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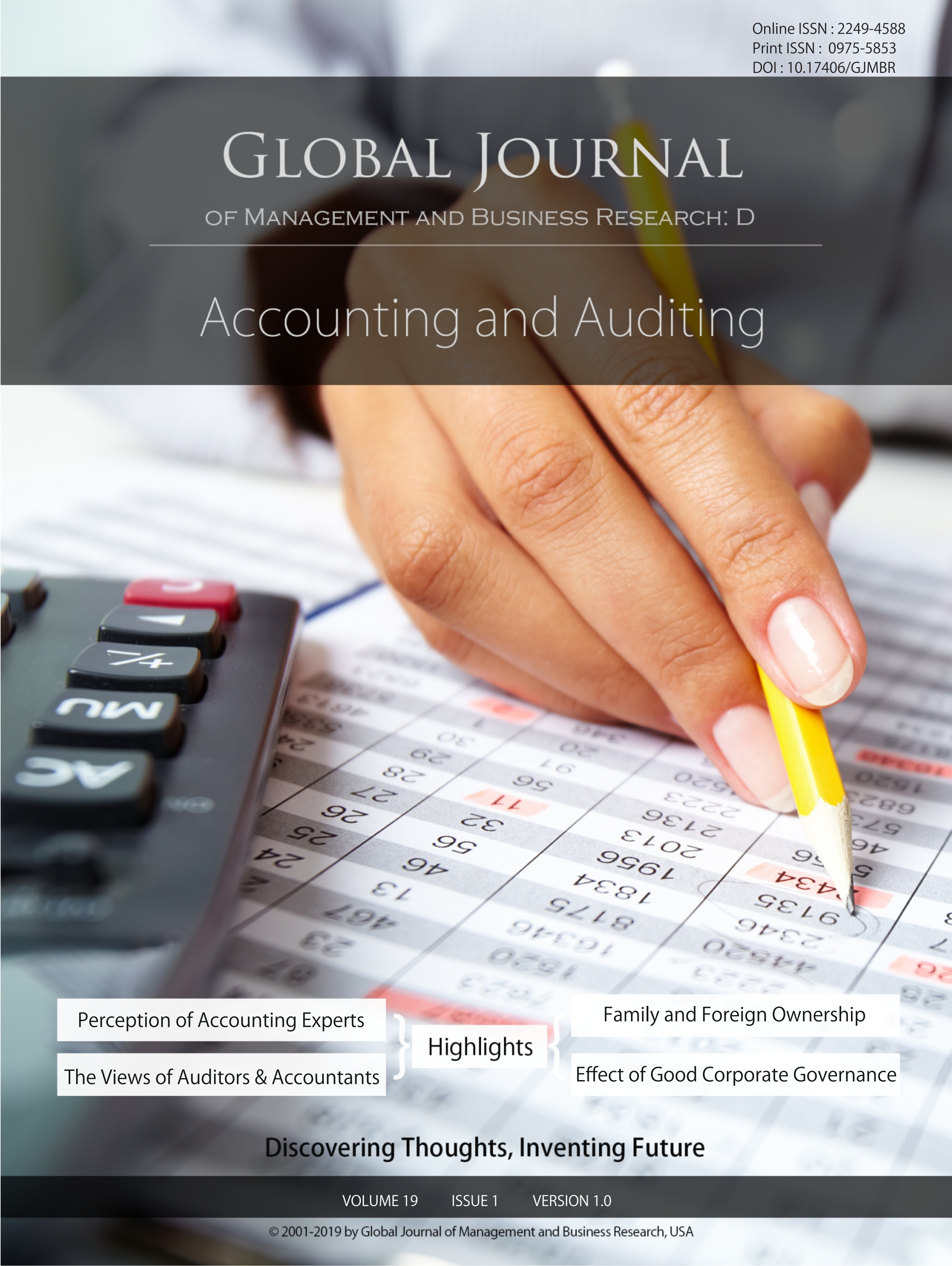

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Corporate Sustainability Practices: A Review on the Measurements, Relevant Problems and a Proposition

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Keywords: *CSP, TBL, GRI, Bursa Malaysia, Stakeholder Theory.*

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Mohammad Shahansha Molla [α], Yusnidah Ibrahim [σ] & Zuaini Ishak [ρ]

Abstract- In recent years, corporate sustainability practices (CSP) or triple bottom line (TBL) is considered more important than just financial performance to the future success of business firms. Organizations are achieving significant benefits from incorporating sustainability in business. In addition to profit maximization, CSP is also considered to be a vital vehicle to reduce the corporate scandals. It is a common practice to engage in CSP by large companies in developed countries, but still, it is a controversial issue in developing countries. Moreover, given the critical role of CSP, government regulators are attaching more emphasis on such practices in business firms all over the world. Defining and measuring CSP is more than just an academic apprehension. In spite of nearly 50 years of previous research on sustainability, still, there is no certain standard for measuring CSP of an organization. The objectives of this article are to define CSP more clearly, discuss different techniques of measuring CSP and propose a new method for determining the CSP of firms following Bursa Malaysia Berhad reporting guideline-2015 which have been prepared according to Global Reporting Initiative (GRI) reporting framework.

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I. Introduction

Sustainable development (SD) is an ethical concept that reduces poverty, protect environment, diminish exploitation of resources and change the direction of investments. It also refers to as Corporate Social Responsibility (CSR); Triple Bottom Line (TBL) practices: focusing on achieving the developmental goals with balanced emphasis on the economic, social and environmental needs and Corporate Sustainability Practices (CSP) in the literature of Management. SD as a concept of corporate sustainability practices (CSP) that assure long-term survival and financial success of a firm *(Lopatta, Buchholz, & Kaspereit, 2016; Zahid & Ghazali, 2015)*. It also refers to the balanced utilization of resources for ensuring better living and working at present by incorporating existing economic, social and environmental necessities without compromising with the needs of future generations *(Ong, Soh, Teh, & Ng, 2016)*. The firms that practice sustainability could raise their capital very easily *(Cheng, Ioannou, & Serafeim, 2014; Ioannou & Serafeim, 2015)*, lowering cost of financing *(Dhaliwal, Li, Tsang, & Yang, 2011),* easing regulatory restraints and achieving more profits *(Brammer & Pavelin, 2008).*

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II. Importance of Corporate Sustainability Practices, Debates on the Issue and Needs for Research

With the passage of the time importance of CSP has been growing. According to United Nations Global Compact Accenture study 2013, 93% of CEOs have reported that they consider CSP as the more essential measure than just financial performance to the future success of their businesses. Organizations are achieving crucial benefits from integrating sustainability in the business including, enhanced risk management, greater innovativeness, a larger pool of new customers, secured license to operate, greater access to capital, improved productivity, cost optimization, enhanced brand value, and reputation. CSP also has an active role in reducing corporate scandals *(Margolis & Walsh, 2003)*. Also, a good number of studies mostly agreed with the argument that a higher level of CSP of firms enhanced their financial performance *(Margolis, Elfenbein, & Walsh, 2007; Wang, Dou, & Jia, 2016).*

Stakeholder theory *(Freeman, 1984)*which is mostly accepted as a theoretical framework for research on corporate sustainability also hold that firms should be more responsible to all of their stakeholders in addition to earning profits *(Searcy, 2012)*. Stakeholders mean who have any interest on or related with the activities of the firm. Stakeholders comprise of investors, customers, employees, suppliers, NGOs, local communities, etc. Now the corporate enterprises and stakeholders at the same time are more aware of the contribution of businesses to the economy, environment, and society. The theory also postulates that when a firm maintains and manages good communications with all of its stakeholders, it will enhance the financial performance although for a short period it may face the difficulties *(Donaldson & Preston, 1995; Freeman, 1984).*

In spite of nearly 50 years of past research on corporate sustainability *(Margolis & Walsh, 2003)*, still, there is no definite standard for measuring sustainability practices of an organization *(Ameer & Othman, 2012; Montiel & Delgado-Ceballos, 2014)*. In the last couple of years, many researchers conducted mentionable studies in the area of CSP and its measurement. However, continuous research on CSP and developing its methods for measurements help firms to grow and survive in the long run *(Searcy, 2012).*

The purposes of this paper are to define CSP clearly, discuss different techniques of measuring CSP and proposing a new method for determining the CSP of firms following Bursa Malaysia Berhad reporting guideline, 2015 that based on G4 reporting framework provided by Global Reporting Initiative (GRI) in 2013. Furthermore, the paper provides the guideline for future research directions regarding CSP of business firms.

The remaining discussions are structured into four main sections. The importance of CSP is briefed first. In the second part, the previous literature on CSP is reviewed. The third part of the paper is discussed different methods of measuring CSP and elaborated the new technique of measuring CSP. Finally, this article has been finished with a conclusion along with providing future research directions for further research.

III. Reviewing the Impact of csp in Multifaceted Areas and Identifying its Reasons for Paucity of Practices in Developing Countries

Recently, CSP of firms is an imperative issue to the policy makers and regulatory bodies due to increase in population and industrialization across the world. Our planet is getting older day by day, and our natural resources are also diminishing. So, the limited resources and sustaining human life are getting devastated gradually. Now, the industries are required to reconsider their strategies and operations in such a way so that their existence would not be harmful to the society and environment. Thus, sustainability is a pressing issue for all the companies all over the world to gain a competitive advantage in the resource-constrained twenty-first century *(Hussain, Rigoni, & Orij, 2016).* Increasing rate of population, urbanization, and industrialization has severe implications in different developing countries economic, social, and environmental conditions *(Bekhet & Othman, 2017).* Water pollution, threatened wildlife, imbalance biodiversity, damage of rivers, air pollution and other environmental issues are now the regular concerns to the regulatory bodies. For dealing with these issues and surviving in the long run, firms need to adopt sustainability practices in their businesses *(San, 2016)*. As a result, corporate sustainability issue has now become a prime concern to the firms than it was ever before which is reflected in Global Risks Report 2016 of the World Economic Forum *(The Star Online, 2017).*

In the financial crisis of 2008, *Lins, Servaes, and Tamayo (2017)* found that firms with high sustainability practices earned 4% to 7% higher stock returns than the firms with low sustainability practices. Advanced sustainability firms also received comparatively increased rate of profit, better growth rate and more volume of sales to the firms with lesser sustainability practices. *Janakiraman and Jose (2007)* argued that investors like to invest their funds in organizations which involved in more green activities and sustainable practices. Also, environment-friendly companies are observed to achieve a higher rate of return from their investment *(Khanna & Damon, 1999).* These findings confirmed that a higher level of investment in sustainability practices leads to better financial performance and earns the trust of stakeholders. Furthermore, the annual global CEO survey of Price Water House Coopers in 2016, discovered that 76% of CEOs of different giant firms felt that sustainability practices were indispensable than earning the profit for the success and survival of their business in the 21st century.

It is a common practice to engage in CSP by large companies in developed countries, but still, it is a controversial issue in developing countries. It is also observed that in developing countries most of the firms are not experiencing ethical consciousness related to sustainability. The reasons for that are practicing CSP visibly increases the expenditure and reduces the resources of the firm which, in turn, decreases the profitability in the short run although in the long-run it bears the testimony of growth and development. Sometimes it has been found that companies in developing countries are engaged in CSP due to regulatory pressure or to increase their goodwill in the market. Still, firms in developing countries are confused regarding the benefits of integrating CSP in their business, and they are not confident enough on the significance of its practices *(Rivera, Muñoz, & Moneva, 2017; Zahid & Ghazali, 2015).* Hence, the present study aims to explore how developing countries can increase the CSP practices in their corporate sectors and discuss the better measurement techniques of CSP of firms for their effectiveness.

IV. Defining Corporate Sustainability Practices and Exploring its Conceptual Diversity

CSP is the updated concept of corporate social responsibility (CSR), or sustainable development *(Christofi, Christofi, & Sisaye, 2012).* At first, the idea of CSR was given by *Howard R. Bowen*in his famous book "The Social Responsibilities of Business Man" in 1953. He defined CSR as "the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable regarding the objectives and values of our society". So that, he is called the 'Father of CSR' *(Goyal & Rahman, 2014, p. 289)*. The term sustainability has become widely accepted after the definition given by Harlem Brundtland former prime minister of Norway, who defines sustainable development as "meeting the needs of the present without compromising the ability of future generations to meet their own needs"(*World Commission on Environment and Develop*ment, 1987, p. 43) .

The *Commission of the European Communities (2001)* defined CSP as the ability of a corporation to contribute to the economic, environmental and social development. *Elkington (1999)* has dubbed it as the triple bottom line (TBL). The core objective of TBL is to consider all stakeholders' interests rather than just the shareholders alone *(Freeman, Harrison, Wicks, Parmar, & De Colle, 2010)* that is opposite perception of agency theory *(Jensen & Meckling, 1976)*. Thus, CSP is a new thought which integrated the concept of the economic, environmental and social contribution of the firm to ensure long-term financial success and survival of the company *(Ioannou & Serafeim, 2012, 2016; Lopatta et al., 2016)*.

Before the 1990s, the word 'sustainability' was used to mean the ability of a firm to increase its profit gradually. Later, the term CSP incorporates three aspects of business activities, namely economic, social, and environmental *(Adams, Thornton, & Sepehri, 2012)*.Many firms initially credited for their contribution to technological and economic developments but later they were blamed for creating social issues, such as pollution, toxic emission, hazardous waste, unhygienic products, and unhealthy workplace *(Hussainey & Walker, 2009)*.The notion of corporate sustainability practices refers to the way of living and working that meet and integrate the economic, environmental, and social needs without destroying the betterment of the upcoming generations *(San, 2016)*.

Although corporate social performance (CSP), corporate social responsibility (CSR), and corporate sustainability practices (CSP) are interchangeably used in the literature, there are some key differences among them. The concept of corporate social performance (CSP) indicates to the actions of the firm regarding social aspects only *(Wu, 2006)*. Corporate social responsibility (CSR) means the accomplishments related to exclusively social and environmental activities of the firms *(Van Beurden & Gössling, 2008)*. Corporate sustainability practices (CSP) refers to the activities of the firms regarding every dimension of business such as economic, environmental and social *(Hussain et al., 2016)*. Some other definitions of sustainability are given below:

Table 1: Sustainability Definitions Given by Various Scholars and Institutions

Author(s)	Definition
Commission of the European Communities (2001)	"Corporate sustainability is the extent to which a company contributes to environmental, social, and economic development".
Organisation for Economic Co-operation and Development (OECD, 2001)	"Sustainability means linking of economic, social, and environmental objectives of societies in a balanced way and it takes a long-term perspective about the consequences of today's activities meeting the challenge of sustainable development requires that the process through which decisions are reached is informed by the full range of the possible consequence and is accountable to the public".
Dyllick and Hockerts (2002)	"Corporate sustainability is defined as meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without compromising its ability to meet the needs of future stakeholders as well".
Krajnc and Glavič (2005)	"Corporate sustainability is the development of environment friendly products by the non-polluting process and minimum use of energy and resources while keeping society and employee welfare in mind".
Labuschagne, Brent, and Van Erck (2005)	"Sustainability refers to adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future".
Perrini and Tencati (2006)	"Sustainability is a broad approach that includes various characteristics, in particular relating to the contextual integration of economic, environmental and social aspects. A sustainability oriented company is one that develops over time by taking into consideration the economic, social and environmental dimensions of its process and performance".
Mandelbaum (2007)	"Sustainability is a business approach that creates long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments".
Weber (2008)	"Corporate sustainability is the capacity of a firm to continue operating over a long period of time based on the sustainability of its stakeholder relationship".

Hubbard (2009)	"Sustainability means meeting the need of its stakeholders without compromising its ability to meet their needs in the future".
Sharma, Iyer, Mehrotra, and Krishnan (2010)	"Sustainable corporation is one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts".
AICPA (2011)	"Sustainability is a term that has emerged over time from the triple bottom-line consideration of (1) economic viability, (2) social responsibility, and (3) environmental responsibility".
San (2016)	"Sustainability means living and working by using methods that meet and integrate existing environmental, economic, and social needs without compromising the well-being of future generations".

V. Review on the Measurements of CSP

Usually, two methods of data collection to capture CSP *(Montiel & Delgado-Ceballos, 2014)*. Using different sustainability indexes like the Dow Jones Sustainability Index (DJSI), Kinder Lydenberg, and Domini (KLD) index, and the ASSET4 ESG index as the secondary databases. These indexes are developed by interviews, surveys, or by content analysis of sustainability disclosure. However, there are some limitations to use these types of secondary sources. For example, the risk of subjectivity, because the interpretation of sustainability may vary from agency to agency *(Soana, 2011)*. Moreover, every rating agency may use a different approach for measuring sustainability practices which may provide different result for the same company *(Chatterji & Levine, 2006)*. Transparency and reliability of the results are other issues related to the use of secondary sources of sustainability practices. Secondly, constructing a new sustainability index by using own primary data or content analysis from any secondary data for measuring sustainability practices of a firm *(Montiel & Delgado-Ceballos, 2014)*. These types of the indexes are also likely to be affected by the subjective bias. Nonetheless, they allow for greater consideration to contextual factors.

VI. Proposed Method of Measurement of CSP

To measure CSP of firms properly, this paper intends to recommend a new way based on sustainability disclosure in the annual reports for minimizing the limitations of existing methods of measurements. Before taking the data of CSP of firms from yearly report it should be justified that whether sustainability practices of a firm and its level of the disclosures are related or not. *Herbohn, Walker, and Loo (2014)* found that the relationship between the sustainability practices and the sustainability disclosures is significantly positive. *Al-Tuwaijri, Christensen, and Hughes (2004)* also found a similar result between environmental performance and the disclosures. Therefore, it reveals that using the sustainability disclosure is appropriate to measure the sustainability practices of firms. Recently, Bursa Malaysia has taken various initiatives to promote sustainability practices of the firm such as launching Corporate Sustainability Reporting Guide, 2015 and sustainability portal, incorporating CSR disclosure into the listing requirements and conducting a CSR reporting survey. They argued CSP reflects the information regarding companies activities related to economic, environmental and social issues which are published in their annual report.

The proposed items of measuring CSP of this paper have been selected following Bursa Malaysia Sustainability Reporting Guideline, 2015 which is prepared according to the Global Reporting Initiative (GRI) Framework, G4 launched in 2013. Nowadays, GRI sustainability reporting guideline is the most widely accepted, internationally recognized and extensively used guiding principle for measuring the sustainability practices of firms by the companies and researchers *(Hussain et al., 2016; Tetrault Sirsly, 2015)*.

Table 2: The proposed items for measuring CSP of firms are as follows:

Economic Sustainability	(1) Procurement practices, (2) Community investment, (3) Indirect economic impact.
Environmental Sustainability	(1) Emissions, (2) Waste and effluent, (3) Water, (4) Energy, (5) Biodiversity, (6) Supply Chain (Environmental), (7) Product and Services Responsibility (Environmental), (8) Materials, (9) Compliance (Environmental), (10) Land remediation, contamination or degradation.
Social Sustainability	(1) Diversity, (2)Human Rights, (3)Occupational Safety and Health, (4)Anti-competitive behaviour, (5)Anti-corruption, (6) Labour practices,(7) Society, (8)Product and Services Responsibility (Social), (9)Supply Chain (Social), (10) Compliance(Social).

Source: Bursa Malaysia Sustainability Reporting Guide, 2015.

CSP is linked to a disclosure framework that highlights three major areas, such as the economic, environmental and social performance of any firm, in addition to its financial performance *(Choudhuri & Chakraborty, 2009; GRI, 2013).* Data of CSP might be collected by content analysis from sustainability disclosure part in the audited published annual report of each company. Content analysis is widely accepted and mostly used approach to measure CSP *(Hoang, Abeysekera, & Ma, 2016; Malarvizhi & Matta, 2016; Nor, Bahari, Adnan, Kamal, & Ali, 2016).*Content analysis may be done on the written documents, particularly which are historical, where the researcher usually looks at the frequency of the categories, such as words, sentences and page count *(Myers, 2013).*

Previous researchers used different measurements for content analysis, such as by the quality and the extent of disclosure. The second one is related to the counting of words, sentences or pages, while the first one refers to evaluate the quality of disclosures using a quality index to distinguish between the poor and excellent revelation of items *(Hooks & van Staden, 2011)*. With regards to the quality of reporting, the index used varies between researchers, where some use dichotomous variables for disclosure and non-disclosure *(Haniffa & Cooke, 2005; Mohd Ghazali, 2007)* where a score of 1 is given to disclosures and 0 for non-disclosures. Others use a more detailed index, with a scale of 0 to 3, where a score of 3 is for quantitative disclosure, 2 for qualitative disclosure with specific explanations, 1 for general qualitative disclosure and 0 for non-disclosure *(Saleh, Zulkifli, & Muhamad, 2011; Zainal, Zulkifli, & Saleh, 2013)*. Others have adapted scoring guidelines by established sustainability frameworks such as the GRI, with a scale of 0 to 2 *(Othman, Darus, & Arshad, 2011)*, where the score of 0 denotes no disclosure, 1 for general disclosure, while the score of 2 represents detailed and quantified disclosure.

