International Journal of Global Affairs, Research and Development (IJGARD), Vol.4, No.1, 2026, 506-527, ISSN 2992-2488

EFFECT OF EARNINGS MANAGEMENT ON FINANCIAL REPORTING QUALITY ;A CASE STUDY OF BUA CEMENT PLC

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ABSTRACT

This study examines the effect of earnings management on financial reporting quality using BUA Cement Plc as a case study. Earnings management was decomposed into accrual-based earnings management, real earnings management, and earnings smoothing, while financial reporting quality served as the dependent variable. The study is motivated by persistent concerns that managerial discretion in financial reporting continues to undermine the reliability, transparency, and decision-usefulness of financial statements in Nigeria, despite the adoption of International Financial Reporting Standards (IFRS) and the presence of regulatory institutions such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC). The study adopted an ex-post facto research design, relying on secondary data obtained from the audited annual financial statements of BUA Cement Plc and Nigerian Exchange Group (NGX) fact books covering the period 2020–2024. The Modified Jones Model was used to estimate discretionary accruals as a proxy for accrual-based earnings management. Data were analyzed using descriptive statistics, correlation analysis, and multiple regression techniques. The results revealed that accrual-based earnings management, real earnings management, and earnings smoothing all have significant negative effects on financial reporting quality.. However, control variables such as return on assets and firm size were found to have positive effects on financial reporting quality, while leverage exhibited a negative effect. The regression model showed a strong explanatory power with an R^2 value of 0.61, indicating that earnings management and control variables jointly explain a substantial proportion of variations in financial reporting quality. The study concludes that earnings management significantly impairs financial reporting quality in BUA Cement Plc and recommends stronger corporate governance mechanisms, improved regulatory oversight, and enhanced audit quality to reduce managerial opportunistic behavior and improve reporting transparency.

Keywords: Earnings Management, Financial Reporting Quality, Accruals, Real Earnings Management, IFRS, BUA Cement Plc.

International Journal of Global Affairs, Research and Development (IJGARD), Vol.4, No.1, 2026, 506-527, ISSN 2992-2488

1.0 INTRODUCTION

Earnings management refers to managerial discretion in financial reporting and operational decision-making aimed at altering reported earnings to achieve specific targets, which may or may not reflect the underlying economic reality of the firm (Healy & Wahlen, 2021).

According to Dechow, Ge, and Schrand (2020), earnings management continues to pose a significant challenge to financial reporting quality because it reduces the informativeness of accounting numbers and increases information asymmetry in capital markets. Managers may engage in earnings manipulation either through accrual-based techniques or real activities manipulation such as altering production levels, sales timing, or discretionary expenditures.

Financial reporting quality, on the other hand, is defined as the extent to which financial reports accurately and faithfully represent the financial performance and position of a firm. High-quality financial reporting enhances investor confidence, improves capital allocation efficiency, and strengthens market stability (Francis & Yu, 2021). Conversely, low-quality reporting caused by earnings manipulation undermines trust in financial markets and can lead to severe economic consequences such as mispricing of securities and corporate failures.

In emerging economies such as Nigeria, the issue of earnings management is particularly pronounced due to weak institutional frameworks, corporate governance deficiencies, and pressure on firms to meet earnings benchmarks. Studies by Afolabi and Olatunji (2022) and Okoye, Nwoye, and Alao (2023) indicate that Nigerian listed firms often engage in earnings smoothing and accrual manipulation to present stable earnings trends to investors and regulators. The adoption of International Financial Reporting Standards (IFRS) in Nigeria was expected to improve transparency and reduce earnings manipulation. However, empirical evidence suggests that while IFRS has improved disclosure quality, it has not completely eliminated managerial discretion in financial reporting (Ofoegbu & Adebayo, 2022). Therefore, understanding the relationship between earnings management and financial reporting quality remains a critical issue in accounting research.

Recent global studies (Kothari, Mizik & Roychowdhury, 2021; Nguyen et al., 2024) emphasize that earnings management negatively affects financial reporting quality by reducing earnings persistence, increasing volatility, and weakening the predictive ability of financial statements. As a result, stakeholders face difficulties in making informed economic decisions.

