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AUDIT COMMITTEE CHARACTERISTICS AND EARNINGS MANAGEMENT: EVIDENCE FROM LISTED CAPITAL GOODS AND CONSUMER SERVICES COMPANIES IN SRI LANKA

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Abstract

Recent accounting scandals have emphasized the need of audit committees in discovering substantial misstatements and thereby restricting earnings management. The purpose of the study is to investigate the influence of audit committee characteristics on earnings management of listed capital goods and consumer services companies in Sri Lanka from 2017 to 2021. Panel regression analysis was conducted and 50 listed companies representing the capital goods and consumer services sector in Sri Lanka were selected as sample. This research focuses on four aspects of audit committee characteristics, namely audit committee size, audit committee independence, audit committee financial expertise, and audit committee meetings, while earnings management was measured using the modified Jones model. The results reveal that the audit committee independence has a positive impact on earnings management while the audit committee financial expertise has a negative impact on earnings management. Control variable, firm size has a positive impact on earnings management while negatively affecting leverage.

Keywords: *Audit committee financial expertise, Audit committee independence, Audit committee meetings, Audit committee size, Earnings management*

Introduction

Earnings management issues have received increased attention from governments, accounting professional organizations, as well as the public, especially after the high-profile corporate governance scandals such as Enron, WorldCom, Satyam Computers, and Pelmet that unfolded around the world. Stakeholder expectations compel management or those responsible for corporate governance to engage to value-destroying earnings management methods or deceptive financial reporting (Zhao & Chen, 2008). Earnings management occurs when business leaders use the flexibility afforded by accounting rules and standards to match a company's reported earnings to a preferred or desired level.

Major company failures and accounting scandals that occurred throughout the world in recent decades have eroded investor trust and highlighted various issues about the efficiency of a firm's internal control system, enterprise risk management, and governance frameworks. To solve the aforementioned business failures, corporate governance has stepped in to address the failure. In Sri Lanka, some prominent corporate failures such as Galadari Hotels (Lanka) Ltd., ETI Finance Ltd., Pramuka Savings, Vanik

Incorporation Ltd., Ceylinco Group, Golden Key Credit Company and Finance Company failed because of weak corporate governance systems (Edirisinghe, 2015).

According to Hypo (2004), earnings management may be defined as the use of management's judgments and determinations in financial reporting and transaction structure to manipulate financial reports either in order to mislead stakeholders about the company's underlying performance or to motivate or influence these outcomes based on reported accounting numbers. It may weaken corporate governance by distorting an organization's bottom line to give managers with private benefits. Whatever the main motive, it has been established that revenue management degrades earnings quality and affect financial reporting users (Jaggi & Tsui, 2007).

In the accounting sector, the effectiveness of corporate governance in reducing the prevalence of earnings management has become a highly discussed topic. The directors of the company are responsible for reviewing managerial performance in general and the accounting process in particular; a responsibility entrusted to audit committee (AC). AC is widely acknowledged to serve an essential role in corporate governance, notably in strengthening the effectiveness of the board of directors in overseeing the conduct of business (Klein, 2002; Li, Mangena, & Pike, 2012). To prepare unbiased financial reports, AC members are appointed to act independently to resolve conflicts between managers and external auditors (Klein, 2002).

The requirement for an AC to have a financial expert among its members has led to extensive research into whether such financial expertise makes a difference (Badolato, Donelson, & Ege, 2014; Dhaliwal, Naiker, & Navissi, 2011). Norman and MacDonald (2004) found that when income levels are slightly negative, management has a strong incentive to steer income upwards. Therefore, it is expected that the characteristics of the AC should be able to curb the practice of earnings management in companies.

In the Sri Lankan context, there have been few researches on the association among audit committee and earnings management, and the results are varied. At the same time, each research is unique in terms of the methods used. There are various financial reporting standards, rules and regulations, compliance requirements and disclosure requirements to address earnings management practices in Sri Lanka. According to Pornupatham (2006), even in developed nations, the practice of adopting international accounting and auditing standards has not offered sufficient and acceptable confidence that financial reporting is devoid of earnings management. Kankanamage (2016) investigated the influence of board characteristics on earnings management, using the performance-adjusted discretionary accrual model developed by Kothari, Leone, and Wasley (2005) to evaluate earnings management. The study's findings indicate that board characteristics, one of the fundamental pillars of corporate governance, have a substantial role in restricting profits management in Sri Lanka's listed companies. Rajeevan and Ajward (2019) used the Roy-Chowdhury model to assess earnings management to give empirical evidence of the relationship between stated corporate governance traits and the degree of earnings management in chosen listed Sri Lankan enterprises. The findings revealed an association between CEO duality and earnings management. In a sample of 100 Sri Lankan enterprises, Puwanenthiren (2016) offered empirical evidence of an association between AC characteristics and earnings management using abnormal accruals developed from Jones (1991) model. Results showed AC characteristics are significantly related to earnings management.

