).

On the relationship between audit opinion and income smoothing, there have been severalstudies. Generally, suchstudies take the manipulative profits as the measurement index of income smoothing, but so far there is no clear and consistent conclusion.The existence of principal-agentrelationship leads to the conflict of interest and information asymmetry among different stakeholders, which provides the possibility of income smoothing.

Based on the above, effective statutory and independent auditing is essential for efficient markets and one of the prerequisites for effective auditor is auditor independence. Big 4 auditing firms, because of size, professional quality and reputation could be more independent than non-Big 4 accounting firms.

2.2.4 External audit delay

In this study, audit delay is defined as the period from a company's fiscal year-end date to the audit report date. The shorter the period, the greater the usefulness and benefits that users can derive from these statements (Atiase, Bamber, &Tse 1989; Abdulla, 1996). On the other hand, the relevancy and usefulness of the reported financial information are expected to decline as the reporting delay increases and this, in turn, can affect an investor's choices of action (Ahmad & Kamarudin, 2003; Leventis&Caramanis, 2005).

In addition to improvement of the efficiency of resource allocation by reducing information asymmetry (Financial Accounting Standards Board, 1980), timely audited financial information improves pricing of securities, and limits insider trading and the spread of rumors in the market (Owusu-Ansah, 2000).Timely reporting in emerging markets (such as Nigeria) is of particular importance since information in these markets is relatively scarce and has a longer time lag (Ndubuisi, &Ezechukwu, 2017).From the foregoing, it is the opinion of this author that timely release of audited financial reportswill enhance business decision-making and reduce information asymmetry in such markets.

2.2.5 Auditors' fee

Audit fees imply the remuneration paid to the external auditors. A higher audit cost/fee implies higher audit quality, either because of greater audit effort or greater expertise (Francis, 2004). Independent audit firms tend to compete for personalized services that add value to the client and can charge higher fees for better quality services (Francis, 1984). In short, audit fees can be used as a metric for the quality of service (Hallak & Silva, 2012). Francis (2004) also found evidence that audit firms that charge higher fees on average also provide higher audit quality.

However, the logic behind the assumption of a positive correlation between audit fees and audit quality has been questioned based on the argument that if the auditor is financially dependent on the client, there is a risk that the auditor may try to please the client rather than protect the stakeholders (Walker, 2013). Financial dependence compromises auditor independence in the sense that an auditor concerned about the possible loss of an important client is less likely to object to income smoothing and earnings management (Frankel et al., 2002; Walker, 2013; Eshleman & Guo, 2014).

In summary, higher audit fees paid to the independent auditor might make the auditor look away from accounting and bookkeeping errors and possible earnings management practices of the company and subsequently failed to issue going concern opinion: A negative influence on accounting going concern opinion. In the long run, these sharp accounting practices will negatively affect the going concern of the company and eventual financial distress. The sad reminder of the relationship which abruptly

terminated in 2001 between former Enron Corporation and Arthur Andersen (the independent auditor) was an eloquent example. Still, in Nigeria, Afribank Nigeria Plc. and Intercontinental Bank Plc. were added to the list of audit failures immediately after they were audited and given clean bills of health. In this study, audit fee was chosen as a proxy for audit quality because of its influence on audit quality and Accounting Going concern concept.

2.3 Theoretical frame work

2.3.1. Positive accounting theory

The positive accounting theory was initiated by Watts and Zimmerman (1986) to explain why the agents (management or executive directors) act in a particular manner or take specific actions. The positive accounting theory's central development was based on the rational economic person assumption, which stated that managers are motivated particularly by self-interest and will behave opportunistically to maximize their self-fish interest or utility using accounting rules (Watts & Zimmerman 1986). The purpose of the positive accounting theory is to explain and predict managers' reasons for adopting a particular accounting method. In effect, positive accounting theory permits management to report good news using accounting and reporting techniques like income smoothing.

