

Effect of Post Covid-19 on Audit Quality and Cosmetic Accounting of Quoted Consumers Companies in Nigeria.

MBATUEGWU, Christopher David HND, BSc, PGDE, MSc, MEd, CNA, Ph.D. (in view)

Nigerian college of accountancy, kwall,
Near jos, Plateau state

mbatuegwuchi@gmail.com

+234-08032946967

Abstract: *The COVID-19 pandemic confronted industries with new risks. Risks include significant declines in consumer discretionary spending and decreases in sales. This study examined the relation between audit quality, which is one of the main features of corporate governance, and cosmetic accounting among listed consumer goods companies in Nigeria as this time of post covid-19. Specifically, the analysis centered on the size of audit firms, audit fees and auditing industry Specialization as independent variables and actual earnings control as contingent variables arising from discretionary accruals. Ex post-facto research architecture was implemented, with a total population of 13 NSE-based companies sampled for data collection as at 31 December 2012. A secondary source of data was derived from the released annual financial statements of the businesses from 2012 to 2018 to support the study. STATA 13 edition and multiple regression methods have been used. The result showed that audit firm size and auditing industry specialization had a significant impact on cosmetic accounting, while audit fees had a positive, insignificant effect on the cosmetic accounting of listed consumer goods companies in Nigeria. Based on the results, the study concluded that the scale of the audit firm and the specialization of the auditors' industry had a major effect on the cosmetic accounting of the listed consumer goods companies in Nigeria. The study also concluded that audit fees had no significant impact on the cosmetic accounting of the Nigerian consumer goods market. The study suggested that efforts should be made with regard to legislation to strengthen the standard of auditors in Nigeria as a viable tool for corporate governance in order to boost the quality of financial performance also The SEC to take several actions, including granting relief related to certain filing deadlines and delivery requirements.*

Keywords: *cosmetic accounting, Audit Quality.*

I. INTRODUCTION

The significant effect of the steps taken to curb the spread of the novel coronavirus ('COVID-19') is generating a host of issues for companies and their employees. The COVID-19 pandemic confronted industries with new risks. These include, but are not limited to, significant declines in consumer discretionary spending; decreases in sales resulting from decreased demand and continuing supply constraints; financial market instability and market value erosion; deterioration in credit and liquidity and strong collaboration between audit committees to determine changes in strategic priorities and business intervention,

The use of forward-looking statements is widespread in the company's estimation of, among other items, the depletion of non-financial assets (including goodwill), the viability of deferred tax assets, and the capacity of the enterprise as going concern to remain a matter of concern. Supplementary difficulties to be addressed relate to contract adjustments, the actual identification and disclosure of incidents, and the accounting for any government assistance that the organization might obtain.

Audit quality plays an important role in maintaining an efficient market environment; an independent quality audit underpins confidence in the credibility and integrity of financial statements which is essential for well-functioning markets. Consequently, the turbulent effects of the global financial crisis have highlighted the critical importance of credible high-quality financial reporting. Achieving quality financial reporting depends on the role of external audit play in supporting the quality of financial reporting of quoted companies. It is an important part of the regulatory and supervisory infrastructure and thus activity of significant public interest. Audit quality is one of the most important issues in audit practice today. Several individuals and groups; both internal and external, have an interest in the quality of audited financial information (IAASB, 2011; Heil, 2012).

The financial statement audit is a monitoring mechanism that helps reduce information asymmetry and protect the interests of the various stakeholders by providing reasonable assurance that the management's financial statements are free from material misstatements. The societal role of auditors should be a key contribution to financial performance, in terms of reducing the risks of significant misstatements and by ensuring that the financial statements are elaborated according to preset rules and regulations. Lower risks on misstatements increase confidence in capital markets, which in turn lowers the cost of capital for firms (Heil, 2012; Watts & Zimmerman, 1986).