Given the contradictory findings in the extant studies and the scarcity of research on the Sri Lankan context, this study intends to fill a gap in the literature by investigating the effect of AC characteristics on earnings management practices in Sri Lankan listed companies. Hence, the issue remains unsolved, giving scope for additional research. Moreover, authors used various models to analyze the earnings management since this study is based on Modified Jones model. Given the varied and mixed evidence available, as well as the scarcity of literature on the Sri Lankan perspective, the problem statement for this research study could be formulated as whether there is a relationship between selected AC characteristics and earnings management practices in Sri Lankan listed companies. Therefore, the purpose of the study is to investigate the influence of AC characteristics on earnings management of listed capital goods and consumer services companies in Sri Lanka from 2017 to 2021.

This study adds the evidences to the on-going debate on the role of AC in mitigating earnings management in emerging markets by taking into account the type of ownership. It reveals, in particular, that the effect of certain audit committee characteristics on earnings management is more prominent in listed companies in Sri Lanka. Hence, it broadens the scope of audit committee characteristics by providing empirical evidence of the relationship between new audit committee characteristics and earnings management and may assist policymakers and regulators in determining ways to enhance audit committee characteristics and improve financial reporting quality.

Literature Review

Audit committee

The AC approach varies depending on the aims, duties, and responsibilities allocated to them. Al-Thuneibat (2006) described AC as the institution's committee of non-executive directors. The fundamental reason for the creation of the AC is to improve the quality of auditing and interaction with the board of directors. According to Arens, Elder, and Beasley (2009), it is a group of individuals chosen from the members of the board of directors who are responsible for ensuring the auditor's independence. Numerous studies have been conducted to examine the quality of ACs as one of the corporate governance instruments with many impacts such as regulating results management or enhancing financial reporting and results quality.

The new guidelines were issued in 2017 by the institute of chartered accountants of Sri Lanka, conjointly with securities exchange commission. It contains guidelines on some aspects such as the definition of independent for AC members, the authority of the AC and the meetings of the AC. Under this rule, the board must form an all non-executive director AC with at least three non-executive directors, at least two of whom should be independent. The committee should be chaired by an independent non-executive director. In addition, at least one of the AC members must have accounting and/or financial expertise. The role of the AC is to provide the board of directors with independent professional advice and to identify matters requiring the attention of the board of directors.

Earnings Management

Fischer and Rosenzweig (1995) found that earnings management is a set of actions taken by management to increase currently reported earnings without enhancing the company's long-term profitability. Pochet (1998) defines aggressive revenue management as intentional in the accounting information preparation process. In reality, accounting standards, provide for a limited number of accounting options, leaving opportunity for interpretation. According to Stolowy (1999), earnings management is the collection of methods aimed at modifying the amount of net income. However, earnings management is not just limited to net income; it also affects the balance sheet and cash flow (Barnea, Ronen, & Sadan, 1975). The issue with the numerous accounting methods is that the accounting rules do not yet have clear and exact bounds that would be considered unacceptable, leaving a lot of leeway for management to manipulate profits.

Management may manipulate accounting information for several purposes, including boosting management wealth when incentives are set based on accounting profitability (Cormier & Magnan, 1996). Transfers of wealth from some stakeholders to shareholders are also common, especially in organizations with controlling owners (Breton & et Schatt, 2003). AC members are responsible for overseeing the work of the auditors and liaising with managers and auditors to improve the quality of the firm is financial reporting. If the AC is very effective, not only will management be less aggressive, but also the auditor will be more conservative, using negative discretionary provisions to reduce the client's accounting profits. As a result, we assert that a variety of factors might drive managers to manipulate profitability, which change from business to company due to various objectives. Consequently, because of its role in the company, the AC reviews most of the accounting policies chosen, controls the integrity of the company's financial information, and accounts (Pochet, 1998).