With regards to the usage of the extent of reporting as the measurement for sustainability reporting, the difference of measurements is due to certain benefits and limitations of each method. The measurement by word count, for instance, is easy to use and mostly utilized in earlier sustainability research *(Deegan & Gordon, 1996; Haniffa & Cooke, 2005; Zeghal & Ahmed, 1990).* However, *Milne and Adler (1999)* suggest that an established basis for measurement may not be provided by counting individual words, as it lacks meaning without a complete sentence. As such, most researchers favor sentences count as the method for identifying the quantity of reporting *(Ahmad, Sulaiman, & Siswantoro, 2003; Amran & Devi, 2008; Milne & Adler, 1999),* although this method omits the consideration for disclosures in the form of tables and graphs *(Al-Tuwaijri et al., 2004; Unerman, 1999).* Pages count, on the other hand, might be less accurate since different firms may use different margins, formats and font sizes *(Hackston & Milne, 1996).* Therefore, the differences in features might lead to the unreliable comparison of sustainability reporting between different firms. However, the benefit of pages count is that it reflects the total space given to a topic *(Unerman, 2000),* and it does not ignore disclosures in the form of graphs and tables *(Al-Tuwaijri et al., 2004).*

Nevertheless, the present article wants to propose two measures for sustainability practices. Firstly, the extent of sustainability practices could be measured using the sentences count. The justification for using this type of measurement is that sentences provide exact meaning and sound basis which may not be captured by individual words *(Milne & Adler, 1999).* The problem of omission of information which are in the form of tables and graphs which may result from using the sentences count *(Al-Tuwaijri et al., 2004; Unerman, 1999),* is countered by taking 15 words of the captions on the graphs, charts, tables and pictures as equal to one sentence *(Hooks & van Staden, 2011)*. Secondly, it also proposes for measuring the quality of sustainability reporting using an index with a scale of 0 to 3, where a score of 3 is for quantitative disclosure, 2 for qualitative disclosure with specific explanations, 1 for general qualitative disclosure and 0 for non-disclosure *(Saleh et al., 2011; Zainal et al., 2013).*

VII. Conclusion and Recommendation for Future Research

Over the last decade, many excellent contributions to research on CSP measurement are done. However, research on CSP continues to progress and research remains in developing its measurement that meet the needs of business. This paper highlights that concept of CSP are well known and practiced in developed countries but yet, it is not clear and also controversial issue in developing countries. In spite of approximately 50 years of previous research on corporate sustainability still, there are no convincing standard measurements of CSP of firms. This paper tried to clarify the concept of CSP, reviewed the methods of different measurements of CSP and its pros and cons and also developed a new method for assessing CSP of firms theoretically. Future researchers can justify it empirically, and also develop more updated and contemporary methods of measuring CSP.

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The Views of Auditors and Accountants on the Quality of Services Rendered by Auditing Firms in the Context of Cameroon

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Abstract- This study seeks to highlight the opinions of auditors and company accountants on the quality of auditing in Cameroon. The independence and competence of auditors are considered as the only objective criteria in the analysis. Classification analysis through the method of k-means and the test of comparison of means through the students test are applied to survey data on 60 auditing firms and 68 accountants. We find that the quality of auditing in Cameroon is poor. The views of auditors and the audited are the same given that the difference in their perceptions of the quality of auditing is insignificant.

Keywords: *quality of auditing, competence, independence, stakeholders, method of k-means.*

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Strictly as per the compliance and regulations of:

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Qualité De Service Rendu Par Les Cabinets D'audit: Quelle Appréciation Par Les Auditeurs Et Les Préparateurs Des Comptes En Contexte Camerounais?

Alain Gilles Foka Tagne [α] & Léopold Djoutsa Wamba [σ]

Résumé- L'objectif de cette étude est de révéler l'opinion des auditeurs et des préparateurs des comptes des entreprises sur la qualité de l'audit au Cameroun. L'indépendance et la compétence des auditeurs sont retenues comme les seuls critères objectifs d'analyse. Les analyses de classification par la méthode nuée dynamique et le test de comparaison de moyenne à travers le test de Student ont été utilisée sur les données recueillies par questionnaire auprès de 60 cabinets d'audit d'une part, et auprès de 68 préparateurs de comptes d'autre part. Dans l'ensemble, il ressort des résultats que la qualité d'audit au Cameroun reste médiocre. Le point de vue des auditeurs et des audités converge dans la mesure où on note une différence non significative sur leur perception en matière de qualité d'audit.

Motsclés: *qualité d'audit, compétence, indépendance, parties prenantes, classification nuée dynamique.*

Abstract- This study seeks to highlight the opinions of auditors and company accountants on the quality of auditing in Cameroon. The independence and competence of auditors are considered as the only objective criteria in the analysis. Classification analysis through the method of k-means and the test of comparison of means through the students test are applied to survey data on 60 auditing firms and 68 accountants. We find that the quality of auditing in Cameroon is poor. The views of auditors and the audited are the same given that the difference in their perceptions of the quality of auditing is insignificant.

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I. Introduction

Les études en audit s'inscrivent généralement dans le cadre de la théorie de l'agence (Jensen et Meckling, 1976) qui constitue le fondement légitime de la mission l'auditeur (Bertin, 2001). Ce cadre d'analyse permet de fournir un certain nombre d'explications à la mission de certification des comptes et pose certains problèmes dont les principales conséquences sont l'asymétrie d'information, qui se traduit par la sélection adverse et le risque de hasard moral, que Williamson (1994) définit comme étant respectivement l'opportunisme « *ex ante* » et l'opportunisme « *ex post* ». Pour remédier à ce problème d'asymétrie informationnelle, on a recours aux professionnels de la comptabilité. Ils ont pour mission de garantir la sincérité et l'image fidèle des états financiers annuels. De plus, selon Causse et Vu (2010), les auditeurs participent à la bonne gestion de l'entreprise en rendant plus fiable et plus transparente, la qualité du reporting financier produit auprès des utilisateurs. Cela n'est possible que si ces professionnels du contrôle remplissent les critères de compétence et d'indépendance. Mais face à la difficulté d'apprécier directement la qualité du service rendu par les professionnels de la comptabilité, les études se sont focalisées sur une approche indirecte, c'est-à-dire sur les qualités de l'auditeur mesurées à travers leurs compétences et leur indépendance. Pour pallier à cette difficulté d'appréciation de la qualité d'audit, plusieurs chercheurs (Pigé, 2003; Chemangui, 2004; Manita et Pigé, 2006; Manita et Chemangui, 2007; Manita, 2009) ont plaidé pour un dépassement des approches indirectes d'évaluation de la qualité d'audit en vue d'une réorientation de l'analyse de la qualité du processus d'audit. Ceux-ci estiment que les composantes traditionnelles de la qualité d'audit restent jusqu'à lors trop simplistes pour être crédibles. En effet, elles sont sujettes à certains risques courant au sein de l'entreprise, tels que la sélection adverse et la dépendance envers les dirigeants. Les auteurs suggèrent également que l'évaluation de ce processus doit être effectuée par le comité d'audit, étant donné son accès privilégié à l'information et à la place centrale qu'il occupe dans le processus de contrôle.

Pour apprécier la qualité d'audit dans le cadre de cette étude, on va s'intéresser essentiellement à l'approche indirecte pour la simple raison que l'approche directe effectuée à travers le processus d'audit est beaucoup plus adoptés dans le cadre d'un audit mené par le comité d'audit qui est un organe

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interne à l'entreprise et aussi du fait que certains critères identifiés pour expliquer les différentes approches dans les pays développés ne peuvent tous être pertinents dans un environnement en développement, surtout en raison de la vétusté du système et des institutions et de l'absence d'un marché financier performant.

Toutefois, lorsqu'il s'agit d'apprécier la qualité d'audit auprès des parties prenantes, il faut distinguer le point de vue des auditeurs de celui des audités. On note donc que parmi les « *stakeholders* » importants[1] on peut citer les auditeurs externes, les actionnaires, les dirigeants, les membres du conseil d'administration, l'auditeur interne et bien d'autres. Etant donné que chaque « *stakeholders* » peut certainement avoir une perception différente de la qualité, nous nous intéressons à l'avis des cabinets d'audit et des préparateurs des états financiers qui peuvent être considérés comme des parties prenantes privilégiées.

Bien que les conditions d'accès à la profession d'expert-comptable au Cameroun soient réglementées, on note tout de même que ces conditions présentent des limites. Ces limites des textes de l'OHADA portent essentiellement sur les critères de mesure de la compétence et de l'indépendance de l'auditeur. En effet, le seul profil reconnu par les textes en Afrique Subsaharienne plus précisément au Cameroun est l'inscription au tableau de l'Ordre National des Experts comptables (ONECCA). A ce sujet, il ressort des interviews effectués par Ammar (2006) auprès des experts comptables que le diplôme est le résultat d'un travail scientifique très important, seulement son obtention ne constitue pas l'ultime étape de la démarche vers « *la compétence de l'auditeur* ». Car les experts comptables interviewés mentionnent qu'il n y a pas de relation entre le diplôme et la compétence. En effet, le diplôme donne seulement l'autorisation d'exercer la profession et constitue plutôt une présomption de compétence. En plus, lorsqu'on observe les fautes de gestion[2] relevées par le Contrôle Supérieur de l'Etat (CONSUPE) en 2014 pour les périodes allant de 2007 à 2010 concernant le dossier de travail de certains cabinets d'audit de la société SONARA on est en droit de s'interroger sur le profil de certains auditeurs au Cameroun. Dans le même ordre d'idées, on note que la mise sur pieds des dispositifs juridiques de l'OHADA visant à protéger la profession de commissaires aux comptes à travers les incompatibilités, les interdictions et les limitations sont certes nécessaires mais ne garantissent pas leur indépendance. A titre illustratif, nous avons le cas de la SODECOTON[3] où le cabinet d'audit fournissait d'autres services (assistance fiscale, administration des formations en contrôle de gestion et fiscalité) en dehors de l'audit des comptes. Vu sur cet angle, l'indépendance de l'auditeur peut être remise en question. De plus, 98% des mandats des auditeurs au Cameroun découlent des recommandations (Minko, 2017). Ce silence des textes n'empêche non plus les parties prenantes à définir un profil d'auditeur qui convient à leurs besoins. Ces constats se justifient par les conclusions de Djoutsa et Foka (2014), qui relèvent qu'une faible proportion d'auditeurs au Cameroun ont le profil d'indépendant (28%) et compétent (45%). Les travaux des auteurs serviront partiellement de base d'étude pour effectuer une comparaison de points de vue entre les certificateurs des comptes et les préparateurs des informations financières. La problématique de cette étude est de comprendre comment les cabinets d'audit et les préparateurs des états financiers perçoivent la qualité d'audit au Cameroun. Il est question dans cette étude de comparer le point de vue des auditeurs et des audités au sujet de la perception de la qualité d'audit au Cameroun.

Cet article en plus de cette introduction est organisé autour de quatre axes. Le premier présente un résumé de la littérature sur les critères d'évaluation de la qualité d'audit. Le second présente l'opérationnalisation de la recherche empirique et le troisième les résultats de l'étude. Nous terminerons par une conclusion.

II. Les Critères D'appréciation de la Qualité D'audit : Une Revue de la Littérature

La qualité du service rendu par les auditeurs est difficilement appréciable à cause du manque de visibilité du résultat d'audit. D'après Manita et Chemangui (2007), le processus d'audit est très complexe, inobservable par les tiers et la standardisation des rapports d'audit dans le contenu et la formalisation n'offre que peu de différenciation. Pour ces auteurs, il semble difficile de détecter un audit de mauvaise qualité, si ce n'est qu'à la suite d'une faillite révélée par les médias. Aussi, il paraît difficile, voire impossible de dénombrer la quantité d'audit de mauvaise qualité qui traversent les mailles des médias.

Conscients de ces difficultés, les chercheurs en comptabilité convergent vers l'identification d'un certain

[1] Selon Clarkson (1995), il existe deux types de « *stakeholders* ». Les « stakeholders » primaire et secondaire. Pour lui, les premiers sont ceux dont la participation continue est incontournable au bon fonctionnement de l'entreprise. Les deuxièmes sont ceux qui ont une certaine influence sur l'entreprise, où sont affectés par son activité, mais qui ne sont pas engagés dans les transactions avec la structure, et ne sont pas essentiels à sa survie.

[2] La dénonciation partielle des irrégularités constatées, le non-respect des normes professionnelles, l'insuffisance dans la production des dossiers de travail, les techniques de sondage peu appropriées et l'incompétence du personnel composant l'équipe d'audit.

[3] Il s'agit d'une coupure de presse dans la revue gouvernementale « Cameroun tribune » du 15 février 2017.

nombre d'attributs pour évaluer la qualité d'audit. Dans ces études, les chercheurs tentent d'appréhender la qualité d'audit à travers les caractéristiques de l'auditeur (De Angelo, 1981 ; Prat dit hauret, 2003 ; Djoutsa et Foka, 2014). Traditionnellement, ce concept se conçoit à partir de la définition de De Angelo (1981a), qui se résume à travers la compétence et l'indépendance de l'auditeur. Selon Citron et Taffler (1992), un rapport d'audit sera de qualité s'il est le résultat d'un processus d'audit techniquement compétent et indépendant. Dans le même sens, Francis et al., (1996) déclarent qu' « *un bon audit est celui qui répond aux normes de la profession, y compris aux yeux de la justice* ». Bell et al., (2012) estiment aussi qu'il n'existe pas de mesure fiable pour déterminer la qualité de l'audit externe. Cependant, ils estiment que la capacité à détecter les irrégularités est intimement liée aux compétences techniques des auditeurs, alors que le fait de déclarer ses défaillances ou anomalies est en relation directe avec son indépendance. On note également que dans la littérature, divers travaux se sont intéressés aux déterminants de la qualité d'audit et ont mis en exergue différents facteurs susceptibles de la favoriser. A cette vision pluridimensionnelle du concept de la qualité d'audit, s'ajoute des obstacles liés aux indicateurs de sa mesure.

a) *La compétence de l'auditeur : une problématique multicritère*

La compétence d'un auditeur peut être définie comme la capacité à acquérir et évaluer des preuves sur lesquelles son opinion est fondée (Lee et Stone, 1995). Les études relatives à la compétence de l'auditeur comme indicateur de la qualité d'audit sont unanimes au sujet de son caractère multicritère. Flint (1988), précise que « *les auditeurs doivent posséder des connaissances, une formation, une qualification et une expérience suffisante pour mener à bien un audit financier* ». Selon Libby et Fredrick (1990), l'expérience de l'auditeur externe favorise leur capacité à détecter les défaillances, les fraudes et erreurs au sein des états financiers. Ce qui sous-tend que l'expérience présente un plus qui permet aux auditeurs externes de reconnaître les zones de risque et les probabilités importantes de présence d'erreurs significatives ou encore l'occurrence des fraudes. De même, Lee (1993) suppose qu'un auditeur est compétent s'il est « *suffisamment qualifié et expérimenté pour vérifier la qualité des états financiers et ainsi l'attester auprès des actionnaires et des autres utilisateurs intéressés*». Dans le même sens, pour Abdolmohammadi et Shanteau (1992), c'est la qualification et l'expérience des auditeurs qui leur permet de réaliser un travail technique sans effort, de manière fluide et intuitive en ne commettant pratiquement pas d'erreur. Ces résultats ont été également confirmés par Gandja (2014) et Causse et Ebondo Wa Mandzila (2015).

Pour Gandja (2014), les auditeurs externes doivent posséder des connaissances, une formation, une qualification et une expérience suffisantes pour mener à bien un audit financier. S'agissant de Causse et Ebondo Wa Mandzila (2015), la formation constitue d'une part, un axe prioritaire important d'amélioration de la qualité de l'activité de l'audit et se situe à deux niveaux, celui des CAC en activité et celui de la formation initiale. D'autre part, la formation tout au long de la vie du CAC est devenue un devoir lui permettant de se doter de la capacité de détection des irrégularités, qui sont susceptibles d'entacher la sincérité et la régularité des documents émis.

Pour Bouaziz (2008), la profession de CAC est une des professions qui nécessitent un ensemble de compétences. Pour lui, un CAC est compétent lorsqu'il sait agir dans un contexte particulier, c'est-à-dire, lorsqu'il utilise d'une façon appropriée ses « savoirs », « savoir-faire» et « savoir être ». Selon Chemangui (2004), la probabilité pour l'auditeur de détecter les anomalies éventuelles dans les états financiers de l'entreprise dépend largement des moyens qu'il met en œuvre et de la compétence « *globale* » des auditeurs qui vont réaliser les travaux. L'approche d'audit reste une démarche flexible entre les mains des auditeurs pour détecter les anomalies au niveau des comptes de l'entreprise avec un "risque de non détection" plus ou moins important selon le modèle d'audit mis en place (approche d'audit globale, approche d'audit par les risques, ...).

On peut donc relever que de nombreuses recherches se sont penchées sur la méthodologie d'audit plus particulièrement sur l'approche par les risques. Selon Adam (1989), par exemple, cette approche fournit à l'auditeur un moyen commode pour articuler les étapes de sa mission. Pour Bennecib (2004), pour être compétent il ne suffit pas d'avoir satisfait aux exigences de connaissance, produit de l'éducation, il faut également être assuré de l'acquisition d'une expertise, ou connaissance empirique, par rapport à la complexité de la société à contrôler. Par ailleurs, si on se fie aux travaux de Chemangui (2004), le fait de traiter seulement de la compétence de l'auditeur externe est souvent illusoire puisque les travaux d'audit sont exercés par des cabinets d'audit composés de plusieurs individus, ou groupes d'individus, dont la compétence est fonction d'autres paramètres tels que l'organisation et la structure du cabinet. De même, Fama et Jensen (1983) révélaient déjà dans leur étude que la compétence de l'auditeur comme agent individuel, n'est pas le seul déterminant de la compétence du cabinet d'audit. Chemangui (2004) arrive à la conclusion que la notion de compétence dans le contexte d'audit externe doit être prise en compte à trois niveaux à savoir : la compétence de l'auditeur en tant qu'individu, la compétence du cabinet d'audit et la compétence de l'équipe intervenante au niveau d'une entreprise donnée. On note que la compétence de l'auditeur n'est donc pas à rechercher uniquement chez l'individu en action, mais est le fruit d'une construction collective. Cette approche est partagée par plusieurs auteurs (Richard, 2001; Colasse, 2003 et Gandja, 2014) dont les travaux permettent de conclure que la compétence de l'auditeur est collective, car elle nécessite la collaboration de plusieurs entités. Plus explicitement, la variable client constitue une variable alternative. La taille de l'audité et sa santé financière sont alors potentiellement des critères explicatifs de la qualité de l'audit (Knapp, 1985).