The statutory audit can reinforce confidence because auditors are expected to provide an external, objective opinion on the preparation and presentation of financial statements. Auditors need to be independent in the opinions they express, while the work they have to do to form their opinions is highly dependent on and rooted in the real world and may become challenging in some business environments such as the consumer goods industry. It is against this background that this research work is carried out. The purpose of this study therefore is to determine the effect of audit quality on the cosmetic accounting of quoted consumer goods firms in Nigeria. There have been concerns about audit quality in the present environment, where severe failures have come to light, for example; Enron scandal of 2001; Parmalat in 2003; Cadbury Nigeria Plc in 2006 and Afribank Nigeria Plc in 2009 (Ajani, 2012; Miettinen, 2011).

Also, the extent to which corporate governance mechanisms affect real activities cosmetic accounting differs between external audit. Specifically, external auditors cannot challenge real economic actions made in the ordinary course of business. Thus, enhancing the scrutiny of external auditors over accruals cosmetic accounting may drive managers to substitute the reduction of accrual cosmetic accounting with real activity cosmetic accounting. This argument gave rise to a new stream of research that investigates the effect of audit quality and cosmetic accounting.

Though there are existing studies on the effect of audit quality and cosmetic accounting around the world, few studies examined this phenomenon in Nigeria. Other studies in this area include (Hoang Khanh & Khuong 2018, Alzoubi, 2017, Ghosh & Moon, 2005; Gul, Fung & Jaggi, 2009; Krishnan, 2003; Rusmin, 2010). However, most of these studies are foreign-based. Given the disparities like economies, the level of sophistication in the monitoring mechanisms and litigation risks faced by external auditors, studies from Nigeria may produce different results.

Also, most of the prior studies on audit quality and cosmetic accounting in Nigeria such as Okolie, Izedonmi and Enofe (2013) and Okolie (2014) focused more on accrual-based earnings manipulation has a proxy of cosmetic accounting. This approach limits the generalizability of findings concerning the effect of audit quality on cosmetic accounting of firms in Nigeria in general and listed food and beverages companies which have been ignored by prior studies. It constitutes one of the gaps in the literature that this study attends to fill. This study highlights the methodological gap that the study intends to address.

However, most of the studies which were conducted in developing countries including Nigeria did not make use of industry specialist auditors as audit quality attributes. It is still important to study auditor industry specialization (one of the proxies for audit quality) to decide empirically the extent which it is associated with cosmetic accounting of listed food and beverages companies in Nigeria. This is important because, given the complex nature of the food and beverages companies, business operations, industry specialist auditors are expected to play a prominent role in mitigating cosmetic accounting of companies operating in the sector due to their specific knowledge of the industry. Food and beverages firms are considered in this study due to the little or absence based on the researchers' knowledge of empirical studies on audit quality and cosmetic accounting in this sector.

Given the puzzles and the gap existing in literature, this study empirically examined the combined effects of audit firm size, audit fees and auditor industry specialization on cosmetic accounting of quoted consumer goods companies in Nigeria.

The study is based on three hypotheses;

HO1 Audit firm size has no significant effect on cosmetic accounting of quoted food and beverages companies in Nigeria.

HO2 Audit fees have no significant effect on cosmetic accounting of quoted food and beverages companies in Nigeria.

HO3 Auditor industry specialization has no significant effect on cosmetic accounting of quoted food and beverages companies in Nigeria.

II. Literature Review

cosmetic accounting

Cosmetic accounting has numerous classifications. One of the cosmetic accounting activities is called real activities manipulation or cosmetic accounting. This is also a "within-GAAP" cosmetic accounting manipulation but is different from cosmetic accounting through accounting choices and is hardly subjected to auditor scrutiny. Cosmetic accounting through real activities manipulation involves management actions that deviate from normal business practices, undertaken with the primary objective of meeting certain earnings thresholds (Roychowdhury, 2006). Xuerong and Li (2017) defined cosmetic accounting (REM) as management operational activities to alter reported earnings in a particular direction, which is achieved by overproducing inventory to lower the cost of goods sold (COGS) or cutting discretionary expenses (i.e., advertising expenditures, research and development, deferred taxes) to achieve a specified earnings level. Examples of real activities manipulation include but not limited to earlier spending on maintenance or research and development (R & D) when reported earnings are higher than expected to reduce earnings number to the desired level. Merchant and Rockness (1994) described Cosmetic accounting as any action on the part of management which affects reported income and provides no true economic advantage to the organization and may in fact, in the long-term be detrimental.