Empirical Review

Audit committee Size

The size of the AC measured by the number of incumbent members is considered an indicator of the resources available for the effectiveness of the AC. Although the size of the AC is primarily influenced by the size of the company and its board, a larger AC does not necessarily lead to more effective functioning, as a larger AC can lead to unnecessary debate and delay decisions (Lin, Li, & Yang, 2006). A negative significant association has been found between the size of the AC and earnings management practice (Klein, 2002; Yang & Krishnan, 2005; Mishra & Malhotra, 2016). Therefore, large ACs should have a positive impact on the quality of financial reporting. Ismail and Kamarudin (2017) document that the size of the review board was positively associated with earnings management (Mohammed, Ahamed, & Ji, 2017; Ismail, Dunstan, Zijl, & Tony, 2009). In contrast, the size of the AC is not significantly related to discretionary provisions (Hussain Alkdai & Hanefah, 2012; Davidson Goodwin-Stewart, & Kent, 2005; Xie, Davidson, & Dadalt, 2003; Setiawan, Phua, Chee, Trinugroho & Setiawan, 2020).

H_1 - AC size has a negative impact on earnings management

Audit committee Independence

Independence is considered an essential attribute of an AC to fulfill its oversight function. As mentioned in agency theory, the independence of the directors of the AC plays a fundamental part within the fruitful observing of administrative behavior (Fama & Jensen, 1983). Furthermore, as argued by Bedard and Gendron (2010), independent members of the AC are more likely to work independently and objectively without the influence of management. Some studies indicate a positive relationship between AC independence and earnings management (Mohammad &

Wasiuzzaman, 2020; Fodio, Ibikunle, & Oba, 2013; Mangena & Tauringana, 2007), while others find no such association (Agrawal & Chadha, 2005; Yang & Krishnan, 2005; Rahman & Ali, 2006; Lin & Hwang, 2010). Soliman and Ragab (2014) and Mouratidou (2020) identify a negative association between the members of the AC independence and earnings management.

H_2 - AC independence has a positive impact on earnings management

Audit committee Financial Expertise

One of the most commonly examined aspects of interest to regulators is the financial background of board members. Bedard, Chtourou and Courteau (2004), Abdullah, Yusof, & Mohamad-Nor (2010) and Carcello, Hollingsworth, Klein and Neal (2006) find that the presence of at least one member with financial expertise is associated with a reduced possibility of destructive earnings management. Marra, Mazzola and Prencipe (2011), and Hossain, Mitra, Rezaee and Sarath (2011) find that the financial expertise of the AC is negatively related to earnings management. Dhaliwal, Naiker, and Navissi (2007) and Chang and Sun (2009) find a positive relationship between the quality of provisions and accounting professionals. Nonetheless, Puwanenthiren (2018) stated that the AC's financial expertise had no significant impact on earnings management. (Chang & Sun, 2009; Bedard, Chtourou, & Courteau, 2004; Hossain, Mitra, Rezaee, & Sarath, 2011; Marra, Mazzola, & Prencipe, 2011)

H_3 - AC financial expertise has a negative impact on earnings management

Audit committee Meetings

The number of AC meetings describes the activities of the AC. It is expected that a large number of AC meetings may dampen earnings management. Ghosh, Marra, and Moon (2010), Vafeas (1999), and Klein (2002) indicate a positive association between earnings management and the number of AC meetings. García, Barbadillo and Pérez (2012) found that meetings between the AC and the internal auditor were not materially related to earnings management. Similarly, Rahman and Ali (2006) and Juhmani (2017) note that AC meetings were not materially related to earnings management. Consequently, Skousen, Christopher, Kevin, Charlotte, & Wright, (2009), Ghafran and OSullivan, (2013), and Saleh, Iskandar and Rahmat (2007) find a negative association between the AC meetings and earnings management.

H_4 - AC meetings have a significant positive impact on earnings management

Methodology

This section describes the research methodology and methods used in this study. The quantitative method and the deductive approach are employed because this study intends to analyze the effect of AC characteristics on earnings management.

Sample and Data collection

The investigation of the AC and earnings management in Sri Lanka covers 50 capital goods and consumer services companies listed on Colombo Stock Exchange. The audited annual reports of the selected firms are the main secondary data sources. To improve data quality, information for the five-year period from 2017 to 2021 was considered. This study consists of 250 individual observations and uses panel data extracted from the annual reports of capital goods and consumer services companies listed in Sri Lanka.