2.4 Empirical review of literature

Doan, Ta, Pham, Nguyen, and Tran (2021) aimed to explore the interaction between income smoothing of earnings management and audit opinions in the context of Vietnam. Two regressions were developed with sample that consisted of 1,294 firm-years in the period from 2018 to 2020. The first regression model used Audit Opinion as dependent variable, Discretionary Accruals (DA) as independent variable, and 8 controlling variables. The results demonstrated that the Discretionary Accruals influence audit opinion, significantly at 0.1 level in the study year. This meant the auditor's probability of issuing modified opinion is positively associated with earnings management and with the attendance of a Big 4 audit companies. Another regression model tested the influence of auditor size on the interaction between management of earnings and audit opinion (measured by discretionary accruals) as independent variable, and other 10 controlling variables. Surprisingly, this model was not statistically significant, and this confirmed that the appearance of a Big 4 audit companies does not significantly affect the nexus between profit management and audit opinion in the case of Vietnamese listed companies.

Gandia and Huguet (2021) empirically examined whether the effect of audit fees on audit quality, measured by the level of earnings management, was affected by the type of audit (voluntary versus mandatory), as well as whether the effect of audit fees on audit quality was different depending on the type of audit. With a sample of Spanish SMEs composed of both voluntarily and mandatorily audited companies, they found that voluntary audits have higher quality when audit fees are lower, but the differences in audit quality between voluntary and mandatory audits reversed as audit fees increase, and mandatory audits were more effective at deterring earnings management when audit fees were higher.

Kustono (2021) aimed to determine the motives for income-shifting by management. Based on agency theory, the study tested three hypotheses on two income-smoothing objects: operating income and net income. The research was a quantitative study with data from Indonesian public manufacturing companies' financial statements dated December 31, 2009 - 2018 obtained from the Indonesian Capital Market Directory. Hypothesis testing was done with the aid of a binary logistic regression approach. The hypothesis testing confirmed that the commissionaire board size is not a

mechanism of supervision effectiveness. The independent commissioners' size was able to suppress income smoothing in manufacturing companies. Audit tenure has a negative effect on income smoothing. The audit period is directly proportional to the auditor's ability to limit income smoothing.

Samak, El Said and El Latif (2014) investigated the relationship between income smoothing and corporate governance using financial information obtained from listed companies in EGX100 in the Egyptian Stock Exchange. A sample of 57 listed companies for the period 2007 to 2012 was used. Firm size, return on equity, sales and Eckel model were the vocal variables. Univariate and multivariate analyses were used to analyse the data. The results found insignificant negative relationship between Eckel index and all other control variables.

Francis and Yu (2009) investigated whether Big 4 auditors are predicated to have higher quality audits for SEC registrants due to greater in-house experience in administering such audits. A sample of 6,568 U. S. firm year observations for the period 2003 to 2005 and audited by 285 unique Big 4 offices was used. Results found that larger offices were more likely to issue going concern audit reports and clients in larger offices evidenced less aggressive earnings management behaviour.

Ahmad and Kamarudin (2003) conducted a study to investigate the determinants of audit delay in Malaysia. A sample of 100 companies listed in Kuala Lumpur Stock Exchange was used for the study for the period 1996 to 2000. Vocal variables included audit delay, company size, industry classification, sing of income, extraordinary, audit opinion, auditor, year end and risk. Primary findings of the results were that audit delay was significantly longer for companies with (i) non-financial industry (ii) receive other than unqualified audit opinions (iii) have other than 31 December as financial year end (iv) audited by non-big five (v) incurred negative earnings and (vi) have higher risk.

2.5 Summary of empirical review of literature and gap in literature

The findings from the studies reviewed showed both positive and negative relationships betweenvarious external auditors' attributes and income smoothing among listed non-financial firms in Nigeria. However, few of these studies were seen to have shown no significant relationships. Among the studies conducted in African and other developing economies (Nigeria, Kenya, Tanzania, Iran, India, Sri Lanka and Bangladesh), few, especially in Nigeria, showed both positive and negative relationships between the various external auditors' attributes (Ahmad et al., 2003; Francis et al. 2009; Kustono, 2021; Samak et al. 2014). What was also obvious was the fact that several of the studies conducted in Nigeria employed primary data and did not use the infrequent measures of audit opinion and audit delay as proxies for external auditors' attributes.

Additionally, the present study was conducted using secondary data obtained from the Nigerian Stock Exchange Group (Q4 2020). Still, the present study employed the rare measure of earnings management (small positive net income) alongside with the occasionally used external auditors' attributes: audit delay, audit opinion, audit firm type and audit fee to postulate empirical evidence on the relationship between external auditors' attributes and corporate income smoothing among listed non-financial firms in Nigeria.