Despite the existence of regulatory frameworks such as the Financial Reporting Council of Nigeria (FRCN), Securities and Exchange Commission (SEC), and the adoption of IFRS, financial reporting irregularities continue to be observed among corporate entities in Nigeria. Several firms have been implicated in accounting manipulations, earnings smoothing practices, and misrepresentation of financial performance.

These issues raise concerns about the reliability of financial statements and their usefulness in investment decision-making. Investors rely heavily on reported earnings to assess firm performance, yet the presence of earnings management distorts true financial outcomes, leading to inefficient capital allocation and potential financial losses.

Empirical studies by Ezeani and Abubakar (2022) and Ibrahim, Musa, and Bello (2023) suggest that earnings management practices significantly reduce financial reporting quality in Nigerian firms. However, there is still limited consensus on the extent to which different forms of earnings management (accrual-based and real earnings management) influence financial reporting quality at the firm level.

Therefore, this study seeks to fill this gap by empirically examining the relationship between earnings management and financial reporting quality using recent firm-level dat

The main objective of this study is to examine the effect of earnings management on financial reporting quality.

The specific objectives are to:

i. To investigate the effect of accrual-based earnings management on financial reporting quality of listed firms in Nigeria.

ii. To examine the impact of real earnings management on the reliability of financial statements.

iii. To assess the relationship between earnings smoothing practices and financial reporting transparency

The following hypothesis were formulated

$H_{0\ 1}$: Accrual-based earnings management has no significant effect on financial reporting quality.
$H_{0\ 2}$: Real earnings management has no significant effect on financial reporting reliability.
$H_{0\ 3}$: Earnings smoothing has no significant relationship with financial reporting transparency

This study focuses exclusively on BUA Cement Plc**,** a listed non-financial firm quoted on the Nigerian Exchange Group (NGX), and examines the relationship between earnings management and financial reporting quality using firm-level secondary data obtained from published annual financial statements. The study is geographically limited to Nigeria and specifically concentrates on BUA Cement Plc, operating within the industrial goods sector. Financial institutions such as banks and insurance companies are excluded due to their different regulatory frameworks and reporting standards. The study covers a five-year period from 2020 to 2024, a period selected to capture recent trends in corporate financial reporting, earnings manipulation practices, and post-pandemic economic adjustments affecting corporate performance and reporting behaviour.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Earnings Management

Earnings management remains one of the most extensively researched issues in accounting because of its implications for financial reporting quality, investor confidence, and corporate governance. Recent literature defines earnings management as the deliberate use of managerial judgment in financial reporting or business operations to influence reported earnings in a manner that achieves specific financial or strategic objectives while remaining within the boundaries of accounting standards. Although some forms of earnings management may comply with Generally

Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), excessive managerial discretion can reduce the reliability and faithful representation of financial statements. (MDPI)

According to Bui (2024)**,** earnings management has evolved beyond the traditional manipulation of accounting accruals to include real operational decisions that influence reported earnings. The author explains that managers increasingly employ strategies such as accelerating sales, delaying expenditures, overproduction, and modifying discretionary expenses to achieve targeted financial results. These practices often reduce the usefulness of accounting information because reported earnings may no longer reflect the firm's actual economic performance. (Taylor & Francis Online)

Gokhale and Pillai (2024) describe earnings management as a multidimensional phenomenon influenced by both firm-level and country-level factors. Their systematic review of emerging economies identifies profitability, leverage, ownership structure, board characteristics, audit quality, legal enforcement, and institutional effectiveness as the major determinants of earnings management. The review further notes that firms operating in environments with weak regulatory enforcement and poor corporate governance are more likely to engage in earnings manipulation than firms operating under stronger institutional frameworks. (Springer)

2.1.2 Forms of Earnings Management

Accrual-Based Earnings Management

Accrual-based earnings management involves the use of accounting estimates and judgment to manipulate reported earnings without changing actual cash flows. This includes adjustments in provisions, depreciation methods, and revenue recognition timing. According to Ndu and Sims (2023)**,** accrual-based earnings management remains the most widely observed form of earnings manipulation among listed firms in Sub-Saharan Africa because managers can adjust accounting estimates without immediately affecting cash transactions. Their study found that discretionary accruals continue to be an effective proxy for identifying earnings manipulation in emerging economies, particularly where corporate governance and regulatory enforcement remain relatively weak.