Plusieurs auteurs se sont également intéressés en effet à la taille du cabinet, à l'appartenance de l'auditeur au groupe des plus grands cabinets d'audit internationaux, à la réputation et à l'importance des honoraires de l'auditeur (De Angelo, 1981 ; Lennox, 1999 ; Ginglinger, 2002 ; Djoutsa et Foka, 2014 ; Foka et al., 2017). De même, les études récentes ont examiné le rôle de certains mécanismes de gouvernance sur les honoraires d'audit (Mitra et al., 2007 ; Vafeas et Waegelein, 2007). D'après ces derniers, le montant des honoraires d'audit est censé refléter la valeur de l'entreprise auditrice en matière d'exigence de qualité. On peut supposer que plus ce montant est élevé, plus le cabinet pourra s'investir en temps et en moyens dans la mission d'audit. A titre d'illustration, les auditeurs appartenant aux réseaux internationaux « Big » disposent des moyens humains et matériels importants. Ils sont selon Piot (2001) reconnus par leur approche systémique et structurée de l'audit, et perçoivent par conséquent des primes très élevées pour leur expertise et leur savoir-faire. Cette conclusion est partagée par O'sullivan (2000) et Hay et al., (2008). Pour certains auteurs, il faudra s'appuyer sur la personnalité de l'auditeur et ses caractéristiques professionnelles (Kelly et Margheim, 1990), sur le contrôle de la qualité d'audit et des procédures de révision (Margheim et Pany, 1986 ; Djongoué, 2007 ; Sangué-Fotso, 2015) et sur la structure de la firme d'audit (Malone et Roberts, 1996).

Des signaux d'incompétence des auditeurs ont été mis en évidence dans la littérature. Pour certains auteurs, un auditeur serait incompétent s'il manque d'expérience (Bazerman et al., 1997), s'il emploie les méthodes et les procédures d'audit inadaptées (Sikka et al., 1998), s'il manque de formation continue (Hottegindre et Lésage, 2007 ; Djongoué, 2007), s'il manque de ressources humaines (Djongoué, 2007), ou encore s'il a subi la pression sur les budgets temps et/ou coût, à la suite de la baisse des honoraires (Rhode, 1978 ; Lightner et al., 1982 ; Malone et Roberts, 1996). Pareillement, il ressort des travaux de Djoutsa et Foka (2014) qu'un auditeur serait incompétent s'il ne respecte pas les étapes du processus d'audit ainsi que le chronogramme d'intervention lors des différentes missions. De même, différents auteurs ont étudier les attributs de la qualité en audit auprès des auditeurs (Mock et Samet, 1982; Sutton et Lampe, 1990; Tondeur, 2003), des préparateurs et des utilisateurs des états financiers (Carcello et al., 1992; Tondeur, 2003[4] ; Gonthier, 2011; Omri et Akrimi, 2014; Gandja, 2014).

Dans la continuité de ces travaux, il ressort des études de Gandja (2014) que les utilisateurs des états financiers au Cameroun perçoivent la qualité des missions d'audit légal selon neufs principaux axes parmi lesquelles quatre concernent la compétence. Pour ce qui est de la compétence perçue de l'auditeur, elle est appréhendée à travers la gestion attendue de la mission; la contribution attendue du directeur de mission ; l'encadrement de l'équipe d'audit et la coopération avec la direction. On note donc que pour apprécier la réussite d'une mission d'audit, la littérature utilise des proxys étant donné que la qualité d'audit est une variable polysémique c'est-à-dire se mesurant via plusieurs critères.

Il ressort de ces différents critères d'appréciation que l'audit est principalement un travail d'équipe. Les compétences mises en œuvre par chaque membre varient avec la nature de la phase à laquelle il intervient, avec la nature de sa formation, avec sa position hiérarchique au sein du cabinet et avec son niveau d'expérience. Pour cette raison, on a choisi de situer l'analyse au niveau des compétences individuelles et collectives.

Toutefois, la réussite de la mission d'audit ne saurait se limiter à la capacité de l'auditeur à détecter les erreurs et anomalies significatives. Elle doit aussi s'étendre à sa capacité de révélation des anomalies identifiées, en d'autres termes à son indépendance.

b) L'indépendance de l'auditeur : une problématique multidimensionnelle

Les études relatives à l'indépendance de l'auditeur montrent que celle-ci est au cœur du métier des auditeurs externes et constitue la principale garantie de l'objectivité d'opinion. Selon Richard (2003), il existe différentes formes d'indépendance et le distinguo le plus classique propose d'analyser les notions d'indépendance de fait et d'indépendance d'apparence. L'indépendance de fait est identifiée par Mautz et Sharaf (1961) comme un état d'esprit psychologique. Elle se réfère au processus mental de l'auditeur, à son attitude d'impartialité et d'objectivité. Pour Lee et Stone (1995), l'indépendance est définie comme un état mental dans lequel l'auditeur n'est ni relié ni subordonné à l'influence

[4] Il ressort des travaux de Tondeur (2003) que la compétence de l'auditeur est appréciée via six indicateurs. Il s'agit du diplôme, l'expérience, la formation, la connaissance des normes, l'obtention d'éléments probants et l'appréciation du contrôle interne.

et aux pressions de conflits d'intérêts. Prat dit Hauret (2003), définit l'indépendance comme la capacité de l'auditeur à révéler les anomalies et à exprimer son opinion en toute liberté. Ce processus n'étant pas observable par les tiers, Lee (1993) et Richard (2003) estiment qu'il est délicat de donner un sens opérationnel à ce qui est essentiellement un état d'esprit, dans une situation dans laquelle l'auditeur est intellectuellement distant du bénéficiaire de son indépendance.

Par ailleurs, on note que si les auditeurs doivent toujours être mentalement indépendants, ils doivent également le montrer aux tiers extérieurs: on parle d'indépendance d'apparence (Richard, 2003). Elle souligne la perception de cette notion par les utilisateurs c'est-à-dire les actionnaires, les investisseurs et plus généralement le marché financier (Mautz et Sharaf, 1961; Wolnizer, 1987). Selon Prat dit Hauret (2003), l'indépendance d'apparence consiste à éviter des situations ou des circonstances d'une telle importance qu'un tiers qui en aurait connaissance puisse remettre en cause l'objectivité du professionnel du contrôle. Si on se réfère aux travaux de Sharaf et Mautz (1961), l'indépendance peut se situer à trois niveaux: l'indépendance dans la programmation des travaux d'audit, c'est-à-dire que l'auditeur doit décider seul du programme d'audit à mettre en place ; l'indépendance d'investigation, ce qui nécessite une liberté de collecte et d'évaluation des données jugées significatives par l'auditeur sans aucune interférence ou manipulations par d'autres acteurs ; et enfin l'indépendance dans le reporting, qui stipule une liberté de communication des résultats des travaux de l'auditeur et de son opinion. Ces prédictions de Mautz et Sharaf (1961) ont été confirmées par les travaux de Djoutsa et Foka (2014) qui sont arrivés à la conclusion qu'un auditeur indépendant est celui qui a la liberté de programmation des activités de l'audit ainsi que la liberté de communication des résultats de l'audit. Par contre, un auditeur dépendant perçoit une rémunération autre que les honoraires de la mission d'audit et offre des services autres que ceux de l'audit au même client. Cette idée rejoint les conclusions de Francis et Bin (2006) qui soulignent que lorsqu'un cabinet offre d'autres services que l'audit des comptes, cela diminuent son indépendance.

Selon Tondeur (2003), l'indépendance de l'auditeur est appréhendée à travers trois indicateurs : l'indépendance financière, l'indépendance d'apparence et la réputation. L'indépendance financière et l'indépendance d'opinion sont également appréciées en fonction des montants d'honoraires perçus par les auditeurs (Audousset-Coulier, 2008). Les honoraires d'audit et de non-audit permettent de mesurer la dépendance économique d'un auditeur par rapport à un client donné. De même, il ressort des travaux d'Omri et Akrimi (2014) que l'interdiction de tout lien financier entre l'auditeur et l'audité ou l'interdiction de la dépendance financière a une influence positive forte sur l'indépendance de l'auditeur. En effet, pour éviter une perte d'honoraires, l'auditeur peut céder à certaines pressions exercées par le client, lequel le menace par exemple de changer de cabinet et de s'abstenir aussi à dénoncer certaines défaillances comptables. D'autres études montrent que la publication du montant des honoraires influence positivement l'indépendance perçue (Francis et Bin, 2006). Autrement dit, plus les honoraires augmentent, plus les auditeurs sont incités à fournir un service de qualité (Hay et al., 2006 ; Foka et al., 2017). Pour Stettler (1975), l'auditeur qui réalise un contrôle afin de certifier la sincérité des documents financiers du client doit agir en parfaite indépendance.

Prat dit Hauret (2003) souligne qu'un auditeur peut difficilement être indépendant s'il n'est pas compétent, la qualité de détection de l'auditeur étant une condition nécessaire à son indépendance. Selon ce dernier, la décision de l'auditeur d'être dépendant ou indépendant ne peut être prise que si la compétence lui permet d'accomplir de manière acceptable l'ensemble de ses travaux d'audit. De Angelo (1981a) estime pour sa part que les cabinets de grande taille disposant d'un portefeuille clients important et diversifié seront moins exposés aux pressions de l'entreprise contrôlée, que ceux de petite taille. Cette réputation se base sur des critères quantitatifs objectifs tels que le nombre d'employés, le nombre de clients contrôlés, le volume des honoraires facturés et bien d'autres. Allant dans le même sens, Richard (2003) et Blokdijk et al., (2006) indiquent que la taille du cabinet est un critère d'appréciation de la capacité de révélation des auditeurs qui offre l'avantage d'être facilement observable par les utilisateurs de l'information comptable et financière.

Par contre, Bazerman et al., (1997) estiment que l'indépendance de l'auditeur vis-à-vis de son client est par nature impossible. En effet, selon ces derniers, il existe de manière inconsciente un biais appelé *« biais de l'intérêt personnel »* qui conduit les professionnels de la comptabilité à interpréter l'information dans l'optique de privilégier ses propres intérêts, ou ceux de son client plus proche de lui que les autres utilisateurs des documents comptables.

Gandja (2014) constate que l'indépendance perçue de l'auditeur au Cameroun est appréciée via 5 axes. Il s'agit de la dépendance à l'égard de l'entreprise ; les situations conflictuelles ; la révélation des anomalies ; la réputation de l'auditeur et de la responsabilité sociale des parties prenantes.

Il ressort de cette synthèse de la littérature que la notion de qualité d'audit est difficile à cerner, car d'une part elle est multicritère et d'autre part, les utilisateurs sont nombreux et n'ont forcément pas les mêmes attentes. D'où la nécessité de l'appréhender à partir du point de vue des auditeurs et des audités, et ce à travers une méthodologie qu'il faut préciser.

III. Opérationnalisation de la Recherche Empirique: Echantillons et Données Utilisées

Cette section s'organise autour de trois rubriques. La première rubrique présente l'échantillon et la méthode de collecte des données. La deuxième rubrique traite de l'opérationnalisation des variables de l'étude. La troisième rubrique porte sur la méthode de traitement et d'analyse des données.

a) *Echantillon et collecte des données*

La collecte des données a été effectuée auprès des cabinets d'audit répertoriés par l'ONECCA (Ordre National des Experts-Comptables du Cameroun) au cours de la période 2015/2016 et auprès des préparateurs des comptes au cours de la période 2016/2017 à l'aide d'un questionnaire. A cet effet, nous avons administré 90 questionnaires aux cabinets d'audit de la ville de Douala et Yaoundé. Sur les 90 questionnaires administrés, seulement 60 ont été jugés exploitables dans le cadre de cette étude. En ce qui concerne les préparateurs de comptes (les entreprises auditées) nous avons administré 100 questionnaires dans les villes de Douala et Yaoundé. En retour, nous avons obtenus 75 questionnaires dont 68 ont été jugés exploitables pour apprécier la qualité de l'audit.

b) *Opérationnalisation des variables de l'étude*

Afin de comparer l'opinion des auditeurs à celle des audités, nous avons retenus quasiment les mêmes indicateurs que les recherches précédentes (Djoutsa et Foka, 2014 ; Foka et al., 2017), qui constituent à cet effet la référence. Ces variables peuvent être regroupées dans le tableau 1 ci-dessous.

Tableau 1: Proxys retenus pour apprécier la qualité d'audit

Proxys	Mesures	Auteurs
Compétence		
Composition de l'équipe d'audit en fonction des honoraires	1-Oui 2-Non	Palmrose (1988)
Collaboration du client	1-Jamais 2-Souvent 3-Toujours	Richard (2001); Colasse (2003); Sakka et Manita (2011); Gandja (2014)
Besoin d'assez de temps pour terminer la mission	1-Jamais 2-Souvent 3-Toujours	Malone et Roberts (1996); Gaddour (2013)
Respect des étapes du processus d'audit	1-Jamais 2-Souvent 3-Toujours	Sikka el al., (1998); Tondeur (2003);
Respect du chronogramme d'intervention	1-Jamais 2-Toujours 3-Tardivement	
Appartenance ou non du cabinet à un réseau international	1-Oui 2-Non	De Angelo (1981)
Indépendance		
Liens particuliers avec le client	1-Jamais 2-Souvent 3-Toujours	Francis et Bin (2006); Djongoué (2007); Hottegindre et Lésage (2007); Audousset-Coulier (2008); Ndjeutcheu (2013); Omri et Akrimi (2014)
Perception des honoraires autres que celui de l'audit	1-Jamais 2-Souvent 3-Toujours	
Offre d'autres services au même client	1-Oui 2-Non	
Liberté de programmation des activités de l'audit	1-Jamais 2-Souvent 3-Toujours	Sharaf et Mautz (1961)
Liberté de communication des résultats de l'audit	1-Jamais 2-Souvent 3-Toujours	Sharaf et Mautz (1961)

Source: Auteurs, à partir de la littérature *c) Méthode de traitement et d'analyse des données*

Au sujet de l'analyse des données collectées, on a utilisé les analyses descriptives et le test de comparaison de moyenne. Il s'agit de l'analyse unie variée plus précisément le tri à plat, de l'analyse de classification par la méthode des nuées dynamiques et l'analyse du test de comparaison de moyenne du test T à échantillon unique.

La qualité d'audit est une variable polysémique ce qui justifie le recours à l'analyse de classification, par la méthode nuée dynamique. Cette analyse de classification par la méthode nuée dynamique permet d'obtenir une typologie d'individu selon la similitude de leur réponse en des classes (ou types) homogènes et différenciées (Evrard et al., 2003). L'utilisation d'un test T à échantillon unique vise à comparer la perception des auditeurs à celle des audités.

IV. Résultats de L'analyse Empirique

Il est question ici de présenter les statistiques descriptives et les résultats de l'analyse de classification.

a) La statistique descriptive de l'étude

L'échantillon est hétérogène si l'on considère les cabinets d'audits et les entreprises auditées. Il s'agit ici, de présenter les caractéristiques de cet échantillon et la description des proxys servant à capter l'indépendance et la compétence des auditeurs selon la perception de chacun de ces acteurs.

i. *Caractéristiques de l'échantillon*

Il est question dans cette sous-section de présenter les caractéristiques des cabinets d'audit et les caractéristiques des audités enquêtés.

Caractéristiques des cabinets d'audit

Il s'agit ici de présenter le profil des répondants et le profil des cabinets d'audit.

Le profil des répondants

Concernant les auditeurs, il peut s'agir des collaborateurs qui interviennent sur le terrain mais aussi des superviseurs et des associés signataires des rapports d'audit. Les statistiques descriptives révèlent que 30% d'entre eux sont des seniors, 23,3% sont respectivement des auditeurs juniors et des chefs de mission, 5% sont des directeurs de missions et 11 sont des associés et experts comptables (soit 10% pour associés et 8,3% pour experts comptables).

En ce qui concerne le genre des répondants, la plupart d'entre eux sont des hommes (76,7%). Parmi les 60 répondants, 5% sont âgés de moins de 25 ans, 18 ont un âge compris entre 25 et 30 ans, pour un pourcentage de 30%, 24 sont âgés de 30 à 50 ans, soit 40% et 15 ont plus de 50 ans, soit 25%. La majorité des répondants de l'échantillon (98,3%) ont eu pour filière de formation dans l'enseignement supérieur la filière comptable ou de gestion. 43,3% des auditeurs interrogés ont une expérience comprise entre 5 et 10 ans, pendant que 33,3% sont suffisamment expérimentés dans ce domaine (plus que 10 ans), et 23,3% ont une expérience mineure dans ce type de missions (moins de 5 ans).

Le profil des cabinets d'audit

Pour ce qui est de la forme juridique du cabinet, on constate que 5% sont des Sociétés Anonymes (SA), 23,3% des Entreprises Individuelles, 1,7% des Sociétés en Nom Collectif (SNC), 1,7% des Sociétés à Action Simplifiée (SAS) et plus de la moitié de l'échantillon (68,3%) sont des Sociétés à Responsabilité Limitée (SARL). Concernant l'activité principale exercée par les cabinets, on observe que 36,7% font dans le Commissariat aux comptes, 60% dans l'Expertise comptable et seulement 3,3% dans l'Expertise judiciaire en comptabilité. Parmi ces cabinets, 43,3% sont affiliés ou appartiennent à des réseaux internationaux. On se rend aussi compte que la taille du cabinet est variable en termes d'effectif employé, car, 28,3% des cabinets d'audit emploient moins de 5 personnes, 35% emploient entre 5 et 10 salariés, 23,3% emploient entre 10 et 20 personnes et 13,3% des cabinets d'audit emploient plus de 20 salariés. Cette répartition représente le marché d'audit camerounais, où la plupart des cabinets sont de très petite taille, même comme il est dominé par un petit nombre des grands cabinets appartenant à différents réseaux internationaux. On observe également que certains cabinets emploient moins de 5 personnes, ceci se justifie par le fait que les missions d'audit ne sont pas fréquentes et lorsqu'elles le sont, les responsables des cabinets font appels à des temporaires pour effectuer la mission, et ceux-ci sont rémunérés immédiatement en fonction des tâches effectuées. Concernant l'année de création de ces différents cabinets, on observe que la plupart des cabinets interrogés ont un âge moyen sensiblement égal à 18 ans avec un minimum et un maximum égal à 2 et à 55 ans respectivement.

Description des caractéristiques des entreprises auditées

Il est question ici de décrire le profil des préparateurs des comptes interrogés ainsi que les caractéristiques de leur entreprise.

Le profil des préparateurs des comptes

Le choix des préparateurs des comptes dans cette étude (directeurs généraux, directeurs comptables et financiers, auditeurs internes et chefs comptables) se justifie par leur connaissance de l'activité d'audit et aussi parce que ce sont eux qui servent généralement de relais ou d'interlocuteur avec l'auditeur lors du déroulement de la mission d'audit. Le dépouillement des questionnaires a permis de constater que 5,9% des répondants occupent le poste de Directeur Général, 44,1% sont des directeurs comptable et financier, 10,3%

d'auditeur interne et 39,7% de chef comptable. Par ailleurs, 77,9% de ces répondants sont des hommes. S'agissant de l'âge des préparateurs de l'information financière, on note que 36,8% ont un âge inférieur à 35 ans, 26,5% ont un âge compris entre 35 et 40 ans, 23,5% entre 40 et 50 ans et seulement 13,5% ont plus de 50 ans. Pour ce qui est du niveau d'étude, seulement 2,9% des dirigeants ont pour niveau d'étude le secondaire, 44,1% le premier cycle du supérieur et 52,9% le supérieur second cycle. 35,3% des répondants ont moins de 5 ans d'expérience, 41,2% ont entre 5 et 10 ans d'expérience, 8,8% ont entre 10 et 15 ans d'expérience et seulement 14,7% des répondants ont plus de 15 ans d'expérience. Ce qui présume une bonne connaissance de la part du répondant de l'activité de l'entreprise. Cela se justifie aussi par le fait que 16,2% des répondants ont eu à exercer comme auditeur en cabinet durant leur parcours professionnel.

Le profil des entreprises contrôlées

L'échantillon de cette étude révèle que l'essentiel des entreprises interrogées (89,7%) sont des SA avec conseil d'administration contre seulement 10,3% sans conseil d'administration. La majorité de ces entreprises (57,4%) font partir du secteur de l'industrie, 19,1% du commerce et 23,5% font dans le service. La plupart de ses entreprises (76,5%) ont un chiffre d'affaire supérieur à un milliard cinq cent millions de FCFA contre seulement 23,5% qui ont un chiffre d'affaire compris entre 1 milliard et 1 milliard cinq cent millions de FCFA. Ce qui confirme qu'il s'agit des grandes entreprises qui ont donc l'obligation de se faire contrôler par un ou deux commissaires aux comptes. 50% des entreprises de l'échantillon ont entre 50 et 100 employés, 16,2% entre 100 et 150 employés, 7,4% entre 150 et 200 employés et 26,5% ont plus de 200 employés.

ii. *Description des proxys servant à capter la qualité d'audit*

Il s'agit ici de décrire les indicateurs permettant de capter la compétence et l'indépendance des auditeurs selon le point de vue de chaque acteur (cabinets d'audit et entreprises auditées).