3.0 Methodology

3.1 Research design

In this study, the *ex-post facto* research design was employed since the data were obtained from secondary sources of which the researcher did not intend to manipulate. Further, to answer the research questions, the *ex-post facto* research design allows the researcher to retrieve the needed data from the annual reports of listed non-financial firms for the period 2011 to 2020. The period was significant as the economic recession which occurred in Nigeria from 2016 to 2017 may have provided opportunities for listed non-financial firms to manipulate reported earnings to present impressive performance. Also, the period under study witnessed an extraordinary competition for fresh capital which can motivate listed non-financial firms to engage in earnings manipulation (Bello & Yero, 2011).

3.2 Sources of data

This study employed secondary data sourced from the Nigerian Stock Exchange Fact Books (Q4 2020) and related firms' annual financial reports for the selected periods as justified by similar studies of (Jayeola, Agbatogun & Akinrinlola, 2017).

3.3 Population size

The population of the study consisted of all the listed non-financial firms in Nigeria for the period 2011 to 2020. As of December 2020, 109 firms were listed on the floor of the Nigerian Exchange Group (NGX Factbook, 2020). Specifically, the population of this study was drawn from 10 Nigerian non-financial sectors including agriculture (5), conglomerate (5), consumer goods (19), construction and real estate (7), healthcare (10), information and communication technology (9), oil and gas (9), industrial goods (16), natural resources (5), and services (24). Hence, a total of 109 non-financial firms from these sectors forms the population of this study.

3.4 Sample size and sampling techniques

The sampling technique employed in this study was the filtering technique since listed non-financial firms were included in the sample on certain selection criteria(Fulop, 2012; Zeeby, Molina, Duffield, Niccolini&Raspall, 2008). Firms included in the sample must have been listed on the Nigerian Exchange Group market during the period 2011-2020, and an unrestricted access to their annual financial reports for the study. Further, firms listed after year 2021 were excluded from the study sample to enable homogeneity of study scope. Therefore, the final sample size consisted of 75 listed non-financial firms in Nigeria.

3.5 Data analysis techniques

This study employed analytical software of Stata version 16 and Microsoft excel for the analysis. The secondary data collected were analyzed using descriptive statistics, correlation, and regression analysis. The descriptive statistics was used to evaluate the characteristics of the data in terms of its mean maximum, minimum, and standard deviation and check for normality of the data. Logistic regression analysis technique was employed to test the hypotheses of this study based on the following reasons. First, logistic regression has the advantage of being less affected when the basic assumptions particularly normality of the variables, are not met (Hair, Sarstedt, Hopkins, &Kuppelwieser, 2014). Second, in logistic regression, the estimated coefficients can be interpreted separately as the significance of each of the predictive variables. Third, statistically, logistic regression seems to fit well with the features of the income smoothing problem, where the dependent

variable is binary and with the groups being discrete, non-overlapping and identifiable (Ciampi 2015). Fourth, it has straightforward statistical tests, similar approaches to incorporating metric and non-metric variables, non-linear effects, and a wide range of diagnostics (Hair et al. 2014). Fifth, logistic regression produces reliable results because of its ability to produce a nonlinear transformation of the input data that reduces the effects of outliers.

3.6 Variable measurement and model specification

Table 3.1 Operationalization of variables

S/N	Variables	Measurements	Sources	Apriori Sign
Dependent Variable				
1	Income Smoothing (INSM)	Small Positive Net Income: An indicator variable that equals "1" if ROA measured as (net income scaled by total assets) is less than 3% and "0" otherwise.	Francis and Yu 2009	+-
Independent Variables				
1	Audit firm size (AUFS)	Audit firm size in Dummy (1,0) is computed as "1" for companies that used PWC, Deloitte, E&Y and KPMG as external auditors and "0" otherwise.	Samak, El Said and El Latif (2014)	+-
2	Audit Opinion (AUDO)	Audit Opinion in Dummy (1,0) is computed as "1" for companies that external auditor used qualified opinion statement on the audit report and "0" otherwise	Samak, El Said and El Latif (2014)	+-
3	Audit Delay (AUDL)	Audit delay in days is the difference in the date between when a company external auditor signed a company annual audited report and the company financial statement year end date.	Ahmad & Kamarudin, (2003)	+-
4	Audit Fees (AUDF)	Audit fee in number is measured as log of total audit fee	Gandia and Huguet (2021)	+-