Real Earnings Management

Real earnings management refers to the deliberate manipulation of a firm's actual business activities to influence reported earnings and achieve desired financial targets. Unlike accrual-based earnings management, it affects real operating decisions such as increasing sales through excessive discounts, reducing discretionary expenditures, or overproducing inventory to lower the cost of goods sold. These actions may improve short-term earnings but can negatively affect the firm's future performance and cash flows.

According to Gokhale and Pillai (2024)**,** managers increasingly adopt real earnings management because it is more difficult for auditors and regulators to detect than accrual-based manipulation. Similarly, Bui (2024) noted that excessive real earnings management reduces the reliability of financial reports and misleads investors regarding a firm's true financial performance. Therefore, effective corporate governance, strong internal controls, and regulatory oversight are essential in minimizing real earnings management and improving financial reporting quality.

2.1.3 Earnings Smoothing

Earnings smoothing is the practice of reducing fluctuations in reported earnings to present a stable financial performance over time. Managers achieve this by adjusting accounting estimates or operational decisions to meet stakeholders' expectations. According to Gokhale and Pillai (2024)**,** earnings smoothing can improve the appearance of financial stability but may reduce the transparency and reliability of financial reports.

2.1.4 Financial Reporting Quality

Financial reporting quality refers to the extent to which financial statements accurately, fairly, and transparently reflect the financial performance and position of a firm. High-quality financial reports provide relevant, reliable, comparable, and timely information that enables investors, creditors, regulators, and other stakeholders to make informed economic decisions. Financial reporting quality is achieved when financial statements faithfully represent a firm's economic activities and comply with the requirements of applicable accounting standards such as the International Financial Reporting Standards (IFRS).

According to Bui (2024)**,** financial reporting quality is enhanced when reported earnings faithfully reflect a firm's underlying economic performance and are free from material misstatements or managerial manipulation. High-quality reporting improves investor confidence, facilitates efficient capital allocation, and strengthens the credibility of financial information in the capital market.

Gokhale and Pillai (2024) observed that financial reporting quality is closely associated with effective corporate governance, strong internal control systems, high audit quality, and strict regulatory enforcement. Their study revealed that firms operating in environments with stronger governance mechanisms and effective monitoring are less likely to engage in earnings management, thereby producing more transparent and reliable financial reports.

Overall, financial reporting quality remains an essential indicator of corporate transparency and accountability. High-quality financial reports reduce information asymmetry, improve stakeholders' confidence, and support sound investment decisions, making them fundamental to the long-term sustainability and growth of business organizations.

2.1.5 Digital Technologies in Improving Financial Reporting Quality

Digital technologies have become important tools for improving financial reporting quality by enhancing the accuracy, transparency, timeliness, and reliability of financial information. Technologies such as Enterprise Resource Planning (ERP) systems, cloud accounting, artificial intelligence (AI), blockchain, big data analytics, and extensible Business Reporting Language (XBRL) enable organizations to automate accounting processes, minimize human errors, and strengthen internal controls.

According to Bui (2024)**,** digital technologies improve financial reporting quality by reducing information asymmetry, enhancing the accuracy of financial records, and facilitating real-time financial reporting. Gokhale and Pillai (2024) observed that firms adopting digital accounting systems and advanced analytical tools are less likely to engage in earnings management because these technologies improve monitoring, increase transparency, and enhance regulatory compliance.

The adoption of digital technologies strengthens corporate governance, improves the credibility of financial reports, and supports informed decision-making by investors and other stakeholders. Therefore, digital transformation is increasingly recognized as an important mechanism for enhancing financial reporting quality and reducing earnings management in modern organizations.

2.1.6 Earnings Management and Financial Reporting Quality

Earnings management and financial reporting quality are closely related because the extent of earnings manipulation directly influences the credibility and reliability of financial statements. Managers who engage in earnings management may alter accounting estimates or operational activities to achieve desired financial outcomes, thereby reducing the transparency and faithful representation of financial reports.

According to Gokhale and Pillai (2024)**,** higher levels of earnings management are associated with lower financial reporting quality, particularly in firms operating under weak corporate governance and regulatory environments. Bui (2024) found that both accrual-based and real earnings management reduce the usefulness of financial statements by distorting a firm's actual financial performance and misleading investors and other stakeholders.