Audit Firm Size

The difficulty in measuring audit quality has led many researchers to use an audit firm size as a surrogate. Large audit firms are assumed to perform more powerful tests. As a consequence, larger audit firms are more likely to be associated with more precise information than are smaller audit firms, all else being equal (Beatty, 1989; Titman & Trueman, 1986). Analytical research has suggested that audit firm size and audit quality are positively related.

For example, DeAngelo, (1981) proposed that larger firms provide higher-quality audits because larger audit firms have fewer incentives to compromise their standards to ensure retention of clients in comparison with the smaller firms. Similarly, Dopuch and Simunic (1982) argued that audit quality is a function of the number and extent of audit procedures performed by the auditor and that larger firms have more resources with which to conduct tests. Moore and Scott (1989) demonstrated analytically that audit firm size and the extent of audit work are positively related.

Further, if audit firm size and audit quality are positively related, we would expect to find larger differences between forecasted and reported incomes for companies audited by large auditors than for companies audited by small auditors, after controlling for client characteristics such as risk.

Audit Fees

Audit fees can be explained to be the amount charged by the auditor for an audit assignment carried out. That is the amount charged by the auditor for any work done to express an opinion on the true and fair state of affairs or position of the client's enterprise. Iskak (1999 in Suharli & Nurlaelah, 2008) described the audit fee as, the fee charged by a public accountant to the client for the financial audit services. This is by the opinion of The Securities and Exchange Commission, Final Rule (in Yuniarti, 2011) that, the audit fee is the fees paid for annual audits and reviews of financial statements for the most recent fiscal year. The amount of audit fee can vary depending on the complexity of services, assignment risk, the cost structure of Public Accountants Firm, the required level of expertise, and other professional considerations.

Auditors Industry Specialization

Solomon, Hashim, Mehdi and Ajagba (1999) found that industry specialist auditors have more accurate non-error frequency knowledge than non-industry specialists. However, Owroso, Messier and Lynch (2002) suggested that industry specialists can more effectively detect seeded errors in staff work papers during the audit review process. Low (2004) found that auditors' industry specialization improves their audit risk assessments. Hammersley (2006) found that matched specialists (i.e., specialists working in their industry) develop more complete problem representations about the seeded misstatement when they receive partial- or full-cue patterns than when they receive no-cue patterns, whereas mismatched specialists are not able to develop more complete

problem representations even when they receive full-cue patterns. These behavioural auditing studies suggested that auditor industry specialization can enhance the effectiveness of auditors' work as a result of their greater industry-specific knowledge. Industry specialist auditors are auditors who have gained great training and experience concentrated in a specific industry.

Empirical Review

Rahmat, and Rana (2020) Examine the relationship between corporate governance and cosmetic accounting with the moderation impact of CEO tenure in manufacturing firms listed on the Indonesian Stock Exchange. The data is obtained from the annual report of the company published in the period 2013-2017 using a multiple linear regression model and a mild regression analysis. The dependent variable in this analysis is the cosmetic accounting determined by the ratio of total debt to total assets. Independent variables used for corporate governance, calculated by audit committees, while the moderating variable is the tenure of the CEO. The uniqueness of this study explores the tenure of the CEO as moderation variables on the impact of the audit committees on the cosmetic accounting which is rarely studied. The results showed that CEO tenure weakens the beneficial impact of audit committees on cosmetic accounting. Because given the variations in economic and social-cultural attributes of these countries the results of Indonisea cannot be applied here for policy and economic decision purposes.

Mbatuegwu, Musa, Ugoh, Komolafe (2021), The analysis of the quality of the financial report and its determinants has therefore attracted the attention of academics, especially those in Nigeria. Research study examined the impact of institutional shareholders, independent directors and audit committees on the efficiency of the quality audits of the listed oil and gas companies in Nigeria. The framework for ex-post-facto study has been adopted. Data were obtained from the annual financial reports of the oil sample and the companies for the period 2010 to 2019. The logistic regression method was used to evaluate data and test hypotheses with the help of STATA. The results suggest a clear and significant impact on the efficacy of the audit by institutional shareholders, independent directors and the audit committee. The study concluded that institutional owners, independent directors and audit committees are main determinants of the efficacy of the audit of listed oil and gas companies in Nigeria. This thesis was carried out on oil and gas during the time of Covid-19, and the current research focuses on auditing the quality and cosmetic accounting of listed consumer goods firms, which gives rise to sectoral peculiarities and post-covid-19.