Source: Author's compilation (2022)

3.7 Model specification

Based on the theoretical literature and earlier empirical studies on external auditors' attributes and income smoothing, it was imperative to specify the model to capture the objective of this study which is external auditors' attributes and income smoothing among listed non-financial firms in Nigeria. The study model was adapted from (Doan, Ta, Pham, Nguyen, and Tran, 2021):

$$AO_{it} = \beta_o + \beta_1 DA_{it} + \beta_2 BIGN_{it} + \beta_3 (BIGN_{it} DA) + \beta_4 ROA_{it} + \beta_5 TURN_{it} + \beta_6 INVREC_{it} + \beta_7 TLE_{it} + \beta_8 ARLAG_{it} + \beta_9 AGE_{it} + \beta_{10} LAO_{it} + \beta_{11} LLOS_{it} + \varepsilon_{it}$$

Where:

AO = A type of audit opinion. A dummy variable that take the value of 1 if the audit opinion is a modified audit opinion, 0 otherwise;

DA = Discretionary Accruals;

BIGN = Auditor size. A dummy variable that takes the value of 1 if the external auditor is Big 4, 0 otherwise;

ROA = Return on assets, equals net income divided by total assets;

TURN = Total revenues divided by total assets;

INVREC = Net inventory and net accounts receivable divided by total assets;
TLE = Leverage, measured by liabilities over equity;
ARLAG = Time lag of the period from the end of the financial year to the date of issuing the audit report. It is measured by the natural logarithm of the number of days;
AGE = Time of listing on HNX or HOSE, measured by the natural logarithm of the years listed;
LOA = A dummy variable, taking the value of 1 if the company had a modified audit opinion in the prior year audit, 0 otherwise;
LLOS = A dummy variable taking the value of 1 if the company had a loss in the prior year, 0 otherwise;
ε = Stochastic error term;
β_0 = Constant;
$\beta_1 - \beta_{11}$= Slope coefficient.

However, to suit the purpose of establishing the relationship between the independent and dependent variables captured in this study, the model from previous study (Doan, Ta, Pham, Nguyen, and Tran, 2021) was modified. Succinctly, the econometric form of the model was expressed as:

$$In(\frac{INSM}{1-INSM})_{it} = \beta_0 + \beta_1 AUFS_{it} + \beta_2 AUDO_{it} + \beta_3 AUDL_{it} + \beta_4 AUDF_{it} + \mu_{it}$$

Where:

INSM	=	Income Smoothing
AUFS	=	Audit Firm Size
AUDO	=	Audit Opinion
AUDL	=	Audit Delay
AUDF	=	Audit Fees
β_0	=	Constant
β_1- β_4	=	Slope Coefficient
μ	=	Stochastic disturbance
i	=	i^{th} company
t	=	time period

4.0 Data presentation and results/analysis and discussion

4.1 Descriptive statistics

Each variable was examined based on the mean, standard deviation, maximum and minimum. Table 4.1 displays the descriptive statistics for the study.

Table 4.1: Summary of descriptive statistics:

Variable	Obs	Mean	Std. Dev.	Min	Max
insm	748	.2620321	.4400342	0	1
aufs	743	.5572005	.4970519	0	1
audo	746	.0589812	.2357476	0	1
audl	740	112.7527	83.96545	-187	934
audf	746	4.09929	.584805	2.3	5.84

Source: Author's computation using Stata 15.0 (2022)