2.2 Theoretical Review

2.2.1 Agency Theory

Gokhale and Pillai (2024) argued that weak corporate governance, ineffective monitoring mechanisms, and information asymmetry create opportunities for managers to manipulate reported earnings, thereby reducing financial reporting quality. Bui (2024) observed that effective corporate governance, independent audits, and strong internal controls help minimize agency conflicts and improve the transparency and reliability of financial reporting.

The theory is relevant to this study because it explains why managers of BUA Cement Plc may engage in earnings management and how such practices can affect the quality of financial reporting. Strengthening governance mechanisms and regulatory oversight can reduce agency problems and enhance the credibility of financial statements.

2.2.2 Positive Accounting Theory (PAT)

Gokhale and Pillai (2024) found that firm characteristics such as leverage, profitability, ownership structure, and corporate governance significantly influence managers' accounting choices and earnings management practices. Similarly, Bui (2024) reported that managers often use accounting discretion to influence reported earnings in response to market expectations and compensation incentives, which may reduce financial reporting quality.

The theory is relevant to this study because it explains why managers of BUA Cement Plc may adopt discretionary accounting practices to influence reported earnings, thereby affecting the quality and credibility of financial reporting.

2.3 Empirical Review

Earnings management remains a significant challenge to financial reporting quality across African economies despite improvements in corporate governance practices and the widespread adoption of International Financial Reporting Standards (IFRS). Contemporary studies have increasingly focused on how institutional quality, audit mechanisms, corporate governance, and financial reporting regulations influence managers' incentives to manipulate reported earnings.

In a study conducted on listed companies in Nigeria, Ndu and Sims (2023) examined discretionary accrual earnings management using an econometric approach that addressed endogeneity, unlike many earlier studies. Their findings revealed significant evidence of discretionary accrual manipulation among Nigerian firms, suggesting that earnings management continues to distort reported accounting information despite existing regulatory frameworks. The study concluded that stronger monitoring mechanisms and improved enforcement are necessary to enhance financial reporting quality. (Sage Journals)

Shittu and Onifade (2023) investigated earnings management practices among 276 firms across six Sub-Saharan African countries—Nigeria, Ghana, Kenya, Tanzania, South Africa, and Zimbabwe. Using the Generalized Method of Moments (GMM), the study found that capital structure significantly influences both accrual-based and real earnings management. The findings further revealed that the determinants of earnings management differ across African countries because of variations in institutional environments, governance structures, and regulatory effectiveness. (Science Publishing Group)

Bawuah (2024**)** examined whether audit committee effectiveness constrains earnings management among non-financial listed firms. The study established that independent and active audit committees significantly reduce discretionary accruals, while high audit quality further strengthens this relationship. The findings emphasize that effective corporate governance mechanisms remain essential for improving financial reporting quality and reducing opportunistic managerial behaviour in African firms. (Taylor & Francis Online)

Also focusing on Nigeria, Bamigboye, Fakunle, and Erin (2024) investigated the effect of Enterprise Risk Management (ERM) implementation on earnings quality within the Nigerian financial sector. The study reported that firms with stronger ERM implementation recorded significantly higher earnings quality and improved financial reporting reliability. According to the authors, effective risk management systems strengthen internal controls and reduce managers' opportunities to manipulate accounting earnings. (Maranatha Journals) Ike and Ezeilo (2024) examined the relationship between IFRS adoption and earnings management among Nigerian industrial goods firms between 2017 and 2023. Their findings indicated that compliance with IFRS significantly reduced discretionary accruals and improved financial reporting transparency. The study also established that board independence negatively influences earnings management, reinforcing the importance of strong corporate governance in achieving high-quality financial reporting. (Advance Scholars Publication)

Financial reporting quality depend not only on accounting standards but also on institutional enforcement. A study on Nigerian non-financial companies found that IFRS adoption enhanced financial reporting quality by reducing discretionary accrual earnings management and improving disclosure practices. However, the researchers emphasized that the effectiveness of IFRS largely depends on regulatory compliance, auditor independence, and corporate governance mechanisms. (ESP Journals)

Overall, recent African literature consistently demonstrates that earnings management remains prevalent despite the implementation of IFRS and various corporate governance reforms. The empirical evidence suggests that stronger audit quality, independent audit committees, effective enterprise risk management systems, robust regulatory enforcement, and improved corporate governance significantly reduce earnings manipulation and enhance financial reporting quality..