Okolie (2014) examined the impact of Audit Quality on Earnings response coefficients of 57 companies quoted on the Nigerian Stock Exchange (NSE) between 2006 and 2011 using multiples regression analysis. The result of the test showed that Audit Quality exerts a significant impact on the ERC of quoted companies in Nigeria. This present study is, however, different because it is sectorial specific. Also, the timing difference is significant as the findings in 2014 cannot conveniently use to decide on current cosmetic accounting issues.

Onaolapo, Ajulo and Onifade (2017) investigated the effect of Audit Fees earnings quality of Cement Manufacturing Companies in Nigeria using the OLS model estimation technique. The result showed that Audit fees have a Significant effect on earnings quality. Although this study is current, the use of Cement Companies makes the Major difference as there is a problem of sectorial peculiarities.

Karimi and Gerayli (2014) studied the relationship between audit quality (represented by auditor industry specialization and auditor tenure) and cosmetic accounting estimated through modified Jones 1991 model of 91 companies listed on Tehran Stock Exchange (TSE) for the period 2008-2012. Evidence from the study indicated that the auditor industry specialization is associated with fewer cosmetic accounting of firms listed on TSE.

Musa, and Shehu (2014) 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 the research. Data were 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 were quantified and presented in tables. Multiple regression analysis using the 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. The current study is on audit quality and cosmetic accounting of listed consumer goods companies which brings about the sectorial peculiarities

Bhattachaya (2011) examine the effect of auditor industry specialization (as a proxy for audit quality) and Earnings Response Coefficient (ERC) in New Zealand. This study is carried out with a sample of NZX listed

companies for the period 2000 to 2009. Using an established model (Balsam, Krishnan and Yang, 2003), the study found that industry specialization of auditors is not a significant factor which influences ERC in New Zealand. This study was carried out in New Zealand while the current study is conducted in Nigeria which brings about the problem of external validity. Because given the differences in economic and social-cultural attributes of these countries the findings of New Zealand cannot be applied here for policy and economic decision purposes.

Junaidu and Olanrewaju (2018) assessed the effect of audit firm size on Cosmetic accounting of Eight (8) Quoted Oil and Gas Marketing Companies in Nigeria using panel data over seven years (2010-2016). The study adopted the use of both descriptive statistics, correlation matrix and robust fixed regression for data analysis. Findings revealed that audit firm size has no significant on cosmetic accounting. The current study is on audit quality and cosmetic accounting of listed consumer goods companies which brings about the problem of sectorial peculiarities.

Theories

Signalling through auditor choice stands on the agency theory, and is a manner by which managers and/or directors may impart to the market additional information about their company and their behaviour. Signalling theory suggests that companies with good performance use financial information disclosure to send signals to the market. Craven and Marston (1999), showed that firms will attempt to accept the same level of disclosure as similar firms operating in the same industry since if a firm does not keep up with the same level of disclosure as others, it may be perceived by stakeholders that it is hiding bad news or negative information. As the types of financial statements produced have become standardized, potential information differentiation that a company can use to send a signal to the market through its financial statements is reduced. Companies are thus, provided an incentive to signal, other than through transparency in their notes to the accounts and other voluntary disclosures, through their choice of auditor. Moreover, even voluntary disclosures that may be used as signals achieve enhanced credibility in the presence of a quality auditor. A high-quality audit sends a signal to the market that the financial statements are more credible than those audited by lower quality auditors. The market perceives audit firm size and specialist auditors to be of a higher quality than others and rewards (punishes) companies with larger improvements (or falls) in share prices accordingly (Teoh & Wong, 1993; Krishnan & Yang, 1999; Menon & Williams, 1994).