Table 4.1 shows the descriptive statistics of the study. As observed from table 4.1, the mean value of the dependent variable of income smoothing (INSM) is 0.26 with a standard deviation of 0.44. The descriptive statistics results for income smoothing implies that about 26% of the firms under study tend to smooth their income during the period under study. For the independent variables, the study shows that audit firm size (AUFS) has a mean of 0.56 with a standard deviation of 0.50 implying that on average, 56% of the firms in the sample were audited by big4 audit firms during the period under study which also indicate that about 44% of the firms under study were audited by non-big4 audit firms. Further, the descriptive statistics results show that audit opinion (AUDO) has a mean value of 0.06 with a standard deviation of 0.24 connoting that on average, 6% of the firms in the sample were issued qualified audit opinion during the period under study. For the variable of audit delay (AUDL), the result reveals that the mean value of audit delay is 113 days indicating that on average, it takes the external auditors approximately 113 days after financial year end to complete auditing the annual financial statement of the firms under study. Finally, in terms of audit fees (AUDF), the result shows that on average, the mean value of audit fees is 4.10 (measured in millions of naira) with a standard deviation of 0.58.

4.2 Test for normality of residual

In this study, Shapiro Wilk test for data normality was adopted and justified following the findings of Mendes and Pala (2003) and Keskin (2006) who concluded that Shapiro-Wilk test is the most powerful normality test for samples less than 2000. When testing for normality, where the probabilities > 0.05, it indicates that the data are normally distributed. Conversely, where the probabilities < 0.05, it indicates that the data are not normally distributed.

Table 4. 2: Test of data normality

Variable	Obs	W	V	z	Prob>z
insm	748	0.99509	2.379	2.120	0.01700
aufs	748	0.99986	0.068	-6.559	1.00000
audo	748	0.95807	20.256	7.360	0.00000
audl	748	0.55206	214.830	13.132	0.00000
audf	748	0.98794	5.826	4.311	0.00001

Source: Author's computation using Stata 15.0 (2022)

Table 4. 2 shows the result obtained from the Shapiro-Wilk normality test for the data employed in this study. It can be observed that the dependent variable of income smoothing (Z=2.120 Prob>Z=0.01700) is not normally distributed since the probabilities of the z-statistics is significant at 5% level. In the case of the independent variables, the table shows that audit opinion (Z=7.360 Prob>Z=0.00000), audit delay (Z=13.132 Prob>Z=0.00000), and audit fees (Z=4.311 Prob>Z=0.00001) are not normally distributed since the probabilities of their z-statistics are statistically significant at 1% and 5% levels. However, the independent variable of audit firm size (Z=-6.559 Prob>Z=1.00000) is normally distributed since the probability of the z-statistics is insignificant at 1% or 5% level. This interpretation is justified following the study of Bera and Jarque (1982).

4.3 Spearman correlation statistics test

In this study, Spearman rank correlation analysis technique was employed since the data employed did not come from a normal distribution. The result obtained from the Spearman correlation is presented in table 4.3:

Table 4. 3: Correlation analysis result

	insmaufsaudoaudlaudf
insm	1.0000
aufs	-0.1343 1.0000
audo	0.3488 -0.0280 1.0000
audl	0.2218 0.0594 0.2078 1.0000
audf	-0.2523 0.5979 -0.1932 -0.1071 1.0000

Author's computation using Stata 15.0 (2022)

The correlation between external auditors' attributes and income smoothing proxy obtained from the Spearman rank correlation analysis shows that there exist a positive association between audit opinion (0.3488) and the dependent variable of income smoothing. Table 4.3 also shows that there exist a positive association between audit delay (0.2218) and the dependent variable of income smoothing. Finally, the result from table 4.3 shows that there exist a negative association between audit firm size (-0.1343) and the dependent variable of income smoothing. All associations are seen to be weak hence the presence of multicollinearity among the explanatory variables.

4.4 Multicollinearity and collinearity test

Collinearity can mainly be detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). The tolerance is the percentage of the variance in a given predictor that cannot be explained by the other predictors. Tolerance close to 1 indicates that there is no collinearity, whereas a value close to zero suggests that collinearity may be a threat. There is no formal cut-off value to use with tolerance for determining presence of collinearity (Midi, Sarkar, & Rana, 2013). Myers (1990) suggests a tolerance value below 0.1 indicates serious collinearity problem and Menard (2011) suggests that a tolerance value less than 0.2 indicates a potential collinearity problem. As a rule of thumb, a tolerance of 0.1 or less is a cause for concern. Specifically, as indicated in the table 4.4, a mean VIF value of 1.32 shows that VIF is within the benchmark value of 10 indicating the absence of multicollinearity in the model.