Description des proxys servant à capter l'indépendance et la compétence des auditeurs sous l'angle des cabinets d'audit

Nous allons commencer par présenter les statistiques descriptives de la compétence des auditeurs suivis de celle de leur indépendance.

Description des indicateurs servant à capter la compétence des auditeurs

La compétence de l'auditeur a été appréhendée à travers six (06) attributs tel qu'il ressort du tableau 2 ci-dessous.

Tableau 2: Indicateurs de mesure de la compétence des auditeurs

Variable	Indicateurs	Modalités	Effectifs	%
Compétence de l'auditeur	Composition de l'équipe d'audit en fonction des honoraires	Oui Non	45 15	75 25
	Besoin de la collaboration du client	Jamais Souvent Toujours	1 11 48	1,7 18,3 80,0
	Besoin d'assez de temps pour terminer la mission	Jamais Souvent Toujours	2 26 32	3,3 43,3 53,3
	Respect des étapes du processus d'audit	Jamais Souvent Toujours	2 14 44	3,3 23,3 73,3
	Respect du chronogramme d'intervention	Jamais Toujours Tardivement	2 41 17	3,3 68,3 28,3
	Appartenance ou non du cabinet à un réseau international	Oui Non	26 34	43,3 56,7

Il ressort de ce tableau 2 que dans 75% de cas, les équipes d'audit au Cameroun sont composées en fonction du montant des honoraires. Ils affirment à 80% que le travail se fait toujours en collaboration avec leur client, 18,3% souvent et 1,7% des interrogés reçoivent difficilement l'aide de leurs clients lors d'une mission d'audit. Le temps nécessaire pour mener une mission d'audit est perçu différemment par les auditeurs, puisque 53,3%, 43,3%, 3,3% d'entre eux trouvent ce temps insuffisant, moyen et suffisant respectivement. Plus de 73,3% des auditeurs affirment avoir toujours respecté les étapes du processus d'audit, 23,3% souvent et 3,3% jamais. Pour 68,3% des interviewés, le chronogramme d'intervention a toujours été respecté, 28,3% le font tardivement et 3,3% ne le respecte jamais. Pour les auditeurs interrogés, 43,3% affirment que leur cabinet est affilié à un réseau international contre 56,7% qui avouent ne pas appartenir à un réseau international.

Description des proxys servant à capter l'indépendance des auditeurs

L'indépendance perçue de l'auditeur au Cameroun a été appréhendé à travers cinq proxys dont le résumé est présenté dans le tableau 3 ci-dessous.

Tableau 3: Indicateurs de mesure de l'indépendance de l'auditeur

Variable	Indicateurs	Modalités	Effectifs	%
Indépendance de l'auditeur	Liens particuliers avec le client	Jamais	19	31,7
		Souvent	27	45,0
		Toujours	14	23,3
	Perception des honoraires autres que ceux de l'audit	Jamais	13	21,7
		Souvent	34	56,7
		Toujours	13	21,7
	Liberté de programmation des activités d'audit	Jamais	2	3,3
		Souvent	27	45,0
		Toujours	31	51,7
	Liberté de communication des résultats de l'audit	Jamais	9	15,0
		Souvent	27	45,0
		Toujours	24	40,0
	Offre d'autres services au même client	Non	15	25,0
		Oui	45	75,0

Il ressort de ce tableau que 31,7% des auditeurs interrogés n'ont jamais eu de liens particuliers avec leur client, 45% très souvent et 23,3% toujours. Dans la même logique, 21,7% des auditeurs prétendent n'avoir jamais perçu des honoraires autres que ceux de l'audit, 56,7% très souvent et 21,7% estiment avoir toujours perçu une rémunération en relation avec d'autres services que l'audit. En ce qui concerne la liberté de programmation, 51,7% affirment être libre à ce sujet, 45% très souvent et 3,3% jamais. Pour 40% des auditeurs, les résultats de l'audit sont communiqués en toute objectivité, 45% très souvent et 15% jamais. Plus de 75% de cabinets affirment avoir offert des services autres que ceux de l'audit. Ce qui justifie les honoraires supplémentaires sur les travaux autres que ceux de l'audit. Ces offres de services pourraient être réductrices de l'indépendance de l'auditeur dans la mesure où l'auditeur pourrait être juge et partie.

Perception de la qualité d'audit sous l'angle des préparateurs d'informations financières

Les professionnels du contrôle estiment le plus souvent connaître les critères utilisés par leurs clients dans l'évaluation de la qualité d'audit (Carcello et al., 1992). Pourtant, Bishea (1982)[5] a trouvé que les auditeurs ne perçoivent pas correctement les attentes de leurs clients. Ainsi, il s'avère convenable d'étudier la manière donc les préparateurs d'information financière perçoivent la qualité d'audit. Pour ce faire, il a été effectué une analyse de classification non hiérarchique sur chacune des deux dimensions de la qualité d'audit à savoir : la compétence et l'indépendance de l'auditeur.

Analyse descriptive de la compétence des auditeurs selon les audités

Il est important de rappeler que les éléments retenus pour apprécier la qualité d'audit du point de vue des clients ou des audités sont identiques de ceux perçus par les CAC ou cabinets d'audit.

Les résultats révèlent que 73,5% des entreprises interrogées pensent que la composition de l'équipe d'audit par leur cabinet n'est pas fonction des honoraires d'audit reçus alors que 26,5% pensent le contraire. Elles affirment à 66,2% que leur auditeur a toujours besoin de leur collaboration pour mener à bien sa mission, 25% souvent, contre 8,8% qui pensent que l'auditeur n'a pas besoin de leur collaboration pour mener à bien la mission d'audit. La perception du temps par le client se rapproche un peu de celui des auditeurs. En effet, 35,3% des clients pensent que leur auditeur a besoin d'assez de temps pour mener à bien sa mission, 51,5% trouvent ce temps moyen et seulement 13,2% trouvent ce temps suffisant. Par ailleurs, 47,1% des entreprises interrogées pensent que leur auditeur respecte les étapes du processus d'audit, 47,1% souvent et seulement 5,9% disent jamais. 45,6% des préparateurs des comptes estiment que leur auditeur respecte toujours le chronogramme d'intervention lors des différentes missions, 39,7% disent souvent et seulement 14,7% disent jamais. 38,2% des entreprises interrogées disent recourir le plus souvent aux cabinets appartenant aux réseaux internationaux et 61,8% aux cabinets nationaux.

Statistique descriptive des proxys servant à appréhender l'indépendance des auditeurs

Il ressort des analyses que 41,2% des entreprises de l'échantillon affirment entretenir des liens particuliers avec leur auditeur ou cabinet d'audit, 22,1%

[5] Cité par Carcello et al., (1992 P. 2).

souvent contre 36,7% qui disent ne jamais entretenir de liens particuliers avec leur auditeur. Dans le même ordre d'idées, les clients affirment que 53% de leur cabinet d'audit perçoivent les honoraires autres que celui de l'audit, 33,8% souvent et 13,2% jamais. En ce qui concerne la liberté de programmation des activités d'audit, 35,3% des préparateurs d'information financière affirment que leur auditeur à la liberté de programmation, 38,2% souvent et 26,5% jamais. S'agissant de la liberté de communication des résultats de l'audit, 39,7% des clients affirment que leur auditeur communique les résultats en toute objectivité, 30,9% disent souvent et 29,4% disent jamais. Ce résultat peut s'expliquer par le fait qu'une opinion de l'auditeur contenant des réserves peut conduire les investisseurs à se désintéresser de l'entreprise et entraîner une diminution du patrimoine de cette dernière. Cette situation constitue pour les managers une remise en cause de leur gestion et donc un désaveu auprès des actionnaires. Cette situation s'explique selon Goldman et Barlev (1975) par le fait que malgré divergences d'objectif entre les actionnaires et les managers, un rapport de l'auditeur défavorable peuvent les pousser à faire bloc afin d'empêcher l'auditeur de formuler son opinion en toute objectivité. A cet effet, 51,5% des entreprises interrogées avouent que leur cabinet d'audit leur offre très souvent d'autres services en dehors de la mission d'audit, 36,8% souvent et 11,7% jamais. Ce qui confirme la dépendance financière des cabinets auprès de leur client (Audousset-Coulier, 2008).

b) Résultats de l'analyse de classification

L'appréciation de la qualité d'audit est présentée selon l'opinion de chacun de ses deux principaux acteurs à savoir l'auditeur et l'audité.

i. *Essai de caractérisation de la qualité d'audit en contexte camerounais : opinion des cabinets d'audit*

Essai de caractérisation de la compétence des auditeurs

L'analyse de classification par la méthode nuée dynamique a permis, sur la base des six proxys décrivant la compétence de l'auditeur, de mettre en évidence deux classes représentant le profil de l'auditeur. Le tableau 4 illustre les contributions de chaque variable via leurs modalités à la constitution de chaque classe.

Tableau 4: Description des classes par les modalités actives de la compétence de l'auditeur

	Classes		ANOVA			
	1	2	Moyenne des carrés	ddl	F[6]	Sig.
Appartenance à un réseau International	Non	Oui	1,188	1	5,215	0,026**
Respect des étapes du processus d'audit	Souvent	Toujours	1,752	1	6,842	0,011**
Besoin de la participation de votre client pour mener à bien votre mission	Toujours	Souvent	,668	1	3,366	0,072*
Besoin d'assez de temps pour mener à bien votre mission	Toujours	Jamais	14,158	1	169,604	0,000***
Respect du chronogramme d'intervention lors des missions	Jamais	Toujours	,105	1	,403	0,528
Composition de l'équipe auditrice en fonction des honoraires	Oui	Non	2,630	1	17,700	0,000***

****, **, * : significatif au seuil de 1%, 5% et 10% respectivement*

[6] Les tests F ne doivent être utilisés que dans un but descriptif car les classes ont été choisies de manière à maximiser les différences entre les observations des diverses classes. Les niveaux de signification observés ne sont pas corrigés et ne peuvent par conséquent pas être interprétés comme des tests de l'hypothèse que les moyennes des classes sont égales.

A la lecture de ce tableau, on identifie deux types de profils d'auditeurs selon les classes:

- la classe 1 correspond au profil d'un auditeur « *incompétent* ». Il apparaît dans 56,7% de cas et correspond aux auditeurs dont le cabinet n'appartient pas à un réseau international, qui ne respectent que souvent les étapes d'audit et jamais le chronogramme d'intervention lors des missions. Ils ont toujours besoin de la participation de leurs clients et d'assez de temps pour mener à bien leurs missions. La composition de leur équipe auditrice est fonction du montant des honoraires.
- la classe 2 quant à elle correspond au profil d'un auditeur « *compétent* ». Ces auditeurs représentent 43,3% de l'échantillon, il s'agit de ceux dont les cabinets appartiennent à un réseau international. Ils respectent toujours les étapes d'audit et le chronogramme d'intervention lors des missions. Ils ont souvent besoin de la participation de leurs clients et jamais d'assez de temps pour mener à bien leurs missions. La composition de leurs équipes de travail ne dépend pas du montant de leurs honoraires. Ces statistiques trouvent leur sens dans les travaux de De Angelo (1981b) qui estime que les grands cabinets d'audit « *appartenant aux réseaux internationaux ou BIG FOUR* », fournissent des services de meilleure qualité car ils disposent de meilleurs infrastructures, d'équipes plus nombreuses et mieux formées, etc.

Le test de Fisher associé à cette classification montre que les deux classes sont différentes et l'écart est significatif au seuil de 1% pour deux variables (besoin d'assez de temps pour mener à bien la mission et composition de l'équipe d'audit en fonction des honoraires), au seuil de 5% pour deux variables (appartenance à un réseau international et respect des étapes du processus d'audit), au seuil de 10% pour une variable (besoin de la participation du client pour mener à bien la mission) et non significatif seulement pour une variable (respect du chronogramme d'intervention lors des missions d'audit). Ces résultats montrent que sur les 60 cabinets d'audit interrogés, 43,3% d'auditeurs semblent respecter le critère de compétence contre 56,7% qui sont plutôt assimilés à des incompétents.

Essai de caractérisation de l'indépendance perçue de l'auditeur

Le tableau 5 ci-dessous illustre les contributions de chaque variable via leurs modalités à la constitution des classes qui caractérisent l'indépendance de l'auditeur.

Tableau 5: Description des classes par des modalités actives de l'indépendance de l'auditeur

	Classes		ANOVA			
	1	2	Moyenne des carrés	ddl	F	Sig.
Perception des honoraires autres que celui de l'audit	Jamais	Souvent	11,471	1	45,789	0,000***
Liberté de communication des résultats de l'audit	Toujours	Souvent	16,307	1	73,070	0,000***
Liberté de programmation des activités d'audit	Toujours	Souvent	0,139	1	0,429	0,515
Offre d'autres services au même client	Non	Oui	4,904	1	44,818	0,000***
Liens particuliers avec vos / votre client (s)	Souvent	Souvent	7,966	1	18,767	0,000***

*** *: significatif au seuil de 1%*

De ce tableau, il ressort deux types de profils selon les classes:

- la classe 1 correspond aux caractéristiques d'un auditeur « *indépendant* » qui apparait dans 25% de cas. Il s'agit en effet des auditeurs qui ont toujours la liberté de communication des résultats de leur mission et la liberté de programmation des activités d'audit. Ils n'offrent pas à leurs clients des services autres que celui de l'audit. Ils ne perçoivent jamais de leurs clients les honoraires autres que celui de l'audit mais, ont souvent des liens particuliers avec ceux-ci.
- la classe 2, qui correspond au profil d'un auditeur « *dépendant* ». Ce profil apparait dans 75% de cas. Ce sont ceux qui, souvent, perçoivent des honoraires autres que celui de l'audit. Ils ont souvent la liberté de programmation des activités d'audit et de communication des résultats. Ils ont souvent les liens particuliers avec leurs clients et offrent des services autres que celui de l'audit à leurs clients.

Le test de Fisher associé à cette classification montre que les deux classes sont différentes et l'écart est significatif au seuil de 1% sur l'ensemble des variables décrivant l'indépendance d'un auditeur à l'exception de « *la liberté de programmation des activités de l'audit* », qui affiche plutôt une différence non significative.

Ces résultats de l'étude montrent que sur les 60 cabinets d'audit interrogés, près de 25% d'auditeurs semblent indépendants contre 75% dépendants. Ces statistiques rejoignent les travaux de Bazerman et al., (1997), qui estiment que l'indépendance de l'auditeur vis-à-vis de son client est par nature impossible.

Au final, il ressort de cette analyse de classification que, selon la perception des auditeurs, ces derniers sont compétent à 43,3% et indépendant à 25%. Il ne reste plus qu'à vérifier si ces résultats restent confirmés lorsque c'est l'opinion des préparateurs d'informations financières qui est considérée.

ii. *La qualité d'audit en contexte camerounais: le point de vue des préparateurs d'informations financières*

Cette sous-section vise à apprécier la compétence de l'auditeur et son indépendance tel que perçue par l'audité.

Appréciation de la compétence de l'auditeur par l'audité

Le tableau 6 ci-dessous illustre la classification des audités en fonction de leur point de vue au sujet de la qualité de l'audit appréhendée par la compétence de l'auditeur.

Tableau 6: Description des classes chez le client par les modalités actives de la compétence de l'auditeur

	Classes		ANOVA			
	1	2	Moyenne des carrés	ddl	F	Sig.
Appartenance à un réseau International	Non	Oui	1,059	1	4,659	0,035**
Respect des étapes du processus d'audit	Jamais	Toujours	8,752	1	36,747	0,000***
Besoin de votre participation pour mener à bien sa mission	Toujours	Souvent	,108	1	,250	0,619
Besoin d'assez de temps pour mener à bien sa mission	Toujours	souvent	4,719	1	12,472	0,001***
Respect du chronogramme d'intervention lors des missions	Souvent	Toujours	15,111	1	56,542	0,000***
Composition de l'équipe auditrice en fonction des honoraires	Oui	Non	,280	1	1,140	0,290

**** : significatif au seuil de 1% et ** : Significatif au seuil de 5%*

Il ressort de ce tableau deux types de profils d'auditeur selon les classes:

- la classe 1 présente les déterminants d'un auditeur « *incompétent* », qui représente 52,9% des cas étudiés. Il s'agit des auditeurs dont le cabinet n'appartient pas à un réseau international. Ils respectent souvent le chronogramme d'intervention lors des missions et jamais les étapes du processus d'audit. Ils ont toujours besoin de la participation de leurs clients et d'assez de temps pour mener à bien leurs missions. La composition de leur équipe auditrice est fonction du montant des honoraires. Ce résultat trouve son sens dans les travaux de Sikka et al., (1998) qui soulignent qu'un auditeur serait incompétent s'il emploie les méthodes et les procédures d'audit inadaptées.
- la classe 2 correspond au profil d'un auditeur « *compétent* » et représente 47,1% de l'échantillon. Il s'agit de ceux dont les cabinets appartiennent à un réseau international. Ils respectent toujours les étapes d'audit et le chronogramme d'intervention lors des missions. Ils ont souvent besoin de la participation de leurs clients et un peu plus de temps pour mener à bien leurs missions. La composition de leurs équipes de travail ne dépend pas du montant des honoraires reçus. A partir de ces résultats, nous pouvons déduire que les entreprises sollicitent les cabinets internationaux du fait de leur réputation et de leur notoriété contrairement aux cabinets nationaux. Cette réputation se base sur des critères quantitatifs objectifs tels que le nombre d'employés, le nombre de clients contrôlés.

Le test de Fisher associé à cette classification montre que les deux classes sont différentes et l'écart est significatif au seuil de 1% pour trois variables (besoin d'assez de temps pour mener à bien la mission, respects des étapes du processus d'audit et du chronogramme d'intervention lors des différentes missions) ; au seuil de 5% pour une variable (appartenance du cabinet à un réseau international) et non significatif seulement pour deux variables (besoin de la participation du client pour mener à bien la mission et composition de l'équipe auditrice en fonction des honoraires d'audit). Ces résultats montrent que sur les 68 entreprises interrogées, 47,1% d'auditeurs semblent remplir les critères de compétence contre 52,9% qui sont plutôt assimilés à des incompétents.

Appréciation de l'indépendance de l'auditeur par l'audité

Le tableau 7 ci-dessous illustre la perception des audités au sujet de la qualité d'audit lorsqu'elle est appréhendée par l'indépendance des auditeurs.

Tableau 7: Description des classes chez le client par des modalités actives de l'indépendance de l'auditeur

	Classes		ANOVA			
	1	2	Moyenne des carrés	ddl	F	Sig.
Perception des honoraires autres que ceux de l'audit	Souvent	Jamais	2,855	1	5,996	0,017**
Liberté de communication des résultats de l'audit	Jamais	Toujours	5,843	1	16,750	0,000***
Liberté de programmation des activités d'audit	Jamais	Souvent	,191	1	,305	0,583
Offre d'autres services au même client	Toujours	Jamais	5,459	1	15,469	0,000***
Liens particuliers avec vos / votre client (s)	Toujours	souvent	26,521	1	167,269	0,000***

****: significatif au seuil de 1% et **: significatif au seuil de 5%*

A la lecture de ce tableau, il ressort deux types de profils selon les classes:

- La classe 1 elle correspond au profil d'un auditeur « dépendant » et qui apparait dans 70,6% des cas étudiés. Ce sont ceux qui, souvent, perçoivent des honoraires autres que ceux de l'audit. Ils n'ont jamais la liberté de programmation des activités d'audit et de communication des résultats. Ils ont les liens particuliers avec leurs clients et offrent des services autres que celui de l'audit à leurs clients. Ce résultat rejoint les conclusions de Francis et Bin (2006) qui stipule que lorsqu'un auditeur offre d'autres services à l'entreprise ne relevant pas de l'audit des comptes, cela diminue son indépendance.
- la classe 2 correspond au profil d'un auditeur « indépendant », qui apparait dans 29,4% de cas étudiés. Il s'agit des auditeurs qui ont toujours la liberté de communication des résultats de leur mission mais dont la programmation de leurs activités dépend souvent du client. Ils n'offrent pas à leurs clients des services autres que celui de l'audit. Ils ne perçoivent jamais de leurs clients les honoraires autres que ceux relatifs à une mission d'audit mais, ont souvent des liens particuliers avec ceux-ci. Ce résultat est en accord avec les travaux de Prat dit hauret (2003) qui souligne que l'indépendance de l'auditeur réside dans sa capacité à révéler les anomalies et à exprimer librement son opinion.