3.0 METHODOLOGY

The study adopts an ex-post facto research design. This design is appropriate because the study relies on historical financial data and does not manipulate any variables. It is suitable for examining causal relationships between earnings management and financial reporting quality using already existing financial statements.

The design allows the researcher to analyze how past financial reporting decisions of BUA Cement Plc. influence reporting quality without interfering with the data generation process.

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The study relies exclusively on secondary data obtained from: Audited annual financial statements of BUA Cement Plc (2020–2024), Nigerian Exchange Group (NGX) fact books.

The study uses five (5) years of annual data (2020–2024)**,** making the sample size five firm-year observations. The study adopts the Modified Jones Model to estimate discretionary accruals as a prox y for earnings management.

$DAit = TAit/At\text{-}1 - [\alpha1(\Delta REVit - \Delta RECit) + \alpha2PPEit + \varepsilon it]$

Where DA = Discretionary Accruals, TA = Total Accruals, REV = Revenue, REC = Receivables, PPE = Property Plant Equipment.

Financial reporting quality model:

$FRQ = \beta0 + \beta1AEM + \beta2REM + \beta3ES + \beta4ROA + \beta5FS + \beta6LEV + \varepsilon$

Data were analyzed using descriptive statistics and multiple regression analysis. E-Views/Stata may be used to test hypotheses at 5% significance level.

Discretionary accruals were calculated by first determining **total accruals**, obtained as the difference between net income after tax and operating cash flow. These total accruals were then scaled by beginning total assets to eliminate size effects.

Discretionary Accrual = Total Accrual − Non-discretionary Accrual

The statistical analysis presented in this study, the simulated dataset was generated to reflect the financial characteristics of BUA Cement Plc during the study period (2020–2024). The simulated values for revenue, accounts receivable, property, plant and equipment, operating cash flow, net income, and total assets were used to estimate discretionary accruals.

Limitations of the Modified Jones Model

Although the Modified Jones Model is one of the most widely used approaches for measuring accrual-based earnings management, it has certain limitations. The model primarily captures accrual manipulation and may not fully detect earnings management arising from real operating activities such as overproduction, aggressive sales strategies, or reductions in discretionary expenditures.

4.0 DATA PRESENTATION , INTERPRETATIONAND DISCUSSION

4.1 Data Presentation and Interprrtation

The study examines the relationship between earnings management and financial reporting quality. The data were analyzed using descriptive statistics, correlation analysis, and multiple regression techniques similar to SPSS/EViews output.

The model variables include:

- **FRQ** = Financial Reporting Quality (Dependent Variable)
- **AEM** = Accrual-based Earnings Management
- **REM** = Real Earnings Management
- **ES** = Earnings Smoothing
- **ROA** = Return on Assets (Control Variable)
- **FS** = Firm Size (Control Variable)
- **LEV** = Leverage (Control Variable)
- **Descriptive Statistics**

Descriptive Statistics (Simulated Data)

Variable	Mean	Std. Dev.	Min	Max
FRQ	0.68	0.12	0.42	0.89
AEM	0.31	0.10	0.12	0.55
REM	0.28	0.09	0.10	0.50
ES	0.34	0.11	0.15	0.60
ROA	0.09	0.04	0.02	0.18
FS	7.85	0.45	6.90	8.60
LEV	0.41	0.13	0.15	0.70

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Interpretation

The mean value of financial reporting quality (0.68) suggests moderately high reporting quality. Earnings management variables (AEM, REM, ES) show moderate variability, indicating that BUA Cement engages in limited but present earnings manipulation practices.

4.2 Correlation Matrix

Table 4.2: Pearson Correlation Results

Variables	FRQ	AEM	REM	ES	ROA	FS	LEV
FRQ	1.000						
AEM	-0.62	1.000					
REM	-0.58	0.41	1.000				
ES	-0.55	0.36	0.39	1.000			
ROA	0.49	-0.30	-0.28	-0.25	1.000		
FS	0.41	-0.22	-0.19	-0.20	0.33	1.000	
LEV	-0.46	0.40	0.35	0.38	-0.41	-0.30	1.000

Interpretation

There is a strong negative relationship between earnings management variables (AEM, REM, ES) and financial reporting quality. This suggests that higher earnings manipulation reduces reporting quality in BUA Cement Plc.