Table 4.4:VIF result (Test for multicollinearity)

```
. collin (*)
no observations
r(2000);

. collininsmaufsaudoaudlaudf
(obs=735)

  Collinearity Diagnostics
```

Variable	VIF	SQRT VIF	Tolerance	R-Squared
insm	1.18	1.09	0.8477	0.1523
aufs	1.52	1.23	0.6586	0.3414
audo	1.24	1.11	0.8092	0.1908
audl	1.10	1.05	0.9087	0.0913
audf	1.58	1.26	0.6333	0.3667
Mean VIF	1.32			

Eigenval	Cond Index
1	3.7882	1.0000
2	1.0797	1.8732
3	0.5555	2.6114
4	0.3870	3.1285
5	0.1828	4.5523
6	0.0068	23.6441
Condition Number	23.6441	

Eigenvalues & Cond Index computed from scaled raw sscp (w/ intercept)
Det(correlation matrix) 0.4962
Author's computation using Stata 15.0 (2022)

4.5 Regression analyses

Specifically, to examine the effect of the independent variables on the dependent variable, binary logistic regression analysis technique was employed since the dependent variable is dichotomous in nature. The result obtained is presented in table 4.4:

Table 4. 5 Binary logistic regression result

	INSM Model (Logistic Regression)	**INSM Model (Marginal Effect)**
CONS.	**1.052** **{0.171}**	
AUFS	**-0.212** **{0.352}**	**-0.034** **{0.351}**
AUDO	**2.764** **{0.000} *****	**0.448** **{0.000} *****
AUDL	**0.002** **{0.051} ******	**0.000** **{0.050} ******
AUDF	**-0.607** **{0.003} ******	**-0.098** **{0.002} ******
Log Likelihood Ratio (prob>chi2)	**103.13 (0.0000) *****	

Pseudo R- Squared	**0.1228**
Goodness of Fit Test	**673.44 {0.4446}**
VIF/Cond.Num	**1.32/23.64(0.4962)**
Sensitivity	**20.00%**
Specificity	**98.17%**
Classification	**77.96%**

Note: (1) bracket {} are p-values
(2) **, *, implies statistical significance at 5% and 1% levels respectively**
Author's computation using Stata 15.0 (2022)

In table 4.4, it can be observed from the Logistic regression analysis of the income smoothing model that the Pseudo R-squared value of 0.1228 shows that about 12% of the systematic variations in income smoothing of non-finance firms over the period of interest is jointly explained by the independent variables in the model. The Log likelihood Ratio (LR) Statistics of the logistic regression [103.13 {0.0000}] shows that the model overall is statistically significant at 1% level. This means that the Logistic regression model is valid and can be used for statistical inference. Further, the results of the LR Statistic is confirmed by the Pearson goodness of fit test [673.44 {0.4446}] indicating that the model overall is fit. From the foregoing, the model was subjected to further diagnostic test to validate the reliability of the estimates.

4.6 Sensitivity and specificity test

Sensitivity (also called the true positive rate) measures the proportion of actual positives which are correctly identified as such and is complementary to the false negative rate. Specificity (also called the true negative rate) measures the proportion of negatives which are correctly identified as such and is complementary to the false positive rate. The classification table shows that out of 48 cases that fell into the group of income smoothing samples, 38 cases were predicted correctly with 20.00% sensitivity accuracy while 535 of 687 cases that fell into the group of non-smoothing samples were predicted correctly with 98.17% specificity accuracy. However, the overall accuracy rate is seen to be roughly 77.96% suggesting that the model is free from any significant bias hence can be employed for interpretation and policy recommendation.

4.7 Decision rule

Reject Ho if variable probability t-statistics is statistically significant at 5% level

4.8 Test of hypotheses

Hypothesis 1: The likelihood that audit firm size will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.

The result obtained from the marginal effect of the binary logistic regression analysis presented in table 4.4 shows that the independent variable of audit firm size is an insignificant determinant of income smoothing {coeff. -0.034; p-value: 0.351}. **Sustain** the stated null hypothesis: **The likelihood that audit firm size will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.**

Hypothesis 2: The probability that audit opinion will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.