Le test de Fisher associé à cette classification montre que les deux classes sont différentes et l'écart est significatif au seuil de 1% avec trois variables de l'indépendance d'un auditeur (liberté de communication des résultats de l'audit, offre d'autres services en dehors de l'audit au même client et liens particuliers avec les clients) ; au seuil de 5% avec une variable (« *perception des honoraires autres que celui de l'audit* ») et non significatif avec la variable nommée « *la liberté de programmation des activités de l'audit* ».

Ces résultats de l'étude montrent que selon 68 entreprises interrogées, seulement 29,4% d'auditeurs semblent remplir les critères d'indépendance.

iii. *Appréciation de la qualité d'audit: comparaison des points de vue*

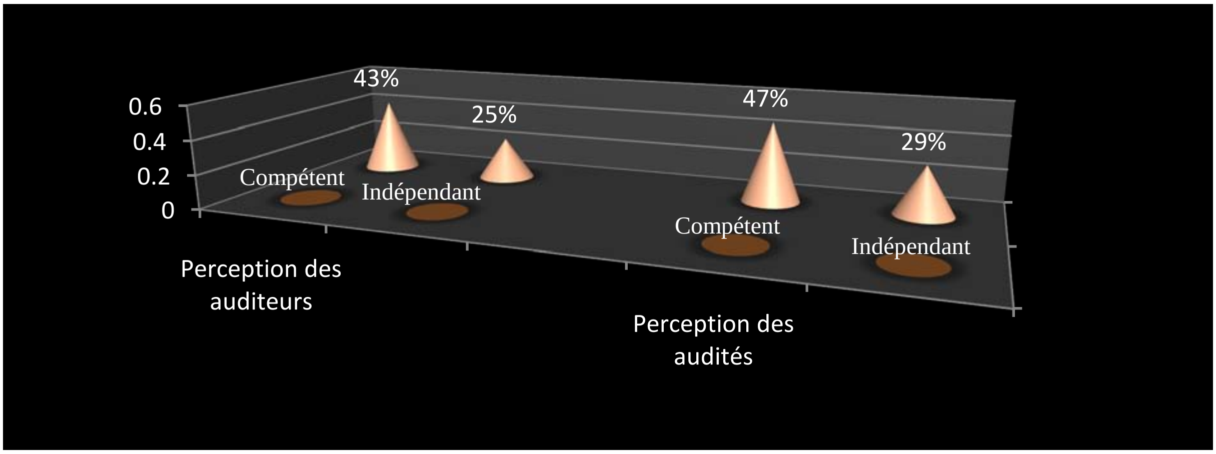
Les développements précédents ont permis d'avoir le point de vue des auditeurs et des audités sur la perception de la qualité d'audit. Une comparaison de leur vision s'avère donc intéressante. Bien qu'on relève plusieurs points communs entre les cabinets et les entreprises de l'échantillon en termes d'appréciation de la qualité d'audit, les pourcentages d'appréciation ressortent néanmoins une certaine différence, même si cette différence n'est pas significative d'après le test de comparaison. Les deux acteurs sont unanimes sur le fait que les auditeurs qui semblent remplir les critères de compétence sont ceux dont leur cabinet d'audit est affilié à un réseau international. Car, ils respectent toujours les étapes d'audit ainsi que le chronogramme d'intervention lors des missions de contrôle. S'agissant de l'indépendance de l'auditeur, les deux acteurs estiment que les auditeurs qui remplissent les critères d'indépendance sont ceux qui ont une liberté de communication des résultats de l'audit et qui n'offrent pas d'autres services au même client en dehors de l'audit des comptes et par conséquent, ne perçoivent pas les honoraires autres que ceux liés à l'audit.

La légère différence semble s'observer en termes de proportion, mais cette différence semble être non significative d'après le test de comparaison effectué à partir du test de Student. A partir de ce test de comparaison, on peut dire que les deux acteurs ont sensiblement le même point de vue pour ce qui est de la perception de la qualité d'audit. Le tableau 8 ci-dessous présente les résultats du test de Student effectués sur les deux échantillons de l'étude.

Tableau 8 : Test de comparaison selon la méthode du test sur échantillon unique

	Comparaison de la perception des auditeurs à partir de la moyenne des audités				Comparaison de la perception des audités à partir de la moyenne des auditeurs			
	Valeur du test = 0,471				Valeur du test = 0,43			
	t	ddl	Différence moyenne	Sig.	t	ddl	Différence moyenne	Sig.
Compétence de l'auditeur	-0,584	59	-0,3767	0,562	0,616	67	0,038	0,540
Statistiques sur échantillon unique	N= 60 ; moyenne =0,433 ; σ =,49972 Erreur Standard moyenne = ,06451				N= 68 ; moyenne =0,47 ; σ =0,503 Erreur Standard moyenne = 0,061			
	Valeur test = 0,294				Valeur du test= 0,25			
Indépendance de l'auditeur	-0,781	59	-0,04400	0,438	0,793	67	0,044	0,431
Statistiques sur échantillon unique	N=60 ; moyenne=0,2500 ; σ =,43667 Erreur Standard moyenne = ,05637				N= 68 ; moyenne =0,29 ; σ =0,459 Erreur Standard moyenne = 0,056			

Au final, on constate d'après la figure 1 ci-dessous qu'une faible proportion d'auditeurs de l'échantillon présente des caractéristiques d'indépendant et de compétent. La probabilité qu'un auditeur pris au hasard dans l'échantillon soit compétent est de 0,43 avec les cabinets, et de 0,47 selon les préparateurs d'informations financières, et qu'il soit indépendant est de 0,25 avec les cabinets, et de 0,29 selon les préparateurs d'informations financières. Ces résultats sont confortés par les travaux de Hottegindre et Lésage (2007) qui ont constaté dans leur étude que 39,8% (45/113) des motifs de condamnation des commissaires aux comptes en France étaient dus à un problème d'incompétence et 60,2% à un problème d'indépendance. Dans la même veine, ces résultats trouvés confirment ainsi l'hypothèse de la crise de l'information comptable et financière au Cameroun. Elles confortent néanmoins les travaux de Djongoué (2007) et Sangué-Fotso (2015) qui relevaient déjà l'incompétence et la dépendance des auditeurs camerounais. Pour Djongoué (2007), les professionnels de la comptabilité au Cameroun ne se soucient pas de la démarche dans les missions de commissariat aux comptes et cela se justifie par la non ouverture des dossiers de travail, la légèreté dans la certification des comptes et la mauvaise constitution des équipes d'audit. Par ailleurs, selon Sangué-Fotso (2015) la dépendance des CAC est structurelle en ce sens qu'ils effectuent en général, dans la même entreprise, les missions d'attestation et de certification des comptes. Pour lui, le marché d'audit et le non-respect des mandats sont à l'origine de la dépendance des CAC. Mballa et Feudjo (2016) affirment à cet effet l'existence des contrats implicites entre le commissaire aux comptes et l'équipe dirigeante. En effet, le professionnel du contrôle censé garantir la sincérité et l'image fidèle des états financiers annuels se retrouve au cœur des manipulations comptables, ceci par crainte de perdre son mandat. Ce qui conforte selon les auteurs, le déficit du contenu informationnel des états financiers de synthèse publiés au sein des entreprises au Cameroun. Ces derniers sont arrivés à la conclusion que le profil psychologique du directeur comptable de l'entreprise auditée et de l'auditeur constitue un élément explicatif important de l'option comptable choisie afin de conforter le déficit informationnel.



Source : Auteurs à partir des résultats d'enquête

Figure 1: Propension de compétence et d'indépendance de l'auditeur d'après les parties prenantes

V. Conclusion

La problématique de cette étude était de comprendre comment les cabinets d'audit et les préparateurs des états financiers perçoivent la qualité d'audit au Cameroun. En effet, la qualité de l'audit peut varier selon les parties prenantes. C'est dans cette perspective que l'étude avait pour objectif de révéler l'opinion des auditeurs et des préparateurs des comptes des entreprises sur la qualité de services rendu par les cabinets d'audit au Cameroun. Nous avons à cet effet, appréhendé la qualité de l'audit selon la qualité de l'auditeur (sa compétence et son indépendance). Pour apprécier cette qualité, il a fallu des données, ces données ont été obtenues par questionnaire auprès de 60 cabinets d'audit d'une part, et 68 sociétés anonymes d'autres parts. Les analyses de classification et de comparaison des moyennes à travers le test de Student qui ont été utilisée ont fait émerger plusieurs profils d'auditeurs présentant des constructions de jugements différentes. Ainsi, on a débouché sur les caractéristiques des auditeurs « *compétents* » et « *indépendants* ». Il ressort des analyses de classification que 43,3% des auditeurs de l'échantillon ont un profil de compétent du point de vue des cabinets et 47,1% selon les préparateurs des comptes. Par ailleurs, 75% des cabinets ont un profil de non indépendant au même titre que 70,6% des préparateurs des comptes. Le résultat du test de Student trouvé nous indique que les auditeurs et les audités ont sensiblement le même point de vue en ce qui concerne la perception de la qualité d'audit au Cameroun. En effet, leur différence de moyenne est non significative. La qualité d'audit étant difficilement observable, nous ne pouvons qu'avoir une perception de l'indépendance de l'auditeur, car on ne fait que juger les apparences et pourtant la vérité est beaucoup plus profonde, puisqu'il s'agit d'un état mental non observable comme l'a mentionné Mautz et Sharaf (1961). De même, la compétence de l'auditeur externe si l'on se réfère à la littérature ne peut pas être jugée convenablement si nous n'avons pas accès à ses dossiers ou, aux moins aux dossiers de contrôle qualité de chacune de ses missions. Le travail de l'auditeur demeure difficile à évaluer, ce qui explique le nombre de proxys et mesures indirectes retenues pour évaluer la qualité d'audit, plus concrètement sa compétence et son indépendance. En effet, en tant que chercheur, nous n'avons pas accès direct aux travaux élaborés et entrepris par les cabinets d'audit sollicités. Malgré l'apport indéniable de ces résultats dans notre contexte, les conclusions doivent être interprétées avec beaucoup de précaution compte tenu de la taille de l'échantillon et de la limite habituelle liée à toute collecte de données par voie d'enquête à savoir, la validité externe des conclusions établies. Cette étude ouvre le champ à plusieurs questionnements qui, dans nos travaux futurs devront trouver certainement des réponses. D'après les résultats obtenus, on se demande pourquoi certains auditeurs fournissent des services de qualité alors que d'autres n'y parviennent pas ? Est-ce que cette altération de la qualité d'audit pourrait être expliquée par le comportement des acteurs impliqués dans une mission d'audit où par le laxisme des organes de contrôle comme l'ONECCA? Il serait aussi intéressant de poursuivre cette étude auprès des autres « *stakeholders* » comme le Contrôle Supérieur de l'Etat (CONSUPE) et les banques question d'avoir leur avis sur la perception de la qualité d'audit. Pour encourager les bonnes pratiques professionnelles, nous suggérons à l'ONECCA de veiller au développement du professionnalisme des auditeurs et d'envisager la mise sur pieds d'un contrôle sanction exercé par des organismes externes à la profession comme le CONSUPE. En effet, l'attente d'un contrôle par les pairs rend les professionnels du contrôle plus rigoureux et efficaces (Matsumura et Tucker, 1995 ; Shafer et al., 1999). Il serait aussi temps que l'Etat à travers l'ONECCA envisage la création d'une compagnie nationale des commissaires aux comptes au Cameroun, ce qui contribuera à la réduction des incompatibilités observées au sein de la profession et par conséquent à l'amélioration de la qualité de l'audit légal. En plus, le législateur OHADA gagnerait à établir les lois visant à renforcer l'indépendance des auditeurs qui semble être la dimension de la qualité de l'audit la plus affectée.

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The Effect of Good Corporate Governance Mechanism, and Earning Management on Company Financial Performance

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Abstract- The purpose of this study was to examine the effect of GCG mechanisms, and earnings management on financial performance. From the good corporate governance variables, researchers used proxies to the number of board of directors, institutional ownership, managerial ownership, the proportion of independent board of directors, a number of audit committees. Also revealed the influence of earnings management on financial performance. This study uses a sample of 25 manufacturing companies listed on the Indonesia Stock Exchange by using purposive sampling that is financially published reports between 2012-2016. The method of analysis of this study uses multi-regression and single regression. The results of this study indicate that (1) Board of directors has no effect on earnings management, (2) Institutional ownership does not have a significant positive affect on earnings management, (3) Managerial ownership does not have a meaningful influence on earnings management, (4) The presence of the Independent Board of Commissioners has no significant effect on earnings management, (5) The size of the audit committee does not have a having a meaning or purposeaffecton earnings management, (6) Simultaneously GCG are not has a significant influence on earnings management, (7) Earnings management has no significant causal factor on financial performance, and (8) GCG mechanisms and earnings management together affect finance performance.

Keywords: *GCG, earning management, financial performance.*

GJMBR-D Classification: *JEL Code: F65*

THEEFFECTOFGOODCORPORATEGOVERNANCEMECHANISMANDEARNINGMANAGEMENTONCOMPANYFINANCIALPERFORMANCE

Strictly as per the compliance and regulations of:

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Yayan Nuryana [α] & Dwi Asih Surjandari [σ]

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Keywords: GCG, earning management, financial performance.

Abstrak- Tujuan dari penelitian ini adalah untuk menguji pengaruh mekanisme GCG, dan manajemen laba terhadap kinerja keuangan, Dari variabel GCG peneliti menggunakan proksy jumlah dewan direksi, kepemilikan institusional, kepemilikan manajerial, proporsi dewan komisaris independen, dan jumlah komite audit, Penelitian ini juga mengungkap pengaruh manajemen laba terhadap kinerja keuangan. Penelitian ini menggunakan sampel dari 25 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia dengan menggunakan purposive sampling yang dipublikasikan secara finansial laporan di antara 2012-2016. Metode analisis penelitian ini menggunakan multi regresi dan regresi tunggal. Hasil penelitian ini menunjukkan bahwa (1) Dewan direksi tidak berpengaruh terhadap manajemen laba, (2) Kepemilikan institusional tidak berpengaruh signifikan positif terhadap manajemen laba, (3) Kepemilikan manajerial tidak memiliki pengaruh signifikan terhadap manajemen laba, (4) Kehadiran Dewan komisaris Independen tidak berpengaruh signifikan terhadap manajemen laba, (5) Ukuran Komite audit tidak berpengaruh signifikan terhadap manajemen laba, (6) Secara bersamaan GCG tidak memiliki pengaruh signifikan terhadap manajemen laba, (7) Manajemen laba tidak brpengaruh signifikan terhadap kinerja keuangan, dan (8) Mekanisme GCG dan manajemen laba secara bersama-sama berpengaruh terhadap kinerja keuangan.

Katakunci: GCG, manajemen laba, kinerja keuangan.

I. Introduction

The issue of Good Corporate Governance is always a hot topic for discussion, especially among economists and business people in Indonesia. Since the onset of the financial crisis in various countries, especially Indonesia in 1997, which eventually turned into an Asian financial crisis which was seen as a result of weak Good Corporate Governance practices in Asian countries. Tjager, et al., (2003). The failure of several companies and the emergence of financial malpractice cases is unexpectedpractice of Corporate Governance. Because of this, GCG finally became an important issue, especially in Indonesia, which felt the most severe due to the crisis. Also the number of violations committed by issuers in the capital market handled by the Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) shows the low quality of GCG practices in our country.

Of the many sources of information presented by the company, one of the fountainhead of information used by external parties in assessing the company's performance is financial statements. However, the communication made by the company using the financial statements can be unfavorable and not transparent, which is caused by the involvement of management interests in the report. In this case, management influences the financial statements for the management's interests. The influence on the financial statements is part of the company's earnings management (Nur, 2012). Therefore, the implications that arise from the existence of strong GCG in a company are expected to affect the relationship between earnings management and earnings quality (Rifani, 2013).

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II. Literature Review

a) Agency Theory

The separation of ownership by the principal with agent control in an organization tends to cause agency conflict between the principal and the agent, counterinsurgency is likely due to the agent not always acting by the principal's interests, thus triggering agency costs. With financial statements made with accounting numbers, it is expected to minimize conflicts between interested parties.

b) Good Corporate GovernanceMechanism

According to Nina (2013), the mechanism of Good Corporate Governance can be classified into two groups, namely internal and external drive line system. The internal device, is a way to control companies by using internal structures and processes such the general meeting of shareholders (GMS), the composition of the board of directors, a composition of the board of commissioners, and meeting with the board of directors. The external mechanism is a way to influence companies in addition to using internal carrying into action, such as control by companies and market control.

c) Board of Directors

Pursuant to Article 1 number 5 of Act Number 40 of 2007, the Board of Directors is a Company Organ authorized and fully responsible for managing the Company for the benefit of the Company, in accordance with the purposes and objectives of the company and representing the company, both inside and outside the court in accordance with the provisions articles of Association. Thus, the Board of Directors is the management of the Company acting for and on behalf of the Company

d) Institutional Ownership

Institutional ownership is the ownership of shares of companies owned by institutions or institutions (insurance companies, banks, investment companies, government, and other institutional proprietor). Cornett et al. (2006 in Fauziyah, 2014.

e) Managerial ownership

According to Sujono and Soebiantoro in Lestari's research (2013) stated that managerial ownership is sharedproprietor by company management as measured by the percentage of the number of shares owned by management. A Good Corporate Governance can be created by increasing managerial ownership in a company.

f) Proportion of Independent Commissioners

According to Article 1 number 2 jo. Article 6 of the Financial Services Authority Regulation Number 55/ POJK.04 / 2015 Year 2015 concerning Establishment and Guidelines for the Implementation of the Audit Committee ("OJK Regulation 55/2015"), Independent Commissioners are members of the Board of Commissioners who are outside the Issuer or Public Company and fulfill requirements as referred to in the Regulation of the Financial Services Authority Number 33 / POJK.04 / 2014 concerning Directors and Board of Commissioners of Issuers or Public Companies ("OJK Regulation 33/2014").

According to Yahya Harahap in his book Limited Liability Law (p. 475), the existence and legal position of the Independent Commissioner in the Board of Commissioners Organ environment is genuine expected to be independent.