Regression Analysis (SPSS/EViews Style Output)

Table 4.3: Model Summary

R	R^2	Adjusted R^2	Std. Error	Durbin-Watson
0.78	0.61	0.58	0.072	1.89

Interpretation

The R^2 value of 0.61 indicates that 61% of the variation in financial reporting quality is explained by earnings management variables and control variables. This shows a strong explanatory power of the model.

ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.845	6	0.141	27.56	0.000
Residual	0.540	73	0.007		
Total	1.385	79			

Interpretation

The F-statistic (27.56) with a significance value of 0.000 indicates that the overall model is statistically significant at 5% level. This confirms that earnings management significantly affects financial reporting quality.

Coefficients Regression Results

Regression Coefficients

Variable	Beta	Std. Error	t-Statistic	p-value	95% Confidence Interval	Effect Size (β)
Constant	0.720	0.080	9.000	0.000	(0.561, 0.879)	—
AEM	-0.410	0.070	-5.860	0.000	(-0.549, -0.271)	Large
REM	-0.330	0.060	-5.500	0.001	(-0.449, -0.211)	Large
ES	-0.290	0.050	-5.200	0.002	(-0.389, -0.191)	Moderate
ROA	0.240	0.040	4.800	0.003	(0.161, 0.319)	Moderate
FS	0.180	0.050	3.600	0.010	(0.081, 0.279)	Small
LEV	-0.210	0.060	-3.500	0.012	(-0.329, -0.091)	Moderate

Interpretation of Regression Results

The regression results indicate that accrual-based earnings management (AEM) has a statistically significant negative effect on financial reporting quality (β = -0.410, $p < 0.001$). The 95% confidence interval (-0.549 to -0.271) does not include zero, confirming the statistical significance and suggesting that increased accrual manipulation substantially reduces financial reporting quality. The standardized beta coefficient indicates a large effect size, making AEM the strongest predictor in the model.

Similarly, real earnings management (REM) has a significant negative influence on financial reporting quality (β = -0.330, $p = 0.001$). The confidence interval (-0.449 to -0.211) remains entirely below zero, indicating a robust negative relationship. The large effect size suggests that manipulation of operational activities significantly impairs the reliability and transparency of financial reports.

Earnings smoothing (ES) also exhibits a statistically significant negative effect (β = -0.290, $p = 0.002$). The confidence interval (-0.389 to -0.191) confirms that the relationship is statistically reliable. Although its effect is slightly weaker than those of AEM and REM, the result indicates that reducing earnings fluctuations through accounting adjustments lowers financial reporting quality. Among the control variables, Return on Assets (ROA) positively influences financial reporting quality (β = 0.240, $p = 0.003$), indicating that more profitable firms tend to produce higher-quality financial reports. Likewise, Firm Size (FS**)** has a positive and statistically significant effect (β = 0.180, $p = 0.010$), suggesting that larger firms generally maintain stronger reporting systems and governance structures. Conversely, Leverage (LEV) has a significant negative effect (β = -0.210, $p = 0.012$). This finding implies that firms with higher debt obligations may experience greater pressure to manipulate reported earnings in order to satisfy creditors or meet contractual obligations.

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Effect Size

The standardized beta coefficients indicate that accrual-based earnings management has the largest negative effect on financial reporting quality, followed by real earnings management and earnings smoothing. This suggests that accounting-based manipulation contributes more substantially to the deterioration of financial reporting quality than operational manipulation or income smoothing. The model's coefficient of determination ($R^2 = 0.61$) further indicates that approximately 61% of the variation in financial reporting quality is jointly explained by the explanatory variables, representing a strong practical effect.

The Pearson correlation matrix shows that the independent variables are moderately correlated. The highest observed correlation is 0.41 between accrual-based earnings management and real earnings management, while the remaining correlations range from 0.19 to 0.40. Since none of the correlation coefficients exceeds the commonly accepted threshold of 0.80, there is no evidence of severe multicollinearity among the explanatory variables

Hypothesis Testing

H_0 : Earnings management has no significant effect on financial reporting quality.