Measurement of Variables

Audit committee Characteristics

The AC is the very crucial element in the emerging economy. In this study, four proxies are used to measure the AC: size of AC, independence of AC, AC meetings, and financial expertise of AC members. AC size denotes the number of members in AC. AC independence is the proportion of independent non-executive directors to the total number of directors on the AC while AC meeting is measured by number of audit meetings held per year. Financial expertise of AC is evaluated that proportion of AC members with financial expertise to the total number of AC members.

Earnings Management

Various strategies have been utilized in previous studies to estimate earnings management. This research employed the modified Jones model version (Becker, DeFond, Jiambalvo & Subramanyam, 1998; Davidson, Goodwin-Stewart, & Kent, 2005; DeFond & Jiambalvo, 1994).

Total accruals are calculated by subtracting net income from cash flows from operations.

$$TACC_t = NI_t - CFO_t$$

Modified Jones model

$$\frac{TACC_t}{A_{t-1}} = \alpha_1 \frac{1}{A_{t-1}} + \alpha_2 \frac{(\Delta REV_t - \Delta REC_t)}{A_{t-1}} + \alpha_3 \frac{PPE_t}{A_{t-1}} + \varepsilon$$

$\frac{TACC_t}{A_{t-1}}$ = Total accruals in year t divided by total assets in year t - 1

ΔREV_t= Revenues in year t less revenues in year t - 1

ΔREC_t = Net receivables in year t less net receivables in year t - 1

PPE_t = Gross property plant and equipment in year t

A_{t-1} = Total assets in year t - 1

ε = Residuals in year t

$\alpha_1, \alpha_2, \alpha_3$ = Parameters to be estimated, namely alphas

Alphas, coefficients, or parameters are estimated by means of ordinary least squares regressions (OLS). Where α1, α2 and α3 are company specified coefficients assessed from the subsequent cross-sectional regression.

Calculate the non-discretionary accruals (NDACC)

$$\frac{NDACC_t}{A_{t-1}} = \alpha_1 \frac{1}{A_{t-1}} + \alpha_2 \frac{(\Delta REV_t - \Delta REV_{t-1})}{A_{t-1}} + \alpha_3 \frac{PPE_t}{A_{t-1}} + \varepsilon$$

The discretionary accruals will be calculated by the following formula.

$$DACC_t = TACC_t - NDACC_t$$

Control Variables

In the most of the previous literature, certain firm specific variables namely firm size and leverage were derived as control variables to eliminate any specification errors in the estimated model (Coles, Daniel, & Naveen, 2008; Ehikioya, 2009). Firm size is the natural logarithm of total asset in a firm. Leverage refers to the long-term debt to total equity.

Model Specification

Panel regression model is employed to estimate the association between AC practices and earnings management. It is applied to overcome the limitations of the ordinary least squares (OLS) parameters. The following econometric model is specified to examine the impact of AC practices on earnings management.

$EMGT = ß_0 + ß_1 ACSIZE + ß_2 ACINDE + ß_3 ACEXPERT + ß_4 ACMEET + ß_5 FSIZE + ß_6 LEVER + \varepsilon$

Where: ACSIZE-AC size, ACINDE-AC independence, ACEXPERT-AC financial expertise, ACMEET-AC meetings, FSIZE - Firm size and LEVER – leverage.

Table 1: Descriptive Statistics

	Observation	Mean	Standard Deviation	Minimum	Median	Maximum
ACSIZE	250	3.3680	0.8266	2.0000	3.0000	5.0000
ACINDE	250	0.8081	0.1496	0.6000	0.7500	1.0000
ACEXPERT	250	0.6693	0.2499	0.2500	0.6667	1.0000
ACMEET	250	4.6520	1.5086	2.0000	4.0000	9.0000
FSIZE	250	7.6476	1.2369	6.2434	7.3983	10.627
LEVER	250	0.5830	0.3856	0.0158	0.5657	1.7202
EMGT	250	-0.6638	1.2285	-5.0336	-0.5789	5.2472

Results and Discussion

Table 1 shows the descriptive findings of earnings management, AC characteristics, and control variables. The 50 firms of the samples are drawn from a range of two industrial sectors. The average earnings management of the listed firms in Sri Lanka is -0.6638 within the range between 5.2472 and -5.0336. AC size for the Sri Lankan selected firms averaged 3 members, with independent directors of 81 percent of the members. The findings also show that ACs meet four times a year on average, with the total number of meetings varying depending on the firm's terms of reference and the complexity of the business, and that 67 percent of them have financial expertise. Financial specialists on the AC have been shown to reduce internal control deficiencies (Krishnan, 2005) and assure excellent financial reporting quality in previous studies (Bedard & Johnstone, 2004). The average firm size of the studied businesses is 7.6476, with an average leverage of 0.5830.