Independent Commissioners must have non-affiliated terms with any party, especially:

a) Not affiliated with the company's principal shareholders.
b) Does not have an association with members of the company's board of directors.
c) Does not have any affiliation with other members of the board of commissioners.

g) Audit Committee

The Indonesia Stock Exchange (IDX) and the Capital Market Supervisory Agency (BAPEPAM) require public companies to have an audit committee. The audit committee is a committee formed by the company's board of commissioners (Ningtyas et. Al., 2014). The existence of an audit committee is expected to reduce agency conflicts so that the quality of financial reports submitted to interested parties is increased and can be trusted so that it can help growing the value of the company in the eyes of investors.

h) Earning management

According to Subramanyam and Wild (2010: 133-134), there are two main methods of earnings management, namely:

a) Profit transfer is earnings management by moving profits from one period to another. Profit transfer can be done by accelerating or delaying the recognition of income or expense.
b) Earnings management through classification, namely earnings can be determined by particular classifying expenses (and revenue) in certain parts of the income statement. The general form of earnings management through classification is to move charge below the line or report coston extraordinary and non-repetitive items so that analysts do not consider it crucial.

i) Financial performance

According to Fahmi (2014: 2) states that financial performance is an analysis carried out to see the extent to which a company has implemented by using the rules of financial implementation accurate and correctly, such as by making a financial report that has met the standards and provisions in IFRSs (Financial Accounting Standards) or GAAP (General Accepted Accounting Principle) So financial performance is an illustration of the company's financial condition for a certain period. Its function is to measure the success of a company that focuses on financial statements.

j) Previous research

i. *Research Muh. Arief Ujiyantho in 2007*

Arief Ujiyantho in 2007 concerning the Mechanism of Corporate Governance, Earning Management and Financial Performance (Studies in Companies going public in the Manufacturing Sector) concluded that: 1) Institutional ownership does not significantly influence earnings management; 2) Managerial proprietor has a significant negatively effect on earnings management; 3) The proportion of independent board of directors has a significant positive impression to earnings management; 4) The number of commissioners does not significantly affect earnings management; 5) The influence of institutional ownership, managerial ownership, the proportion of independent board of commissioners and the number of board of commissioners jointly tested with a significant level of effect on earnings management; and 6) earnings management (discretionary accruals) does not significantly influence financial performance (cash flow return on assets).

k) Framework

i. *The Effect Good Corporate Governance with proxies the Board of Directors toearning Management*

The board of directors is tasked with reviewing management's performance to ensure that the company is run well and protect the interests of shareholders (Subhan, 2011). Ardiansyah's (2014) research results show that the board of directors has a negatively effect on earnings management. This has meaning, the more the board of directors will improve the monitoring function of direction so that it can reduce earnings management practices.

ii. *The Effect of Good Corporate Governance with the proxy of institutional ownership on earnings management*

According to Permanasari (2010) states that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the manager. This is because institutional investors are involved in strategic taking so that they do not easy believe in earnings manipulation. Raja et al. (2014) concluded that the maximum the institutional ownership, the ultimate the voting power and encouragement of these financial institutions to oversee management to limit earnings management actions.

iii. *The effect Good Corporate Governance with proxy managerial ownership on earnings management*

Wardani (2011), said that an increase in managerial ownership in a company encourages managers to create company performance optimally and motivates managers to act carefully because they share the consequences for their actions. Earnings management can be carried out by managers by choosing assured accounting procedures that are considered most profitable for managers. One way to reduce conflict between principals and agents can be done by increasing managerial ownership of a company (Wiranata and Nugrahanti, 2013). Sudibyo (2013) proved that managerial ownership has a significant positive effect on earnings management.

iv. *Effect of Good Corporate Governance with independent commissioner proxy on earnings management*

In Indonesia, it is often the case that commissioners only act passively and do not even carry out their veryelemental oversight role on the board of directors. The board of commissioners is often considered to have no benefit. This can be seen in the fact that many commissioners do not have the ability, and cannot show their independence "(FCGI, 2012).

v. *Good Corporate Governance Influence with the proxy of the number of audit committees on earnings management*

The more the number of audit committee meetings, the more it will be able to reduce earnings management actions by company management. "Audit committee formal meetings are important for the success of the audit committee's performance. The number of meetings is determined based on the size of the company and the size of the assignment given to the audit committee "(Pamudji & Trihartati, 2010 in Yendrawati 2015). The existence of independence, educational background, and formal meetings are expected to reduce the practice of earnings management in the company.

vi. *Effect of Earning Management on Financial Performance*

The manager as a company manager has ample space to carry out policies regarding using methods in preparing financial statements. This influence encourages managers to make earnings management in to increase company profits, Waseemullah, Safi. I. and Shehzadi, A. (2015), Gill et al. (2013) in his research found evidence that earnings management has a significant positive impact on the company's financial performance.

l) Effect of Good Corporate Governance on Financial Performance

i. *Influence of the board of directors on monetary performance*

The board of directors is the central internal mechanism that can monitor managers (Fama, 1978 in Putri and Suprasto, 2016). The functions, authorities and responsibilities of directors explicitly regulated in Law No. 40 of 2007 concerning Limited Liability Companies) Leading the company by issuing company policies,b) Selecting, assigning, overseeing the duties of employees and heads of departments (managers),c) Approve the company's annual budget,d) Deliver reports to shareholders on the company's performance.Hardikasari (2011) in his research stated that many studies conducted stated that companies that have a large board size cannot coordinate, communicate, and make better decisions than companies that have smaller boards.

ii. *Effect of managerial ownership on financial performance*

The proportion of managerial shares in the company indicates a common interest between the owner and the company manager. This similarity of interests will motivate managers to improve their performance so that it will have an impact on the company's financial performance. Based on research conducted by Indarti, Gill, Obradovich and Ming Hsiang in the research of Puniayasa and Triaryati (2016) which gives results that managerial ownership has a positive effect on the company's financial performance.

iii. *Effect of institutional ownership on financial performance.*

Institutional ownership is the percentage of shares of both private and government institutions at home and abroad. Supervision of the company will increase along with the high institutional ownership and management can act in line with the wishes of shareholders, the company's financial performance will increase. According to Nur'aeni in the research of Puniayasa and Triaryat (2016), which gives results that institutional ownership has a positive and significant effect on the company's financial performance.

iv. *Effect of independent board of directors on financial performance*

The supervisory function of the board of directors is to oversee the policies of the board of directors in running the company and provide advice to the board of directors. With a large number of members of the board of commissioners, the oversight of the board of directors have become much better, advice and input for the board of directors has become more numerous. So that the performance of the management is better and also affects the company's performance (Adestian, 2014).

v. *Influence of the Audit Committee on financial performance*

Romano et al. (2012) found that there was a negative relationship between the number of audit committees and the company's financial performance. With fewer audit committees, internal control will improve, increasing awareness of board activities and decisions that will ultimately increase the company's profitability. The existence of an independent audit committee is one of the characteristics of the audit committee. Independence is an necessary factor that must be owned by the audit committee. The role of an independent audit committee is expected to reduce opportunistic behavior carried out by company managers.

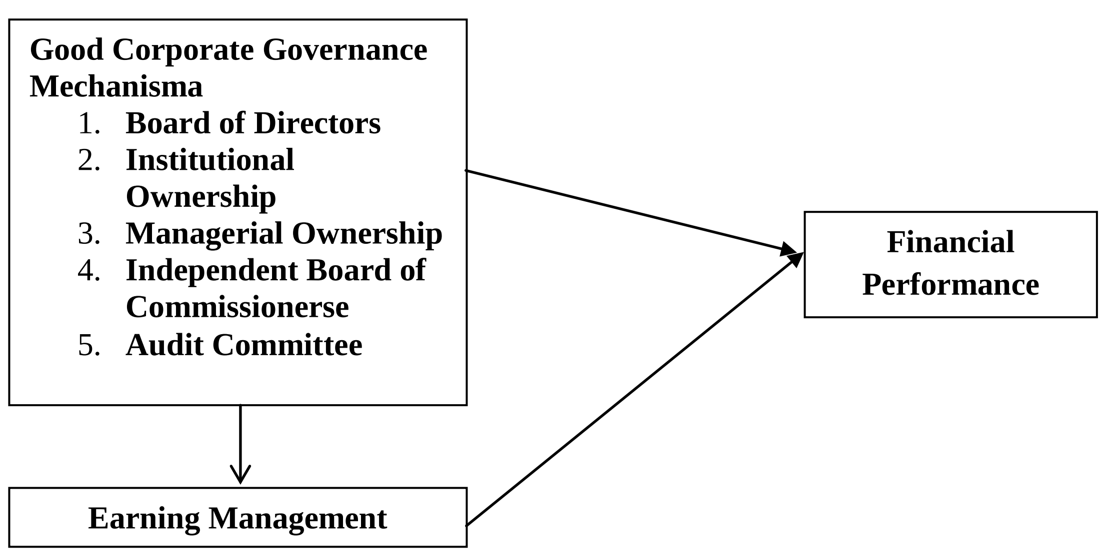

Figure 1

m) Hypothesis Development

Based on the description in the previous background section, the formulation of the problem in this study is:

1. Good corporate governance mechanisms, in this case, the board of directors, institutional ownership, managerial ownership, the proportion of independent board of directors, and audit committee empirically influencing both individually and individually to the earnings management of manufacturing companies on the Indonesia Stock Exchange?
2. Does earnings management have an empirical effect on the financial performance of manufacturing companies on the Indonesia Stock Exchange?
3. Good corporate governance mechanisms, and earnings management affects financial performance?

III. Research Methodology Sample Selection

A Population of this research is all manufacturing companies listed in Indonesia Stock Exchange for the year 2012 – 2016 that fulfill few requirements. The requirements used to determine the sample are:

a) Manufactur companies that go public or listed in Indonesia Stock Exchange for the year 2012 – 2016.
b) Manufactur companies still operate until 2016.
c) Have data regarding institutional ownership, managerial ownership, independent board of directors, audit committee, and the size of the Board of Directors.
d) Using Rupee currency.

The companies that were sampled in this study were 25 (twenty-five) companies, namely companies that were by the criteria described above.

a) Variable Operational Variables and Definitions The variables that will be explained in this study are:

a) Dependent Variable or y variable, the dependent variable to be discussed in this study is financial performance; financial performance is the company's fundamental performance. Monetary performance in this study was measured using a cash flow return on assets (CFROA). CFROA is calculated from profit before interest and tax plus depreciation divided by total assets)Intervening Variables (Intervening Variables).
b) The intervening variables to be discussed in this study are earnings management. Earnings management is measured by the value of discretionary accruals.
c) Independent variable (Independent Variable) or variable x, the independent variable that will be discussed in this study is a good corporate governance mechanism as measured by the number of board of directors, institutional ownership, managerial ownership, size of the independent board of directors, and audit committee.

b) Analysis technique

In conducting data analysis, each variable is:

a) Calculating the Board of Directors with a ratio scale (Ningtyas et. Al., 2014), the size of the board of directors, measured by the number of members of the board of directors within the company.
b) Calculating the percentage of institutional ownership, institutional ownership = the number of shares owned by institutional investors: the total number of shares outstanding x 100%
c) Calculating the percentage of managerial ownership, managerial ownership = number of shares owned by management: the total number of shares outstanding x 100%
d) Calculating the proportion of independent board of commissioners, namely the percentage based on the total number of members of the board of commissioners both from internal companies and external
e) Companies Measurement of the audit committee, the Audit Committee is measured by using the number of audit committee members in the company.
f) Calculating earnings management proxied by discretionary accruals using the Modified Jones Model.:

$$DA_{it} = TA_{it} - NDA_{it}$$

Information:

TA = total company accruals i in period t.

NI = net profit of company I in period t.

CFO = operating cash flow of company i in period t.

NDA = non-discretionary accruals of company I in period t.

DA = firm discretionary accruals i in period t.

A= total assets of the company i in period t-1.

Ev_{Revit} = change in net sales of company i in period t.

It_{Recit} = change in accounts receivable i in period t.

PPE_{it} = property, plant, and equipment company I in period t.

$\alpha 1$, α2, α3 = the parameters obtained from the regression equation.

€ it = error term company I in period t.

g) Financial performance is measured using the cash flow return on assets (CFROA). CFROA is calculated from profit before interest and tax plus depreciation divided by total assets.

c) Data Normality Test

To improve the results of the data normality test, the researchers used the Kolmogorov-Smirnov test. In the K-S test, a data is said to be normal if the asymptotic value is significantly more than 0.05, then the data is normally distributed and vice versa, if the p-value is smaller than 0.05, then the data is not normally distributed (Ghozali, 2013).

d) Multicollinearity Test

The purpose of this test is to test whether the regression model found the correlation between independent variables. If there is a correlation or occurs, it is called a problem of multicollinearity (multicolor). By looking at the tolerance value and variance inflation factor (VIF). Common values used to indicate the presence of multicollinearity are tolerance values <0.10 or equal to VIF values> 10 (Ghozali, 2013).

e) Autocorrelation Test

Autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in the period t-1 (previously). In the Durbin Watson distribution list table with various values α Decision making on whether or not there is autocorrelation is as follows: DW <dl = there is a positive autocorrelation value, dl <DW value <du = cannot be concluded, du <DW value <4-du = no autocorrelation, 4-du <DW <4-dl = cannot be concluded, DW> 4-dl = there is negative autocorrelation. Ghozali (2011).

f) Heteroscedasticity Test

Heteroscedasticity test aims to test whether in the regression model there is a variance inequality from residual one observation to another observation, one way to detect there whether or not heteroscedasticity is to test the park, and see the scatterplot graph between the dependent predictive value of ZPRED and the SRESID residual. If the significance probability value is above the 5 percent confidence level and on the scatterplot graph, the points spread above and below the zero on the Y axis, it can be concluded that the regression model does not contain heteroscedasticity. Ghozali (2011)

g) Multiple Regression Test

Multiple regression is a regression that has one dependent variable and more than one independent variable. The results of the regression analysis to test the hypothesis proposed above are :

Y = 0,018 + 0,098 X1 + 0,006 X2 + (-0,134) X3 + 0,161 X4 + 0,496 X5 + (-0,010) X6 + e, To examine the effect of corporate governance mechanisms on earnings management, multiple regression analysis is used: Y= - 0,142 + 0,006 X1 – 0,012 X2 + 0,138 X3 - 0,130 X4 – 0,038 X5

h) T-test

This test is conducted to test the ability of independent variables (GCG, earnings management, financial performance). If the t-statistic value of the calculation results is higher than the t-table value, then the alternative hypothesis which states that an independent variable individually affects the dependent variable. Ghozali (2011).

i) Test F

The statistical test F basically shows whether all independent or free variables included in the model have a joint influence on the dependent / dependent variable. The testing criteria used by the researcher is if: $F_{count} > F_{table}$ then H0 is rejected and Fcount <Ftable then H0 is accepted.

j) Determination Coefficient Test (R2)

The coefficient of determination (R^2) is used to measure how much the ability of the model in explaining the variation of the dependent variable. The value of determination is determined by the value of Adjusted R Square. The coefficient of determination is between zero and one. A small R2 value means that the ability of independent variables in explaining the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. Ghozali (2011).

IV. Result and Discussion

a) Statistik Deskriptif

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Performance	125	-,08	,58	,1312	,12006
Earning Management	125	-,88	,40	,0071	,12974
Board Of Directors	125	2	18	5,56	3,033
Institusional Ownerssship	125	,32	,98	,7073	,15767
Managerial Ownership	125	,00	,26	,0507	,07339

Independent Of Board Commissioners	125	,02	,83	,3953	,12134
Audit Kommitee	125	2	4	3,01	,370
Valid N (listwise)	125				
Data processed by SPSS 21					

The value of N in the table shows the number of samples used in the study for 2012-2016 with 25 manufacturing companies, namely 125 samples, according to the observations in this study. In the table can be seen that financial performance has a value between -0.0829 to 0.58 with an average of 0.131 and a standard deviation of 0.12, while for the amount of earnings management in the table shows that the profit of earnings management is between - 0.88 to 0.4 with an average of 0.007 and a standard deviation of 0.1287, the board of directors averaged 5.56 with a standard deviation of 3.033, institutional ownership has a minimum value of 0.32, a maximum value of 0,98, the mean value is 0.70, and the standard deviation is 0.157. Managerial ownership has a minimum amount of 0.00 a maximum value of 0.26, a mean value of 0.05, and a standard deviation of 0.07, the proportion of independent commissioners produces an average value of 0.39 with a standard deviation of 0.12 and a value minimum of 0.27, the Audit Committee outcome an average value of 3.01 with a standard deviation of 0.37 and a minimum benefit of 2.0

b) Data Normality Test

Normality test is done by using the Kolmogorov-Smirnov test; if the significance value of Kolmogorov-Smirnov is higher than $\alpha(0.05)$, then the data is ordinarily distributed.

Table 2: One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		125
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,09875711
Most Extreme Differences	Absolute	,105
	Positive	,105
	Negative	-,060
Kolmogorov-Smirnov Z		1,169
Asymp. Sig. (2-tailed)		,130

a. Test distribution is Normal.
b. Calculated from data.
Data processed by SPSS 21

The table above shows that the variable has a value of 0.130 which means that its natural value (0.130>0.05) and distributed samples have been considered normal, in this case testing the classical assumption shows that the data is normally distributed, the data is considered normal.

To see whether there is a perfect multicollinearity that causes the estimation of the regression coefficient cannot be determined, and the addition of independent variables has no effect at all, multicollinearity test is used.

c) Multicollinearity test

Table 3: Output of Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,018	,100		,180	,858		
	Earning Management	,098	,071	,106	1,376	,172	,973	1,028
	Board Of Directors	,006	,004	,149	1,545	,125	,619	1,616
	Institusion Ownership	-,134	,070	-,177	-1,927	,056	,684	1,463
	Managerial Ownership	,161	,154	,098	1,047	,297	,651	1,536
	Independent Of Board of Commissioners	,496	,089	,502	5,552	,000	,702	1,424
	Audit Commite	-,010	,026	-,031	-,380	,704	,870	1,150

a. Dependent Variable: Financial Performance
Source: Data processed by SPSS 21

From the multicollinearity test table which shows that the VIF value in the table above is not more than 10 and the tolerance value is not less than 0.1, then it can be stated that multiple linear regression models are free from multicolinerity, so the test results are said to be reliable or reliable.

d) Autocorrelation Test

Autocorrelation test aims to test whether multiple linear regression models have a correlation between confounding errors in period t-1.This study uses the Durbin–Watson test.

Table 4

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,569[a]	,323	,289	,10124	1,835

a. *Predictors: (Constant), Audit Commitee, Managerial Ownership, Earning Management, Board of Independen Commissioner, Institusional Ownership, Board of Directors*

b. *Dependent Variable: Financial Performance*

Data processed by SPSS 21

Based on the table above the results of the autocorrelation test with Durbin-Watson shows the number 1,835. Determining the value of α with d table in this study is dl (n = 125, k = 6) = 1.6089, du (n = 125, k = 6) = 1.8096 so the results of the value of Dw (1.835)> du (1.8096) and it can be concluded that this multiple linear regression model is free from autocorrelation.

e) Multiple Regression Test Results

i. *T-test*

Table 5: T-test, Hypothesis 1 GCG Mechanism on Earnings Management (DA)

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	,142	,129		1,106	,271
Board Of Directors	,006	,005	,126	1,105	,271
Institusion Ownership	-,012	,090	-,015	-,135	,893
Managerial Ownership	,138	,198	,078	,701	,485
Board Of Independen Commissioner	-,130	,115	-,121	-1,132	,260
Audit Commitee	-,038	,034	-,107	-1,111	,269

Data Prosses By SPSS21

Table 6: Uji t, Hipotesis 2 dan 3

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	,018	,100		,180	,858		
	Earning Management	,098	,071	,106	1,376	,172	,973	1,028
	Board Of Directors	,006	,004	,149	1,545	,125	,619	1,616
	Institusion Ownershhip	-,134	,070	-,177	-1,927	,056	,684	1,463
	Managerial Ownership	,161	,154	,098	1,047	,297	,651	1,536
	Board Of Independent Commissioner	,496	,089	,502	5,552	,000	,702	1,424
	Audit Commitee	-,010	,026	-,031	-,380	,704	,870	1,150

Sourses : Data prosses by SPSS 21

Based on the t-test obtained t-count 1.376 (1.376 < t-table = 1.98010) and earnings management value greater than 0.05 (sig t 0.172> 0.05), it can be concluded that H01 is accepted which means that earnings management does not have a positive effect on performance financial, The effect of the number of board of directors based on t test obtained t_{count} 1.545 (1.545 < t_{table} = 1.98010), the board of directors produced positive but not significant, institutional ownership variables did not affect the company's financial performance, this can be seen from the coefficient value of -0.134 with a t value of -1.927 and a significance value of 0.056, the significance value is greater than 0.05 (0.056> 0.05), the test results show that managerial ownership has a negative and significant effect on the company's financial performance. This can be seen from the coefficient value of 0.161 with a t value of 1.047 and a significance value of 0.297, the significance value is higher than 0.05 (0.297 <0.05) which means that the third hypothesis is accepted, in the visible table the results of the study indicate that the commissioner independent does not affect the company's financial performance. This can be seen from the coefficient value of 0.496 with a t value of 5.552 and a significance value of 0.000 the significance value is less than 0.05 (0.000 <0.05), and for the audit committee, the results of the study indicate that the audit committee has no positive effect and significant to the company's financial performance. This can be seen from the coefficient value of -0.010 with a t value of -0.380 and a value signifikanceof 0.704 the significance value is greater than 0.05 (0.704> 0.05).

ii. *F Test*

Tabel 7: Table Anova Hypothesis 1, Good Corporate Governance Variables to Earnings Management

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,057	5	,011	,663	,652[b]
	Residual	2,031	119	,017		
	Total	2,087	124			

a. *Dependent Variable: Earning Management*
b. *Predictors: (Constant), Audit Commitee, Managerial Ownership, Board of Independent Commissioner, Institusion Ownership, Board of Directors*

Data prosses by SPSS 21

From the table above obtained F-count value of 0.663 while F-table at 95% confidence level (α = 0.05) Degrees of freedom df1 = 5 (6-1), and df2 = 119 (125-6), amounting to 2.29 with a significance level 0.652 which is greater than 0.05. Based on the calculation of Fcount <F-table (0.663 <2.29), then H0 accepted and H1 refused. This gives the meaning of giving that the independent variables, namely the board of directors, institutional ownership, managerial ownership, the proportion of independent board of directors and audit committee together do no affect on earnings management.