The result obtained from the marginal effect of the binary logistic regression presented in table 4. 4 shows that the independent variable of audit opinion has a positive significant likelihood to determine

income smoothing {coeff. 0.448; p-value: 0.000}. The result implies that ceteris paribus issuance of a qualified opinion by the external auditors of the firms under study will lead to about 45% significant increase in income smoothing. **Reject** the stated null hypothesis: **The probabilitythat audit opinion will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.**

Hypothesis 3: The possibility that audit delay will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.
The result obtained from the marginal effect of the binary logistic regression presented in table 4. 4 reveals that the independent variable of audit delay has a positive significant likelihood to determine income smoothing {coeff. 0.000; p-value: 0.050}. The result implies that a 1% increase in audit delay of the respective non-financial firms under study will lead to about 1% significant increase in income smoothing.**Reject** the stated null hypothesis: **The possibility that audit delay will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.**

Hypothesis 4: The prospect that audit fees will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.
The result obtained from the marginal effect of the binary logistic regression presented in table 4.4 indicate that the independent variable of audit fees has a negative significant likelihood to determine income smoothing {coeff. -0.098; p-value: 0.002}. The implication of this result is that a 1% increase in auditor's fees will lead to about 10% significant decrease in income smoothing during the period under investigation. **Reject** the stated null hypothesis: **The prospect that audit fees will not determine income smoothing behavior among listed non-financial firms in Nigeria is statistically insignificant.**

4.9 Discussion of findings

The findings of this study reveal that a 1% increase in the rate at which listed non-financial firms engage the services of big4 auditing firms will lead to about 3% insignificant decrease in income smoothing during the period under investigation. The findings specific to the variable of audit firm size contradicts prior studies of DeAngelo (1981) who argued that Big-4 auditors provide better quality audits than non-Big4 auditors. Further, the findings differ from those of Teoh and Wong (1993) who found higher earnings response coefficients for clients audited by Big-4 firms compared to those audited by non-Big4 firms. Moreover, Krishnan (2003) argued that large audit firms have greater incentives to protect their reputation due to their larger client base, and therefore higher risk to lose clients. The findings also fail to agree with the position of Houqe et al. (2017) whose findings suggested that high audit quality reduces earnings management.

Further, the findings show that a 1% increase in the issuance of a qualified opinion by the auditors of the firms under study will lead to about 45% significant increase in income smoothing during the period under investigation. Specifically, this finding implies that where a firm receives a qualified going concern audit opinion, it is an indication of income smoothing by management. Hence, the findings show that audit opinion is a pointer of the possibility of income smoothing. This finding is inconsistent with those of Garcia-Blandon et al. (2020), Imen & Anis, (2021), Moazedi and Khansalar (2016) and Rusmanto et al. (2014). These studies concluded that the auditors did not warn investors and users of financial information about potential future problems enabled by income smoothing. The reason is that the auditor did not consider the effect of earnings management when forming the audit

opinion which is normal, hence there is audit expectation gap. However, the findings agree with the position of Francis and Krishnan (2010) whose result showed that companies with a higher degree of earnings management are more likely to get audit opinions with modified specifications.

Similarly, the findings reveal that a 1% increase in audit delay will lead to about 1% significant increase in income smoothing during the period under investigation. In this study, audit delay was defined as a period between a company's fiscal year-end date and the audit report date. The shorter the audit delay, the greater the usefulness and benefits that users can derive from these statements (Atiase, Bamber, &Tse 1989; Abdulla, 1996). On the other hand, the relevancy and usefulness of the reported financial information are expected to decline as the reporting delay increases and this, in turn, can affect an investor's choices of action (Ahmad & Kamarudin, 2003). The result follows the study of Bambe, Bamber, & Schoderbek (1993) who argued that delayed corporate disclosure may encourage some unscrupulous investors to acquire costly private pre-disclosed information and exploit this information at the expense of less informed investors. Hence, the usefulness of accounting information to diverse financial statement users depends on the completeness, accuracy, reliability, and timeliness of the accounting information (Singhvi & Desai, 1971). Timely reporting might be viewed as one of the main determinants of financial reporting quality that enhances business decision-making quality. This study opined that management that manages earnings may influence audit delay of financial reporting to achieve specific interests. Entrenched managers may cover their earnings management opportunistic behavior under unclear financial notes thus increasing workload to the auditor (Seifzadeh et al., 2021).