Correlation Matrix

Table 2 presents the Pearson's correlation matrix between AC variables and earnings management. The results indicate that AC size is negatively correlated with earnings management whereas the AC independence, AC financial expertise, and AC meetings are positively related to occurrence of earnings management at significant level of 5%. The control variable of firm size has a positive relationship with earnings management at significant level of 5%. These findings on the relationships between AC variables and occurrence of earnings restatement are obtained without controlling for additional factors related to audit quality and characteristics of the firm.

Table 2: Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ACSIZE (1)	1.0000						

ACIND (2)	-0.6621**	1.0000					

	0.0000	-----					
ACEXPERT (3)	-0.7488**	0.6678**	1.0000				
	0.0000	0.0000	-----				
ACMEET (4)	0.4831**	-0.3409**	-0.4035**	1.0000			
	0.0000	0.0000	0.0000	-----			
FSIZE (5)	0.3001**	-0.2314**	-0.7725**	0.0462	1.0000		
	0.0000	0.0002	0.0000	0.4667	-----		
LEVER (6)	0.0353	0.3322**	-0.2212**	0.1027	0.3001	1.0000	
	0.5778	0.0000	0.0004	0.1052	0.0000	-----	
EMGT (7)	-0.2310**	0.1695**	0.6007**	0.1369**	-0.8519**	-0.0667	1.0000
	0.0002	0.0072	0.0000	0.0304	0.0000	0.2932	-----

** : indicate statistical significance at 0.05

Multicollinearity

Table 3: Variance Inflation Factor (VIF)

Variable	Coefficient Variance	Centered VIF
C	0.650154	NA
ACSIZE	0.015306	1.126716
ACIND	0.240576	1.097350
ACEXPERT	0.100768	1.247783
ACMEET	0.001857	1.119122
FSIZE	0.002328	1.206383
LEVER	0.033079	1.068221

Table 3 represents the summary of variance inflation factor for the explanatory and control variables of this study. In order to detect the multicollinearity problems in the regressive model, VIF test is carried out in the set of regressors with the dependent variable. If the VIF is greater than 10, there is a multicollinearity problem (Hair et al., 1995). In this study, there was the absence of multicollinearity problems among the AC characteristics and control variables as all VIFs are less than 10.

Unit Root Test

Table 4 shows Augmented Dickey-Fuller (ADF) test used to check the stationary nature of data. The figures of P-value are less than 0.05 for all the variables. All the variables are stationary which shows that variables are not dependent over time. It is also concluded that data does not have any unit root at zero lag with no time and no drift trend.

Table 4: Augmented Dickey-Fuller (ADF) Test

Variables	ADF (t statistic)	Probability
ACSIZE	-9.054399	0.0000
ACIND	-12.18473	0.0000
ACEXPERT	-5.913017	0.0000
ACMEET	-9.152890	0.0000
FSIZE	-5.828197	0.0000
LEVER	-6.884556	0.0000
EMGT	-6.089530	0.0000

Panel data Regression Analysis

Table 5: Panel data Regression Analysis

	Random effects	Fixed effects
ACSIZE	-0.1667 (0.0357) **	-0.0529 (0.6961)
ACIND	-2.0835 (0.0001) **	0.3545 (0.0500) **
ACEXPERT	0.9099 (0.1496)	-0.6425 (0.0431) **
ACMEET	0.1528 (0.0000) **	0.0136 (0.6786)
FSIZE	-0.8248 (0.0000) **	-0.7988 (0.0000) **
LEVER	0.9319 (0.0000) **	0.6644 (0.0003) **
Constant	6.0259 (0.0000)	4.8434 (0.0024)
R^2	0.8030	0.8384
Prob>F	0.0000	0.0000
Random-effect	Yes	no
Fixed-effect	No	yes
Groups	50	50
Observations	250	250
Hausman test	77.0386 (0.0000)	