Table 8: F-Test, Hypothesis 2 and 3

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,578	6	,096	9,397	,000[b]
	Residual	1,209	118	,010		
	Total	1,787	124			

a. *Dependent Variable: Financial Performance*
b. *Predictors: (Constant),Audit Commitee, Managerial Ownership, EarningManagement, Board of Independent Commissioners, Institusions Ownership, Board Of Directors*

Data prossesed by SPSS 21

From the results of hypothesis testing and the ratio between F_{count} with F_{table}, the F_{count} value is greater than F_{table} (9,397> 2,18). it can be concluded that H0 is rejected which means that good corporate governance and earnings management together influence on the company's financial performance.

iii. *Determination Coefficient Test (R2)*

Table 9: Determination Coefficient Test Table

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,569[a]	,323	,289	,10124

a. *Predictors: (Constant), Audit Commitee, Managerial Ownership, Earning Management, Board Of Independent Commissioners, Institusions Ownership, Board Of Directors*

b. *Dependent Variable: Financial Performance*

Data Prosess by SPSS 21

From the table above, it can be seen that the coefficient (r) is equal to 0.569. This value shows that the correlation or relationship between Good Corporate Governance and earnings management with the company's financial performance does not have a strong relationship because it has a correlation value> 0.50. While the value of Adjusted R Square (the coefficient of determination) produced a number of 0.289, which means that the variation or behavior of the independent variable is able to explain the behavior or variation of the dependent variable by 28.9% while the remaining 71.1% is a variation of other independent variables that affect performance finance.

V. Discussion

1. Effect of GCG on Earning Management.

- Board of Directors on earnings management

The t_{count} of good corporate governance with the proxies of the board of directors 1.105 $< t_{table}$ is 1.98010 and the significance is greater than 0.05 (sig.t 0.271> 0.050) so that it can be decided H01 is accepted which means that GCG with the proxy number of the board of directors has no effect on management profit. The ineffectiveness of supervision by the board of directors will lead to a decline in performance which causes a decrease in the ability of the board to control management and prevent fraud from management in managing the company which includes fraud in earnings management (Ayuanti, et all 2012). with Ujiyanto and Pramuka (2007) which stated a negative relationship between the size of the board of directors and earnings management. And this research is not in line with Ardiansyah's (2014) research which concluded that the board of directors has a significant effect on earnings management practices, this shows that more food boards will be able to reduce earnings management activity.

- Institutional ownership of earnings management

The t-count of institutional ownership was -0.135 <1.980, the count was smaller than t-table, and the significance was higher than 0.05 (sig.t 0.893> 0.050), and because t-count was between (t-table -1.98010 and + 1.98010), so that H03 can be accepted. Which means that GCG with institutional ownership proxies does not affect earnings management. Investors do not consider numbers in the financial statements because the only concern is profit, this amount triggers management to meet the target (Novia 2012). The results of this study support the findings of previous researchers namely Ujiyanto and Scouting (2007: 16) that institutional ownership does not significantly influence earnings management. And this research is in line with Ardiansyah's (2014) research which concluded that institutional ownership does not affect earnings management practices.

- Managerial ownership of earnings management

The t-count of managerial ownership is 0.701 <1.98010 Significance is higher than 0.05 (sig.t 0.485> 0.050), and t-count is between (t-table -1.98010 and + 1.98010) so that H04 can be decided, which means ownership managerial has no effect on earnings management, the process of preparing financial statements involves management, and this proves that financial statements are misused by management which will affect the amount of profit displayed, and this is a form of managerial intervention intentionally in the process of determining earnings, usually to meet the objectives Personally (Gustina & Wijayanto, 2015). This analysis is consistent with the research of Boediono (2005; in Praditia, 2010) which states that the application of managerial ownership mechanisms is less contributing to controlling earnings management actions.

- Independent board of commissioners on earnings management

The t-count value of the independent board of directors was -1,132 <1,98010.The significance is higher than 0.05 (sig.t 0.260> 0.050), so it can be decided that H05 is accepted which means that the independent board does not affect earnings management. This research is in line with Ardiyansah's research (2015) which concluded that an independent board did not affect on earnings management, the appointment of independent commissioners is not intended to uphold good corporate governance but only fulfill regulations. So that more and more independent commissioners will make earnings management increase instead of decreasing.

- Audit committees on earnings management

Audit committee's t-count value -1,111 <1,98010, t-count is smaller than t-table and significance is greater than 0,05 (sig.t 0,269> 0,050), so that H06 can be accepted. Which means the audit committee does not affect on earnings management. This research is not supported by the results of Klein's (2002) study in Eka (2011) which provides empirical evidence that companies form audit committees reporting earnings with smaller discretionary accruals compared to companies that do not form an audit committee and audit committee with a small number (few) may experience a lack of resources to distribute the mandated audit committee assignments, and to oversee the operations of larger and more complex companies.

Based on the calculation of Fcount <Ftable (0.663 <2.29), then H0 is accepted and H1 is rejected. This gives the meaning of giving that the independent variables, namely the board of directors, institutional ownership, managerial ownership, the proportion of independent board of directors and audit committee together have no effect on earnings management.

2. Effect of earnings management on financial performance

Based on the t test obtained t_{count} 1.376 (1.376 < t_{table} = 1.98010) and earnings management value greater than 0.05 (sig t 0.172> 0.05), this shows that each increase in one unit of earnings management as measured by Discreationary accruals will lead to an increase in earnings quality of 1.376, it can be concluded that H01 is accepted which means that earnings management does not have a positive effect on financial performance. These findings are consistent with research conducted by Afriyenti (2009) and Ujiyantho and Bambang (2007), who found evidence that accrual earnings management does not affect company performance.

3. Effect of GCG on Financial Performance

- The influence of the Board of Directors on financial performance

From the results of the board of directors' testing based on the t test, it was found that t-count was 1.545 (1.545 < t-table = 1.98010), the board of directors produced positive but not significant. so that it can be decided H02 is accepted which means that the number of directors does not have a positive affect on financial performance, the view of resources dependence is that the company will depend on its board to be able to manage its resources well. But with a larger number of directors, companies cannot coordinate, communicate and make better decisions than companies that have fewer directors (Jensen, 1993; Lipton and Lorsch, 1992; Yermack, 1996).

- Effect of institutional ownership on financial performance.

The test results show that the institutional ownership variable does not affect the company's financial performance, this can be seen from the coefficient value of -0.134 with a t value of -1.927 and a significance value of 0.056, the significance value is greater than 0.05 (0.056> 0, 05), the results of this study are not in line with Puniayasa and Triaryat (2016), which gives results that institutional ownership has a positive and significant effect on the company's financial performance.

- Effect of managerial ownership on financial performance

The results of managerial ownership testing have a negative and significant effect on the company's financial performance. This can be seen from the coefficient value of 0.161 with a t value of 1.047 and a significance value of 0.297, the significance value is greater than 0.05 (0.297> 0.05) which means that the third hypothesis is accepted. Thus, the results of this study are in accordance with the results of research conducted by Siallagan and Machfoedz (2006) which states that managerial ownership negatively affects the company's financial performance. But not in line with Puniayasa and Triaryati (2016) which gives results that managerial ownership has a positive effect on the company's financial performance.

- The influence of an independent board of directors on financial performance

The results showed that independent commissioners have an effect on the company's financial performance. It can be seen from the value of t independent board 5.552> 1.98010, because t is between (ttable -1.98010 and + 1.98010). The significance of less than 0.05 (0.00 sig.t <0.050), so it can be decided H05 is rejected, which means that the independent board positive effect on financial performance [of the company, which means that the fourth hypothesis is rejected. Thus, the results of this study are not in accordance with the results of research conducted by Kusumawati and Riyanto (2005) which states that independent commissioners do not affect the company's financial performance.

- Effect of the number of audit committees on financial performance

The results of the audit committee tcount -0.380 <1.98010, because t is between (ttable -1.98010 and + 1.98010), and the significance is greater than 0.05 (sig.t 0.704> 0.050) so it can be decided H06 is accepted which means that the audit committee does not have a positive effect on financial performance. These results are consistent with the research (Adestian, 2014) which states that the size of the audit committee does not affect the company's financial performance as measured by CFROA.

Based on the F test obtained F_{count} of 9.339 (F_{count} 9.3397> F_{table} 2.18). The sig value is smaller than 0.05 (sig F 0,000 <0.05), it can be concluded that H0 is rejected which means that good corporate governance and earnings management variables together influence the company's financial performance. This is not in accordance with the results of the research by Yusriati, et al, (2010) which stated that there was no relationship between the implementation of corporate governance on financial performance mediated by earnings management actions.

VI. Conclusion

From the results of data analysis and the discussion in the previous chapter can be concluded as follows:

1. Mechanisms of good corporate governance, namely the board of directors, institutional ownership, managerial ownership, the proportion of independent board of directors and audit committee together have no effect on earnings management.
2. Earnings management as measured by Variable discretionary accruals does not have a significant effect on cash flow return on assets.
3. Good corporate governance and earnings management together affect the company's financial performance.

VII. Limitations

The limitations of this thesis are as follows:

1. In this study the number of samples classified as relatively small classification is 25 companies out of the number of 139 manufacturing companies.
2. The author's references are not yet complete to support the writing process of this thesis, so there are many deficiencies in supporting the proposed theory
3. The variables used in this study are still limited, while there are many other variables that may also affect the company's financial performance.
4. Measurement of earnings management using only one measurement tool, namely MJM (Jones madel method), it is feared that measurement using only one model cannot reflect whether the company is indicated to implement earnings management or not.

Practical Contributions

The results of the research will be beneficial for shareholders (investors) andcompanies go public and their managers:

1. This research for investors can be taken into consideration in choosing issuers as a place to invest by considering the application of the Good Corporate Governance mechanism and earning management practices that affect the financial performance seen in the company's annual report.
2. The results of this study for companies can be used as input by management as an agent in determining policies related to the implementation of Good Corporate Governance and Management, its effects on financial performance.

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Perceptions of Financial Records keeping and Reporting Practices among Micro and Small Enterprises' a Case of Wollega Zonal Administration - Western Oromia Region

By Kasahun Tamiru Tefera
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Abstract- Today, most of developing country economy is changed through MSE business operation were Ethiopia is a part. In this regard the financial record keeping and reporting practice of MSE has got much attention. This study aims to look at perception of financial record keeping and reporting practice of MSE in case of four Wollega zonal administrations. The target population of this study was 5,145MSEs found in the selected four towns that are engaged in different sectors. A simple random sampling technique was adopted. A sample of 194 was taken by using Slovin's Sampling formula. The required data is collected from 178 sample (around 91%) respondents using self-administered five point-likert scale questionnaires. Data collected is processed by using SPSS version 16 software and STATA 10 and analyzed by using different descriptive statistics. Multinomial regression model was also adopted. The study reveals that, even though there is willingness of financial record and report makes to understand what is going on in their businesses, MSE have perceived that, they have not initiated by them-selves rather it is by the external push and they consider record keeping is a tedious activity. In regard with Knowledge, MSE owner and employees have no basic knowledge of bookkeeping and accounting.

Keywords: record keeping, financial report, micro and small enterprises.

GJMBR-D Classification: JEL Code: M41

PERCEPTIONSOFFINANCIALRECORDSKEEPINGANDREPORTINGPRACTICESAMONGMICROANDSMALLENTERPRISESACASEOFWOLLEGAZONALADMINISTRATIONWESTERNOROMIA REGION

Strictly as per the compliance and regulations of:

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Abstract- Today, most of developing country economy is changed through MSE business operation were Ethiopia is a part. In this regard the financial record keeping and reporting practice of MSE has got much attention. This study aims to look at perception of financial record keeping and reporting practice of MSE in case of four Wollega zonal administrations. The target population of this study was 5,145MSEs found in the selected four towns that are engaged in different sectors. A simple random sampling technique was adopted. A sample of 194 was taken by using Slovin's Sampling formula. The required data is collected from 178 sample (around 91%) respondents using self-administered five point-likert scale questionnaires. Data collected is processed by using SPSS version 16 software and STATA 10 and analyzed by using different descriptive statistics. Multinomial regression model was also adopted. The study reveals that, even though there is willingness of financial record and report makes to understand what is going on in their businesses, MSE have perceived that, they have not initiated by them-selves rather it is by the external push and they consider record keeping is a tedious activity. In regard with Knowledge, MSE owner and employees have no basic knowledge of bookkeeping and accounting. They also face difficulty to easily understand and control what is going on in their business. In addition study result indicates MSE are perceived that their business will proceed and successful even if they have no financial record promptly. This cause Micro and Small Enterprise financial record and reporting practice, to be odd till right now in four Nekemte zonal administrations. The result indicates that MSE do not hired a professional considering that it is waste of money and MSE do not require the use of consultants for financial record and preparation of legal financial reporting of their business. Concerning preparations of proper accounts the result indicates that Micro and Small Enterprises consider no need to have separate account for different financial information and uses of one account for all purpose, which makes ineffective record keeping and reporting of their business financial operation.

Keywords: record keeping, financial report, micro and small enterprises.

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Chapter One

I. Introduction

This chapter presents background of the study, statement of the problem, objective of the study, research question, significant of the study, scope and limitation of the study as presented below.

a) *Background of the Study*

One major area that could be investigated is the extent to which the MSE's owners and managers keep records of their business operations. Bookkeeping is the first essential step of accounting which as a system provides a source of information to owners and managers of MSE's operating in any industry for use in the measurement of financial performance. The importance of financial performance measurement to any business entity cannot be over-emphasized. In this sense, the accounting bases, concepts and principles adopted ought to capture and report all the relevant accounting information to ensure reliability in its measurement.

Cooley and Edwards, (1983) argue that MSEs must devise strategies of solving internal problems of managerial challenges that immensely retard their success. The internal factors are managerial skills, workforce, accounting systems and financial management practices. However, since the accounting department is perceived as a service unit to support the firm's operations by making available information on costs and performance indicators, a large number of business failures have been attributed to inability of financial managers to account properly the current assets and the current liabilities of their respective firms (Dodge & Robbins, 1992 and Ooghe, 1998).

Poor finance management has been posted as the main cause of failure on the MSE's (Longeneter et al 2006). Bowen (2009) observes that there is a strong relationship between business performance and the level of training in the business management especially in business finance record keeping. Business management entails keeping proper records of the business transactions. Knowledge and skills in bookkeeping is especially one major factor that impacts positively on sustainability and growth of MSEs. Failure to record business financial transactions (bookkeeping) leads to collapsing of the business within few month of its establishment (Germain 2009). In essence, recordkeeping is one thing an entrepreneur cannot afford to ignore.

Maseko and Manyani (2011) stipulate that MSEs business recordkeeping is the backbone of one's business. As much as it seems to be a laborious task for many, it will make or break one's business. Keeping accurate records is actually what creates a profitable business. In essence, one should not take MSEs recordkeeping lightly. Germain (2010) observes that most business operators especially those in MSEs perceive recordkeeping as a chore that must be done to simply get back some much needed cash at the end of a particular period of time for example after an year. However, actually, accurate recordkeeping is not as important to many business operators. With this perspective, it is no wonder so many of these businesses fail from the beginning (Wanjohi (2012).

Furthermore research has also confirmed that poor or lack of recordkeeping in a business and especially the Small enterprises lead to their collapsing (Germain 2010). The effort made by the Government and the banks in Ethiopia is vital for not only the growth of MSE's sector but also for the overall economic growth of the country. Research in the area of MSE's would therefore be important if the country's economy and hence poverty reduction is to be realized. In essence, the cause for collapsing of majority of the MSE's few months of their operation should be investigated for the purpose of coming up with fruitful intervention measures.

Research has shown that in any business, recordkeeping is the first step of the accounting process, which also includes classifying, reporting and analyzing the business financial data. It involves organizing and tracking receipts, cancelled checks and other records generated by financial transactions. Bookkeepers chronologically record all transactions: cash disbursements, cash receipts, sales and purchases, and others in a journal and post the journal entries to a general ledger of accounts, which is essential for preparation of monthly financial statements. This is imperative for a profitable business. Further, research has in the past shown that in business management, proper keeping of records of all business transactions is vital for the success of the business (King and McGrath 1998). In addition, Butler (2009) asserts that without accurate and complete records of business transactions the business is doomed to fail at its onset.

b) Statement of the Problem

Profit and wealth maximization is most often the priority of every business entities with no exception of MSE's. Attitude towards financial record keeping and reporting is inferred to be the factors affecting a MSE's business operations. This going to assured through a good accounting bases, concepts and principles adopted, that ought to capture and report all the relevant accounting or financial information to ensure reliability in its measurement (Haryani, 2012). For example, reported profits reflect changes in wealth of owners and this can explain why major economic decisions in business are centered on financial performance as measured by profitability, (Cooley and Edwards, 2004).

The poor performance of small and medium scale business can be attributed to hosts of factors of poor accounting record keeping. Thus, the accounting department is perceived as a service unit to support the MSE's operations by making available financial information on costs and performance indicators. However, a large number of MSE's business weakness and failures have been attributed to inability of financial managers to account properly the current assets and the current liabilities of their respective firms (Dodge & Robbins, 2012). The study by Cooley and Edwards, (2005) argue that MSEs must devise strategies of solving internal problems of managerial challenges that immensely retard their success. The internal factors are managerial skills, workforce, accounting systems and financial management practices.

In effective adoption of basic accounting procedures and financial reporting that have been implemented and applied in MSEs is also pointed as a challenge to have good financial record keeping practices and financial report. A study by Victor, (2012), state that "The four main qualitative characteristics of financial statements", states objective of financial statements is to satisfy the information needs of a range of its users were it is not properly addressed by MSEs. The researcher further stated that for financial statements and reports to achieve this objective they must possess specific characteristics; the four primary attributes are understandability, relevance, reliability and comparability must be kept. However, there are other qualitative characteristics of financial statements like consistency and fair presentation. These characteristics define what makes financial statements useful to the users that will be hand in hand with basic accounting procedures and financial reporting used.

It is also imperative to state that the absence of financial reports impair the growth of the MSE which is prevailed in the selected four towns. It is therefore in the wake of finding out the reasons behind small scale enterprises' inability to keep proper accounting records and failure to give financial reports, the researchers deemed it appropriate to undertake this research work. This study therefore explores the perceptions of financial record keeping and financial report practices of MSEs in selected four towns.

c) *Objective of the Study*

i. *General objective*

The main objective of the study was to assess the perception of accounting records keeping and financial reporting practices of MSE's in selected four towns.

ii. *Specific Objective*

In addition to the above general objective the following specific objective will be:

1. To assess MSE willingness of having financial records keeping and reporting.
2. To assess the MSE knowledge toward financial records keeping and reporting.
3. To analyze the preparations of proper accounts financial records keeping and reporting.
4. To assess the need for professional and consultancy in financial records keeping and reporting.
5. To assess the perceived Benefits financial records keeping and reporting.

d) *Research Question*

The study will point on the following research questions:

1. How does MSE willingness of having financial records keeping and reporting?
2. What is the MSE knowledge toward financial records keeping and reporting?
3. What is the practice of MSE in having proper accounts for financial records keeping and reporting?
4. How does the need for professional and consultancy for financial records keeping and reporting?
5. How does perceived benefits from financial records keeping and reporting?

e) *Significant of the study*

The study investigates the perception of MSE's owners or managers/employees in keeping records of their business operations. The findings of this study likely provide a more comprehensive picture of the current status of MSE's perceptions of recordkeeping, that lead to a better understanding of this phenomenon and thereby the development of more effective strategies to aid effective record keeping of the MSE's. Additionally, the findings contribute to bridging of the wide gap that exists between having and not having financial record, since it would suggest of ensuring MSE's toward recordkeeping and reporting practice. The information generated also helps for MSE promoters, research and development organizations, policy makers, government and MSE support institutions for their activities in designing of policies and strategies that facilitate the loan delivery for the MSE firms. Finally, the findings of the study may add theoretical and empirical literature to the body of knowledge in areas of financial record keeping by the MSE that practitioners and other researcher may use in their research work.

f) *Scope and limitation of the study*

This study was conducted based on data collected from the perception of the study participants or MSE owner, manger and employee which was subjective in responding about financial record keeping by the MSE firms which may lack objectivity on the data gathered. This study focused on perceptions of financial record keeping and reporting by the MSE's in selected four towns. According to, Germain, (2010) one major factor that has been blamed for the failure of the MSE's is poor or lack of knowledge in the financial record keeping and business financial management. Very few researches have been conducted in this area were this study will indeed undertake to fill the gap considering the selected four towns. For the purpose of investigation, the study has not determined other factors that may lead to weak financial record keeping MSE's.