Finally, the result from the marginal effect of the binary regression shows that a 1% increase in auditor's fees will lead to about 10% significant decrease in income smoothing during the period under investigation. The findings imply that higher fees translate into stronger commitment and more competent services and thus reduces the likelihood of management to smooth earnings (Hallak & Silva, 2012). However, prior studies have argued that it is not enough for the auditor to have expertise, they must also be independent (DeAngelo, 1981; Watts & Zimmerman, 1986). The findings are consistent with empirical evidence of Kinney and Libby (2002) who noted that higher (abnormal) audit fees could denote illicit acts by the company and inflated future earnings.

5.0 Summary of findings, conclusion and recommendations

5.1 Summary of findings

This study investigated the effect of external auditors' attributes on income smoothing among listed non-financial firms in Nigeria. The scope of this study covered a 10-year period ranging from 2011 to 2020. The independent variables of interest which were employed included Audit Firm Size, Audit Opinion, Audit Delay and Audit Fee. Also, small positive net income was employed as the dependent variable. Specifically, pre regression analysis conducted included descriptive statistics, correlation and normality of residua analyses. To test the hypotheses of the study, binary logistic regression analysis was employed, and the results revealed that:

1. Audit firm size is an insignificant determinant of income smoothing among listed non- financial firms in Nigeria during the period under investigation;
2. Audit opinion has a positive and a significant likelihood to determine income smoothing behavior among listed non-financial firms in Nigeria during the period under investigation;
3. Audit delay has a positive and a significant possibility to determine income smoothing behavior among listed non-financial firms in Nigeria during the period under investigation; and

4. Audit fee has a negative and a significant prospect to determine income smoothing behavior among listed non-financial firms in Nigeria during the period under investigation.

5.2 Conclusion

The widespread failures in financial disclosures have created the need to improve financial information quality. Consequently, the factors which might influence the occurrence of earnings smoothing have been an intense and inconclusive area of research and thus have provided an interesting issue of discourse. These factors have been identified to be exogenous to the firm. Based on the review of the extant literature and propelled by the gaps in the literature, four factors have been identified and framed as hypotheses that were tested in this study. These factors are audit firm size, audit opinion, audit delay and audit fee. The study therefore concluded that these external auditors' attributes significantly determine whether or not managers of non-listed financial firms in Nigeria will engage in income smoothing practices. In general, it was revealed that managers of listed non-financial firms in Nigeria do practice earnings smoothing. It seems clear that except for the variable of audit firm type, all other variables of interest do significantly (positively or negatively) determine the likelihood of income smoothing behavior among listed non-financial firms in Nigeria.

5.3 Recommendations

Based on the findings obtained from this study, the following recommendations were made:

1. Audit firm size is an insignificant determinant of income smoothing among listed non-financial firms in Nigeria. Since hiring big four audit firms for the purpose of providing specialized audit services has no statistically significant likelihood of affecting income smoothing behavior of managers among listed non-financial firms in Nigeria, the study recommended that audit quality policy issues that considers the services of big four audit firms in checkmating income smoothing activities should be less prioritized.

2. Audit opinion has a positive and a significant likelihood to determine income smoothing among listed non-financial firms in Nigeria. The most repetitive reasons behind the expressed modified auditor opinion are related to uncertainties about going concern, non-compliance with IAS standards, uncertain claims or the fluctuations of assets. Stronger internal controls policies and standard accounting operating procedures should be developed by policymakers and managers of listed non-financial firms in Nigeria so as to checkmate accounting and bookkeeping errors in these deficient areas.

3. Audit delay has a positive and a significant possibility to determine income smoothing among listed non-financial firms in Nigeria. Policymakers and managers of listed non-financial firms in Nigeria need to develop stronger internal controls policies which in turn should reduce the propensity for financial statements errors to occur and enable the external auditors to reduce the extent of substantive tests thereby performing less interim work to reduce external audit delays.

4. Audit fee has a negative and a significant prospect to determine income smoothing among listed non-financial firms in Nigeria. This study recommended that managerial policies by non-listed financial firms in Nigeria that tends to increase Audit Fees should be re-examined and possibly reviewed downwards especially if the objective is to improve the firm's Accounting Going Concern status.

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