Furthermore, signalling theory does not require higher audit quality, it merely needs the market to believe that Top Tier firms are associated with higher audit quality because of the fee premiums they can command (Moizer, 1997). It has been shown that the market's perception of the quality of the company's auditor influences that company's share price. As such, directors and management may want to signal to the stakeholders that their interest is being well monitored. Therefore, signalling should, theoretically, affect the demand for audit quality over and beyond the monitoring function alone. The positive Signal of transparency and credibility it sends to the market and the assurance it provides to stakeholders about the quality of earnings performance disclosures suggest a positive association between audit quality and REM.

III. Methodology

This study makes use of the research method of ex post facto research design.

The research population comprised of all the twenty-one (21) consumer goods companies listed on the floor of Nigerian Stock Exchange (NSE) as of 31st December 2019 accounting period.

S/no	COMPANIES	TRADE MARK
1	CADBURY NIGERIA PLC.	CADBURY
2	CHAMPION BREW. PLC.	CHAMPION
3	DANGOTE FLOUR MILLS PLC	DANGFLOUR

4	DANGOTE SUGAR REFINERY PLC	DANGSUGAR
5	DN TIRE & RUBBER PLC	[DIP] DUNLOP
6	FLOUR MILLS NIG. PLC.	FLOUR MILL
7	MULTI-TREX INTEGRATED FOODS PLC	[BLS] MULTITREX
8	NESTLE NIGERIA PLC.	NESTLE
9	NIGERIAN BREW. PLC.	NB
10	NIGERIAN ENAMELWARE PLC.	ENAMELWA
11	P ZCUSSENS NIGERIA PLC.	PZ
12	UNILEVER NIGERIA PLC.	UNILEVER
13	VITAFOAN NIG. PLC	VITA FOAM

Author compilation 2021

The large range of businesses was once limited to a working population of 13. (Thirteen). And 8 (eight) firms were omitted from the list because they had been deleted in 2010 and had no financial statements for 2010 to 2019. The secondary source was taken from the annual reviews issued by the companies as well as the NSE factbook for the year in question.

The research used a panel regression methodology for data analysis, which is consistent with studies mixing cross-section and time-series data. However, given the panel existence of the data for the study, the study also used various regression models, including Ordinary Least Squares (OLS) Model, Fixed Effect (FE) Model and Random Effect (RE) Model. Suitable tests such as Hausman Definition Test and Breusch and Pagan Lagrangian Multiplier Test for Random Effects were used to pick the most appropriate model for the analysis. On the other hand, the research performs regression diagnostics to ensure the quality and fitness of the findings. This included a measure for heteroskedasticity and multicollinearity, an attempt to conform with the classical assumption of the OLS and the study model in general. The study was performed using version 13.0 of STATA.

Nevertheless, in order to analyze the influence of audit quality on the cosmetic accounting of listed consumer companies in Nigeria, this study estimated the following model;

$$CASA_{it} = a_0 + \beta_1 AFMZ_{it} + \beta_2 AFZ_{it} + \beta_3 AIS_{it} + \beta_4 FMZ_{it} + \beta_5 LEV_{it} + e_{it}$$

Where:

COSA= cosmetic accounting

AFMZ=Audit firm size

AF= Audit Fees

AI= Auditor industry Specialization

FMZ= Firm Size

LEV= Leverage

β_0 = is the intercept

β_1 - β_5 = are the parameters estimate or coefficients in the equation

μ =

error

IV. Measurement of Variables

Dependent

In line with previous studies such as Roychowdhury (2006), Cohen and Zarowin (2010), Zang (2012) and Ge and Kim (2013), this research used three metrics to analyze cosmetic accounting (these are the abnormal cash flow from operations, abnormal production costs, and abnormal discretionary expenses). In line with these reports, this analysis estimated the abnormal cash flow from activities, the abnormal cost of output and the abnormal discretionary costs as the standardized discrepancies between actual and measured estimates from the following techniques;

$$CFO_{it} / A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1 Sales_{it} / A_{it-1} + \gamma_2 \Delta Sales_{it} / A_{it-1} + \mu_{it} \dots \dots \dots i$$

Where;

CFO_{it} = Cash flow from the operation of firm i in year t

A_{it-1} = Total assets of firm i in year t-1;

Sales_{it} = Sales of firm i in year t

$\Delta Sales_{it}$ = Sales of firm i in year t fewer sales of firm i in year t-1;

μ_{it} = A residual term that captures the level of abnormal cash flow of firm i in year t.