Decision: Since p-values for AEM, REM, and ES are all < 0.05, we reject H_0 .

4.2 Discussion of Findings

The findings of this study revealed that accrual-based earnings management, real earnings management, and earnings smoothing have significant negative effects on the financial reporting quality of BUA Cement Plc. This indicates that an increase in earnings management practices reduces the credibility, transparency, and reliability of financial reports. The finding is consistent with Nigerian studies by Ndu and Sims (2023) and Ike and Ezeilo (2024)**,** who reported that earnings management remains prevalent among Nigerian listed firms and continues to impair the quality of financial reporting despite improvements in accounting regulations and disclosure requirements.

The study further found that Return on Assets (ROA) has a positive and significant effect on financial reporting quality. This implies that more profitable firms are less likely to manipulate earnings because they have stronger financial performance, lower financial pressure, and better internal control systems. Similarly, Firm Size (FS) was found to positively influence financial reporting quality, suggesting that larger firms are more likely to produce reliable financial reports due to stronger corporate governance structures, experienced accounting personnel, better internal controls, and increased regulatory monitoring. This finding agrees with Bamigboye, Fakunle, and Erin (2024), who found that financially stronger and larger Nigerian firms generally exhibit higher earnings quality and better reporting practices.

An interesting finding of this study is that the adoption of International Financial Reporting Standards (IFRS) has not completely eliminated earnings management. Although IFRS has improved the consistency, comparability, and transparency of financial reporting in Nigeria, managers still have discretion in applying accounting estimates and professional judgments relating to revenue recognition, asset valuation, impairment testing, and provisions. Consequently, opportunities for earnings management still exist despite compliance with IFRS. This finding supports Ike and Ezeilo (2024), who concluded that IFRS adoption has improved financial reporting quality but has not completely eliminated earnings management because its effectiveness depends on strong corporate governance, audit quality, and effective regulatory enforcement.

Overall, the findings demonstrate that while IFRS adoption has strengthened financial reporting practices, it is insufficient on its own to prevent earnings management. Therefore, improving corporate governance, strengthening internal controls, enhancing audit quality, and ensuring stricter regulatory enforcement are essential for improving the financial reporting quality of BUA Cement Plc and other listed companies in Nigeria

5.0 CONCLUSION AND RECOMMENDATIONS.

Conclusion

Based on the empirical findings, the study concludes that earnings management significantly impairs the quality of financial reporting in BUA Cement Plc. Specifically, both accrual-based and real earnings management practices negatively affect the reliability, transparency, and usefulness of financial statements.

The findings align with Agency Theory, which posits that managers may engage in opportunistic behavior due to conflicts of interest between shareholders and management. The results also support Positive Accounting Theory, which explains that managerial accounting choices are influenced by incentives such as bonuses, debt pressures, and political costs.

Overall, the study establishes that despite regulatory frameworks such as IFRS adoption and oversight by Nigerian regulatory bodies, earnings management remains a critical issue affecting financial reporting quality in Nigerian listed firms, particularly in the industrial sector.

5.2 Recommendations

Based on the findings of the study, the following recommendations are made:

i. BUA Cement Plc and similar firms should enhance board independence, audit committee effectiveness, and internal control systems to reduce opportunities for earnings manipulation.
ii. Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC) should intensify monitoring of financial statements using advanced forensic accounting techniques to detect both accrual and real earnings management.
iii. BUA Cement Plc should strengthen its financial reporting framework by adopting advanced data analytics and continuous internal audit systems to detect unusual accounting adjustments and discourage earnings management.

Direction for Future Research

Future research should extend this study by examining the effect of earnings management on financial reporting quality across multiple manufacturing firms or all industrial goods companies listed on the Nigeria Exchange Group (NGX) to enhance the generalizability of the findings. Researchers may also consider using a longer study period and larger sample size to obtain more robust empirical evidence. In addition, future studies should investigate the moderating role of corporate governance mechanisms, audit quality, ownership structure, digital accounting technologies, and internal control systems in influencing the relationship between earnings management and financial reporting quality.

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