Significant at a level of (**) 5%

To get unbiased results, panel data regression with both fixed and random effect models is employed to examine the impact of AC characteristics on earnings management. Hausman test reveals that the fixed effect model is the most suitable for the study where probability (Chi.sq =77.0386, p= 0.000) is lower than the significant level of 5%. In the fixed effects model, the adjusted R^2 shows the value of 0.8384, which means 83.84% of variation in earnings management is explained by AC size, AC independence, and AC financial expertise, AC meetings and control variables. F statistics indicate that the model is fit (F = 24.50494, p<0.05) and produces statistically significant results when the explanatory variables are chosen, combined, and evaluated as the report's substantial value.

In evaluating the model based on the results of the fixed effect regression model, the results show that AC independence has a positive impact on earnings management (ß=0.3545) at 5% significant levels. Therefore, H_2 is supported with finding. It indicates that having a small number of independent directors on AC may reduce the earnings management without an unnecessary debate and delay decisions. According to Germain et al. (2014) increasing the number of independent directors on board fails to improve the board monitoring. More independent directors sit on the board of several other companies and devote limited time to strenuous audit tasks unless the directorship is within the same industry. The finding is in line with the prior studies conducted by Mangena and Tauringana (2007), Fodio et al. (2013), Mohammadand Wasiuzzaman (2020),Mohd Saleh et al.(2007), and Sharma and Kuang (2014).

AC financial expertise has a negative influence on earnings management (ß=-0.6425, p<0.05) at 5% significant levels. Companies with a financial expertise in AC can reduce the manipulation of earnings. When the AC members have accounting and financial understanding, it is far more difficult to alter financial statements because of their accounting skills. Hence, H_3 is supported with finding. This finding is also in accordance with previous studies (Zgarni, Hlioui, & Zehri, 2016; Hassan & Ibrahim, 2014; Puat &Susela, 2013; Bedard et al., 2004; Abdullah et al., 2010; Carcello, Hollingsworth, Klein, & Neal, 2006). AC size (ß=-0.0529, p>0.05) and AC meetings (ß=0.0136, p>0.05) have not shown any significant impact on earnings management. Hence, H_1 and H_4 are not supported with findings. Control variable, firm size has a negative impact on earnings management (ß=-0.7988, p<0.05) at 5% significant levels. But leverage has a positive impact on earnings management (ß=0.6644, p<0.05) at 0.05 significant levels.

Conclusion

The present study examines the impact of AC characteristics on the earnings management of listed companies from 2017 to 2021. The study included 50 companies in the consumer and capital goods sectors listed on the Colombo Stock Exchange. Based on panel data regression analysis, this research reveals that AC independence has a substantial positive effect on earnings management. The managerial theory by Mace (1979) states that appointment of independent directors on AC is merely symbolic and they behave only as passive observers (Cohen, Dey & Lys, 2008). The AC financial expertise has a significant negative impact on earnings management as AC expertise can facilitate AC members to more effectively monitor the financial reporting process. Furthermore, AC members with financial expertise have more knowledge and experience about earnings management practices. Control variable, leverage has a positive impact on earnings management whereas firm size has a negative impact on earnings management of listed firms in Sri Lanka.

Recommendation and Future direction

The findings of the study have various implications for regulators, AC members, future researchers, and investors. This study is essential for policymakers and regulators in developing policies and strategies related to the legitimacy of financial reporting in Sri Lanka. Based on the findings, it is recommended that AC members should have diverse knowledge, experience, and financial expertise to mitigate the earnings management. Financial expertise plays a significant role in enhancing the accounting quality and transparency of financial information. Hence, AC members should be financially literate and have a wide range of necessary skills to perform their duties. At least one auditor should possess accounting or financial management expertise. The AC should be chaired by independent and non-executive director and one member of AC has recent and relevant experience in financial reporting and control, which is recommended by Code of best practice on corporate governance (2017) in Sri Lanka.

It is suggested that future study can evaluate the impact of AC features relating to unusual cash flows from operations or unusual discretionary expenses. In the future, researchers may investigate at other aspects of the AC, which might have an impact on earnings management. These characteristics may include AC member compensation, AC member ownership, and AC quality, and to establish wider findings, numerous nations from the emerging to industry continuum can be included.

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