γ_0 is the intercept and γ_1 and γ_2 are the coefficients.

$$PROD_{it} / A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1 Sales_{it} / A_{it-1} + \gamma_2 \Delta Sales_{it} / A_{it-1} + \gamma_1 Sales_{it-1} / A_{it-1} + \mu_{it} \dots \dots \dots ii$$

Where;

PROD_{it} = the sum of cost of goods sold and change in inventory of firm i in year t;

$\Delta Sales_{it-1}$ = Sales of firm i in year t-1 less sales of firm i in year t-2;

μ_{it} = A residual term that captures the level of abnormal production costs of firm i in year t.

$$DISEXP_{it} / A_{it-1} = \gamma_0(1/A_{it-1}) + \gamma_1 Sales_{it-1} / A_{it-1} + \mu_{it} \dots \dots \dots iii$$

Where;

DISEXP_{it} = The discretionary expenses, the sum of Selling, General & Administrative expenses of firm i in year t;

μ_{it} = error term of firm i in year t.

The total cosmetic accounting is therefore the sum of the uniform discrepancies between the real and calculated abnormal cash flow from operating activities, the abnormal cost of production and the abnormal discretionary costs.

TABLE1: MEASUREMENT OF VARIABLES/ CONSTRUCT VALIDITY

S/N	Variables	Definitions	Type	Measurement	Construct validity source
1	COSA	cosmetic accounting	Dependent	Discretionary Accruals	Sarawornrawanich (2011)
2	AFS	Audit Firm Size	Independent	Dichotomous: ‘1’ if company is audited by a Big4, ‘0’ otherwise	DeAngelo, 1981; Deis and Giroux, 1992; Becker et al, 1998; Francis and Krishnan, 1999; Krishnan and Schauer, 2000; and Krishnan, 2003
3	AF	A measure of Auditor Independence	„	Natural Log of the Audit Fees Paid by the company.	Palmrose, 1988, Copley (1991), Frankel et al, 2002; Li & Lin, 2005; Gerayli et al, 2011
4	AIS	Auditor industry specialization	„	Measured by dichotomous variable 1 for the companies audited by industry specialist auditors and 0 for non-specialist auditors.	Zhou and Elder (2001); Krishnan and Yang 2003).
5	BKZ	Bank Size	„	Natural log of company Total Assets	Bauwhede et al, 2000; Gerayli et al, 2011
6	Lev.	Leverage	„	Total_Debts Equity	Becker et al (1998), Watts & Zimmerman, (1986)

Authors’ compilation, 2020

V. Results And Discussions

This section concerned with the analysis and interpretation of the data derived from the annual reports and accounts of the sampled consumer goods companies in order to test the hypotheses proposed earlier in the introductory chapter and as set out in the model. The section looked at the descriptive statistics of the sample and the data set. Discussion of results and the various robustness tests were also included in the section.

Table 1. Descriptive Statistics

VARIABLE	Obs	Mean	Std. Dev.	Min	Max
COSA	91	.5222685	.1591353	.1098	.799997
AUDFSZ	91	.7362637	.4430993	0	1
AUDFEES	91	4.305451	.7429223	.498654	7.6789
AUS	91	.6373626	.4834249	0	1
FS	91	7.619637	1.591327	4.5782	11.6274

LEV	91	.4196141	1480042	.123889	.723746
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Source: Stata Output, 2019.

A total of thirteen (13) listed consumer goods companies were sampled over seven (7) years, with a total of 91 financial year observations. In terms of cosmetic accounting, Table 1 indicates a mean of 52 per cent. This showed that the cosmetic accounting of the firms stood at an average of 55% and a standard deviation of 15%, and thus, it can be said that the data had little variance. The study showed that the lowest COSA was 10% and the highest in the era was approximately 80%. The table also revealed that the size of the audit firm is on average 73 per cent and SD 44 per cent, which indicates that about 73 per cent of the companies audited by the Big4 audit firms during the study period. The proportion of the standard deviation has shown that there are not many variations in the results. Again, the result showed a mean of 4.3054 for audit fees, suggesting that the industry charged 4.3054 billion in audit fees on average. The SD value stood at 74%, which indicates that there is a difference in the individual fees paid by various consumers goods companies over the period.

The result shows that 498 million and 7.6 billion were the highest and lowest audit fees paid respectively. The study showed that auditors industry specialization has a mean of 63% indicating that 63% of the companies used industry specialist auditors within the period of the study. The result also, indicated that at least one company used industry specialist auditors every year within the period of the study. The standard deviation of 48% shows the levels of difference in compliance level from the mean. The study observed that average firm size stood at 7.6196 and a standard deviation of 1.5913. The study shows that the lowest assets value within the period was 4.578 billion and the highest was 11.627 billion. Finally, the study showed that the average total debt-equity was 41% which shows that 41% of capital for the companies within the period of the study was debt-equity. The lowest was 12% while the maximum debt-equity capital was 72%.

Table 2: Correlation Matrix

	CAST	AUDFSZ	AUDFEES	AUS	FS	LEV
CAST	1.0000					
AUDFSZ	-0.0247	1.0000				
AUDFEES	0.0689	-0.1142	1.0000			
AUS	-0.2009	0.2747	0.0345	1.0000		
FS	0.0909	0.4403	0.0962	0.1130	1.0000	
LEV	-0.2762	0.173	0.0365	0.0015	0.3735	1.0000

Source: Stata Output, 2019.

The correlation matrix table 2 revealed that the correlation coefficient between cosmetic accounting and audit firm size stood at -0.0247. The result implied that the audit firm size has a negative relationship with the COSA of food and beverages companies in Nigeria. The study also shows that audit fees have a coefficient 0.0689 which shows that audit fees have a 7% relationship with COSA. Table 2 also, shows that the correlation coefficient between COSA auditor industry specialization is -0.2009. This means that the auditor industry specialization relates to COSA to the level of -20%. The coefficient between COSA and firm size stood at 0.090. This means that 9% of COSA can be guaranteed by firm size. The study result, finally, shows that leverage has a negative relationship with COSA to the tune -27%. That there is no positive relationship between cosmetic accounting and leverage.

Table 3: Tolerance and Variance Inflation Factors

Variable	VIF	1/VIF
AUDFMZ	1.37	0.727993
AUDFZ	1.05	0.955389
AUS	1.09	0.917540
FS	1.43	0.698017
LEV	1.17	0.858327
Mean VIF	1.22	

Source: STATA Output, 2019.

From Table 3, VIF values for all the independent variables were consistently below the benchmark of 10 which is considered harmful for regression analysis. This is supported by a mean VIF value of 1.22 which is above the benchmark of 1 considered suitable for regression analysis. Also, the TV for all the variables was above 0 and close to 1 which is recommended for regression analysis. The table shows good indicators that multicollinearity is not a problem among independent variables. Meanwhile, the Breusch-Pagan / Cook-Weisberg test for heteroscedasticity shows a chi2(1) of 0.23 and a Prob > chi2 of 0.122 which there is no problem of heteroscedasticity among the data inferring that the data is homogeneous.

Hausman Specification Test

The Hausman Specification test was conducted to ascertain between the fixed and random effect models which were more appropriate for interpretation. The result of the Hausman Test revealed that the value of chi2 is 1.20 and a corresponding prob>chi 0.944. The significant value as reported by the probability of chi2 that the Hausman test favours the random effect model. However, since the hypotheses for study are stated in the null form, the study went further to conduct the Lagrange multiplier test to ascertain whether is appropriate to interpret the pool OLS or random-effect model. The Breusch and Pagan Lagrangian multiplier test for random effects show a chi2 of 0.10 and a corresponding probability of 0.0720 which indicates that the pooled OLS is appropriate for the study.

Table 4: Summary of pooled OLS Result Regression Result

	Coef.	t	P> t
AUDFCAST	-.0537889	-2.51	0.013
AUFZ	.0142768	0.66	0.510
AUS	-.076079	-2.25	0.027
FMZ	.0248769	2.11	0.038
LEV	-.3993318	-3.50	0.001
R-squared	0.1762		
Adj R-squared	0.1277		
Prob > F	0.0050		

Source: STATA Output, 2020.

A close look at the result presented in table 4 review that the R2 value is 0.1762 which indicates that the audit quality attributes along with the control variables (firm size and leverage) can explain only about 17% of the total systematic variation of cosmetic accounting among quoted food and beverages firms in Nigeria. This implies that about 83% of the total systematic variation in the dependent variable has been left unaccounted for by the model hence captured by the stochastic error term. This implies that other factors not included in the model mostly accounts for cosmetic accounting in the area covered by the study. Based on the overall statistical significance of the model, it was observed that the probability of F-statistics is 0.0050 which is significant at 5% level of significance.

Table 4 described the result of the pooled OLS regression conducted for the study. The analysis in table 4 shows a negative but significant relationship between audit firm size and cosmetic accounting with a coefficient value of -.0537889 and probability of F-statistics of 0.013 which is considered significant at 5% level of confidence. This implies that the Big4 audit firms have a negative influence on cosmetic accounting of listed consumer companies in Nigeria. Although they still significant according to the result of the study in affecting cosmetic accounting. Based on the result of the pooled OLS regression, the study rejected the first null hypothesis, implying that audit firm size is a good indicator of cosmetic accounting. This result confirms the findings of Okoli (2014).

Table 4 also, indicates that audit fees have a positive insignificant effect on audit quality of listed food and beverages companies in Nigeria as evidence from the coefficient value of .0142768 with a p-value of 0.510 which is insignificant at 5% level of significance. This implies that if the percentage of audit fees increases, there is the likelihood of having improved cosmetic accounting. However, it will be insignificant as depicted by the result of the study. In this particular circumstance, the study accepts the null hypothesis which states that

audit fees have no significant effect on cosmetic accounting of quoted food and beverages in Nigeria. This is consistent with the findings of Onaolapo, Ajulo and Onifade (2017).

Table 4 indicates that auditors' industry specialization has a negative but significant effect on cosmetic accounting among listed food and beverages in Nigeria. This is evidenced by a coefficient of $-.076079$ and p-value of 0.027 which is significant at 5% level of confidence. This implies that irrespective of the fact that auditors' industry specialization harms cosmetic accounting, it is significant in influencing cosmetic accounting. Given this particular circumstance, the study rejects that null hypothesis which states that auditors' industry specialization has no significant effect on cosmetic accounting of quoted food and beverages companies in Nigeria. This finding collaborates with that of Bhattachaeya (2011).

The control variable- firm size (FS) has a significant positive effect on cosmetic accounting of listed food and beverages companies in Nigeria with the probability value of 0.038 . While leverage has a negative significant (0.001) effect on cosmetic accounting of listed food and beverages in Nigeria.

VI. Conclusion And Recommendations

This study examined the correlation between audit quality as one of the main features of corporate governance and the cosmetic accounting of listed consumers goods companies in Nigeria at this time of post covid-19. The study centered on the size of audit firms, audit fees and the specialization of auditors as independent variables and cosmetic accounting as dependent variables arising from discretionary accruals.

Based on the results, the study concluded that the scale of the audit firm and the specialization of the auditors' industry had a substantial effect on the cosmetic accounting of the consumers goods in Nigeria. It also implies that these variables are determinants of the structure of capital. The study also concluded that audit fees had no significant effect on the cosmetic accounting of consumers goods companies in Nigeria. It therefore means that audit fees cannot be regarded as a replacement for the consistency of recorded earnings in the consumer goods business.

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On the basis of the observations and the conclusion, this was recommended;

1. Several steps are to be taken by the SEC, including the granting of relief relating to certain time limits for filing and delivery requirements because of covid-19.
2. The study suggests that consumer goods companies should make use of services of Big4 auditors because it is found to have a positive effect on the control of capital. This may be that Big4 auditors, such as Deloitte, PricewaterhouseCoopers, Ernst and Young and KPMG, have the money, experience and skills to play a part in enhancing the consistency of reported earnings.
3. The study also advises that increased audit fees should not be seen by consumers goods companies as a means of improving audit efficiency and eventually earning quality.

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