Chapter Two

II. Literature Review

a) *Theoretical Literature*

i. *Definition of small and medium enterprise*

Storey (1994) and Amoako (2012), argues that there is no single, uniformly acceptable, definition of small and medium entities. Thus, the definition of MSE varies and is dependent upon whose point of view (Taylor and Adair, 1994). In 1996, the European Commission established a new definition of small and medium enterprises based on four quantitative criteria (EC. 1996): a) The total number of employees in the enterprise; b) The annual volume of the turnover; c) The total of the assets in the enterprise balance; and d) The degree of independence of the enterprise or the ownership over it.

Consequently, the European commission (2003) defines MSEs as enterprises which employ fewer than 250 persons and/or have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

In Asia, The Hong Kong Institute of Certified Public Accountants (2005) states that an entity is considered to be an MSE in Hong Kong so long as its total annual revenue is not more than HK$50 million, total assets also not exceed HK$50 million, at the reporting date with number of employees not more than 50.

The International Accounting Standards Committee Foundation (IASCF) (2007) also defines an MSE as an entity that is not obligated to public accountability and thus publishes general purpose financial statements for external users.

In Ghana, the most commonly used definition of MSEs is the number of employees of the enterprise. In applying this definition, however, there is some controversy in respect of the arbitrariness and cut off points used by the various official records (Amoako, 2012; Dalitso and Quartey, 2000).

ii. *Importance of Bookkeeping in MSEs*

Bookkeeping is the first essential step of accounting which as a system provide a source of information to owners and managers of MSEs operating in any industry for use in the measurement of financial performance. The importance of financial performance measurement to any business entity cannot be over-emphasized. In this sense, the accounting bases, concepts and principles adopted ought to capture and report all the relevant accounting information to ensure reliability in its measurement. Cooley and Edwards, (1983) contend that reported profits reflect changes in wealth of business owners. This can explain why major economic decisions in business are centered on financial performance as measured by profitability. Moreover, European Commission (EC), 2008) affirms that accounting information is important for a successful management of any business entity, whether large or small. It is therefore imperative that the accounting practices of MSEs source complete and relevant financial information needed to improve economic decisions made by entrepreneurs. In essence, accurate bookkeeping in MSEs is vital for the purpose of informing accounting in the enterprise.

Maseko and Manyani (2011) stipulate that Micro and Small business recordkeeping is the backbone of one's business. As much as it seems to be a laborious task for many, it will make or break one's business. Keeping accurate records is actually what creates a profitable business. In essence, one should not take MSEs recordkeeping lightly. Germain (2010) observes that most business operators especially those in MSE perceive recordkeeping as a chore that must be done to simply get back some much needed cash at the end of a particular period of time for example after an year. However, actually, accurate recordkeeping is not as important to many business operators. With this perspective, it is no wonder so many of these businesses fail from the beginning (Wanjohi (2012).

If one does not keep accurate and complete records the success of business will be threatened in many ways. For example one may end up paying more tax than is due because of lack of evidence of tax deductible expenditure or/and inaccurate sales. If one pays an accountant to prepare the business accounts they will charge based on how long it will take them. If one's records are more accurate this will reduce the time taken and therefore reduce the amount they charge, (Commonwealth of Australia 2010).

The aforementioned reasons are sufficient to ensure one keeps good books and records but the most important reason is to ensure one has control over the business and that one can assess its profitability and the cash flow situation therefore ensuring awareness of any potential problems as soon as possible and can make business decisions with all available information at hand. In order to achieve this crucial control of a business, one has to consider keeping accurate records. This leads one to find out which records must be kept for the purpose of the success of a business.

iii. *Basic recordkeeping skills required for MSEs*

MSEs Owners have many tasks. One of the most important and vital to the success of their business is keeping good records. According to Howard (2009) many small businesses fail to keep adequate records. This leads to major problems and quite possibly the closing of the business. Evidence shows that keeping good records helps increase the chances of business survival. In essence, the MSEs owners or manager should be personally involved in record keeping (Sian, 2006). Good record keeping will make them more aware of what is going on in their businesses and it will save them money.

The system used to record information may vary from business to business, but the principles are the same (Howard, 2009). According to Walistedt (1996) one must record all monies coming and going out of the business. The first action to take is to identify financial transactions. Look at how the business operates and identify how financial transactions are processed. The question the owner or manager need to ask is how he invoice customers and how the inventory is purchased.

This is followed by making a list of these transactions and the paperwork that supports them. One has to put a system in place for records and set up and operate a system that includes the following: Sales that is used to record invoices relating to sales, Purchases that is used to record invoices relating to purchases, Cash transactions that is used to record cash payments and receipts, Returns that is used to record credits given to customers and for goods returned and the General that is used to record other transactions.

Another key action of the manager or owner of the MSEs is to identify paid and unpaid items. One has to set up two files. One used to store the paid items and the other to store unpaid items. Decision should also be made when to write up entries where one has to set up a procedure for recording entries. Information should be recorded consistently and at set times. Daily is ideal, but one may be able to do it weekly or monthly, depending on the amount of transactions. One has to make sure that the records are being followed and set up and operate systems for checking and monitoring the recording of financial information. It is essential to make sure that an invoice has been issued for every transaction; that a receipt is requested and obtained for every purchase Zhou, 2010). It is also imperative to reconcile frequently once a month, reconcile the petty cash against receipts and even the bank statements. This will enables to check that all payments have reached the owner of the enterprise account.

iv. *Determining Accurate Records in MSEs*

In many countries, the laws mostly require that the Enterprises prepare financial statements and, often, have them audited. (EC, 2008). This requires that the owners of the enterprises have some knowledge of bookkeeping and accounting. Ismail and King (2007) conclude that the development of a sound accounting information in MSEs depends on the owners' level of accounting knowledge. Research has shown that majority of the MSEs owners do not have the required accounting knowledge and therefore few able owners use professional firms to account for their business (Keasy and Short, 1990; Bohman and Boter 1984).

However, Jayabalan and Dorasamy (2009) argue that the high cost of hiring professional accountants leaves the MSEs owner or managers with no option but to relegate accounting information management. Wichman (1983) concludes that accounting and marketing pose major challenges to management of MSEs and recommends that managers or owners in MSEs must learn about record keeping and accounting.

According to research, there are some basic financial records MSEs managers or owners need to keep for the success of a business. These basic records will normally include the sales day book (sales journal), purchases day book (purchases journal), cash receipt book, cheque payments book, petty cash book, general journal, nominal ledger, debtors' ledger and creditors' ledger. These according to McMahon, (1999) must be kept and maintained in a sound accounting arrangement. In essence, one has to ensure proper record of the following financial records: (i) a record of all business sales, with copies of any invoices one has issued, (ii) a record of all one's business purchases and expenses, (iii) invoices for all business purchases and expenses, (iv) details of any amounts one personally pay into or take from the business and (v) copies of business bank statements Entrepreneur or an accountant will use these records to create a profit and loss account which shows the sales income one received, and the expenses one paid, and what profit/ loss one actually made.

Furthermore, since businesses are different, there are many specific types of detailed records that may need to be kept. Some examples of records one should keep include: cash book petty cash book, order notes and invoices, copy sales invoices, details of any other business income received, details of any private money brought into the business, till rolls or other form of electronic record of sales, details of any other income, any cash taken out of the till to pay small business expenses, bills and invoices for purchases and expenses, a record of stock on hand at the end of the year and all bank and building society statements, pass books, cheque stubs and paying-in slips which include details of business transactions. Perhaps cash flow is one of the major records in any enterprise. Germain (2010) asserts that small businesses must consider maintaining a positive cash flow as a vital element. A pertinent question one might ask at this point is; to what extent do the owners and managers of MSEs in Kenya keep good records of their business transactions? It would be helpful to curried out a study in Kenya in endeavor to answer this question.

v. *Problems of small scale business*

Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is mismanagement of funds. This is often a result of poor accounting procedures rather than undercapitalization and economic conditions. Again, when they first start out, many small business owners under price their products to a point where even at their maximum capacity, it would be impossible to break even. Cost controls or price increases often resolve this problem. This requires accounting knowledge. Another problem for many small businesses is termed the 'Entrepreneurial Myth' or E-Myth. The mythic assumption is that an expert in a given technical field will also be expert at running that kind of business. Additional business management skills are needed to keep a business running smoothly.

vi. *Reports Records*

All businesses are obliged to keep financial reports which are generated from proper books of accounts which have accurately recorded the day-to-day transactions of the business. According to Henry & Co Accountancy Services the Purchases Book, Sales Book, Cash Book, Creditors Ledger, Debtors Ledger and General Ledger must be maintained and kept up-to-date. (www.henryco.ie/book_keeping)

vii. *Financial Reports*

Financial statements are means through which those in charge of the business entity report to stakeholders information about the entity's financial position, financial performance, and cash flows by providing information about its assets, liabilities, equity, income and expenses, other changes in equity, and cash flows. (Mirza and Halt, 2011).

Financial statements are generated by first organizing, and then analyzing numbers from the business activities. Understanding financial statements is essential to the success of a small business. They can be used as a roadmap to steer the business in the right direction and help to avoid costly breakdowns.

According to Mirza and Halt, the various financial statements that together would be considered a complete set of financial report include, Statement of Financial Position/ the balance sheet, the Income Statement/Profit and Loss Statement, the Statement of Cash Flows, the Statement of Changes in Owner's.

viii. *Characteristics of financial statements*

In his article, "The four main qualitative characteristics of financial statements", Victor D. said that the main objective of financial statements is to satisfy the information needs of a range of its users. He further stated that for financial statements and reports to achieve this objective they must possess specific characteristics; the four primary attributes are understandability, relevance, reliability and comparability. However, there are other qualitative characteristics of financial statements like consistency and fair presentation. These characteristics define what makes financial statements useful to the users. (Victor, 2012)

ix. *Preparation and Reporting of financial statements*

The International Accounting Standards Board (IASB) In July 2009 issued the International Financial Reporting Standards (IFRS) for the preparation and reporting of financial statements by Small and Medium-Sized Entities (IFRS for MSEs). This Standard provides an easy framework that can be applied by small business entities in place of the full set of International Financial Reporting Standards (IFRS), Mirza& Holt (2011). The standards are necessary for comparability both with the entity's financial statements of previous periods and with those of other entities. In view of this, the Small Businesses are required to follow the standards and guidelines of the IFRS in the preparation of the financial statements.

x. *The effects of failure to prepare financial reports in MSE*

No business can succeed in the long term without knowing exactly where its profits come from, what its expenses are and how much it is making and spending --it needs financial statements. The importance of good accounting records and financial statements to a small business cannot be over emphasized. Keeping good accounting records and financial statements are even more important for a small business than for other businesses. (www.helium.com).

A small business usually has few assets. Any crisis will sink it because it has nothing to fall back on. That is why proper bookkeeping and financial statements is a must for small businesses. Good accounting records will ensure that the financial statements of the business are readily available when required. A business' financial statements provide various financial information that business owners and creditors use to evaluate the business financial performance. Financial statements are also important to business managers because it helps them in running the business. (Way, 2007) But most small business or home-based-business entrepreneurs neglect any sort of financial statement, believing that their businesses are too small to need it. Without financial statements, decisions and daily activities of enterprises are based on guesses--not facts and thereby lead to the collapse of the enterprise.

b) *Empirical Literature*

In the 21st century, the critical roles Small and medium-sized enterprises (MSEs) play in economic growth and sustainable development of every nation cannot be over-emphasized especially for the rural economy (Maseko and Manyani, 2011; Tambunan, 2009). A major indicator of a booming economy is a vibrant Small and Medium Enterprises (MSEs) sub-economy and how efficient they contribute to GDP.

Cooley and Edwards, (1983) argue that MSEs must devise strategies of solving internal problems of managerial challenges that immensely retard their success. The internal factors are managerial skills, workforce, accounting systems and financial management practices. However, since the accounting department is perceived as a service unit to support the firm‟s operations by making available information on costs and performance indicators, a large number of business failures have been attributed to inability of financial managers to account properly the current assets and the current liabilities of their respective firms (Dodge & Robbins, 1992 and Ooghe, 1998).

Enterprises are categorized by size, sector and the motivations of their owners. There cannot be a universal means to the provision of services and policy formulation. As such it is argued that management techniques which are critical for large firms may not be appropriate for the small ones, yet some basic record-keeping and financial awareness are essential for their survival (Chittenden, Poutziouris, and Michaela, 1998).

Jarvis, Kitching, Curran, and Lightfoot (1996) also reported that the financial management skills of small business are not same as those of large ones. They found that personal and business goals of owner /mangers owner have diverse directions. These are forms an integral part in the strategies which they adopt and are, therefore, prominent in their firms‟ information systems. These personal business goals when not well tailored can render less time to the accounting and finance function. Nayak and Greenfield (1994) also empirically support the argument that micro firms lack signs of any systematic accounting practices.

A core function of accounting systems is to avail accurate information to owners and managers of MSEs operating in any industry for use in the measurement of financial performance. Consequently, the importance of

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financial performance measurement to any enterprise, big or small, cannot be over-emphasized (Padachi, 2012; Amoako et al, 2013). In other words, since profit maximization is most often the priority of business entities, the accounting bases, concepts and principles adopted ought to capture and report all the relevant accounting information to ensure reliability in its measurement (Haryani, 2012; Amidu and Abor, 2005; Mbroh and Atom, 2012).

Reported profits reflect changes in wealth of owners and this can explain why major economic decisions in business are centered on financial performance as measured by profitability, (Cooley and Edwards, 1983). It therefore doesn‟t come as a surprise when the European Commission (EC), 2008) established that appropriate accounting information is important for a successful management of any business entity, irrespective of the size.

Son et al. (2006) in conformity to previous studies found out that socioeconomic and domestic factors, such as the level of economic development, the legal and regulatory system, educational and professional infrastructure, colonial heritage, and history and culture, are likely to influence the relevance of small companies‟ financial information(UNCTAD, 2000; Saudagaran & Diga, 2003; Kosmala - MacLullich, Sikorska, & Gierusz, 2004; Sevic, 2004).

Staubus (1961, 1977) also promote the notion that a critical factor behind the identification of users and the uses of corporate financial information is "decision-usefulness" theory which states that accounting is described as a process of providing relevant information to the relevant decision makers (Gary, Owen, & Adams, 1996). Therefore Son et al., (2006) strongly suggest that the usefulness of financial information is ascertained by how it aids the users in making rational decisions, and the users‟ perspectives of the objective of the financial reporting also make it easier to choose accounting treatments.

Another finding is in support of the fact that daily decision making by owner/directors is most often based on accounting information. Furthermore taxation authorities also form part of users of the financial statements of small and medium size entities. However, accounting standard setting bodies also consider it on the general purpose of financial statements and exclude the specific needs of these two users (Son et al., 2006).

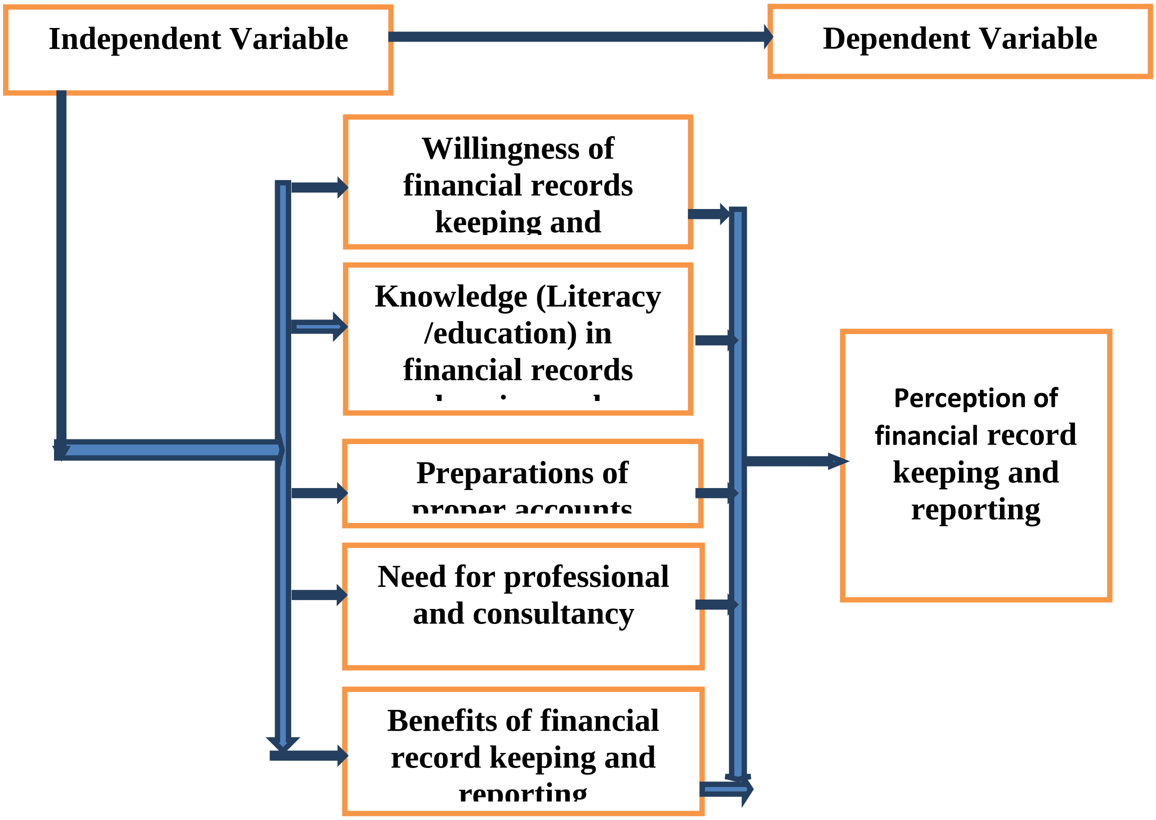
Carsberg, Page, Sindall, and Waring (1985) and Deakins & Husain (1994) indicated that financial statements of MSEs play important role in lending decisions of banks, in which banks are the main source of external finance to them. In Ghana, since there is no statutory requirement for the MSEs‟ financial information to be publicly disclosed, the numbers of users of the MSEs‟ financial reports are perceived to be limited.

On the issue of user needs, the use of profitability information according to Page (1984) is the core for MSEs externally reported information. Furthermore, the author realized that beside the profitability most of the respondents believed that the turnover of a company should be disclosed. In another study, the directors rated the disclosure of directors‟ emolument as the most insignificant disclosure requirement.

When it comes to limitations on the use of MSE financial reports, Son et al. (2006) found that the accounting expertise was viewed as the prime challenge to the use of financial information by the MSEs‟ directors. The researchers further argue that the directors perceived little benefits from the current reporting practices, because they did not understand the information and because the quality of information produced was low. As a result, the directors had a low awareness of cost-benefit considerations of reporting tasks.

c) *Conceptual Framework*

The following conceptual frame work is developed for the study.



Source: Developed by Researchers from Various Literature, (2017)

Fig. 1.1: Conceptual frames works

Chapter Three

III. Research Methodology

a) *Research Design*

The study design was a descriptive and explanatory research type. A descriptive survey attempts to describe characteristics of subjects or phenomena, opinions, attitudes, preferences and perceptions of persons of interest to the researcher (Bel, 2001). Moreover, a descriptive type aims at obtaining information from a representative selection of the population and from that sample the researcher is able to present the findings as being representative of the population as a whole (Mugenda and Mugenda, 1999). The study was also guided by both qualitative and quantitative research approach.

b) *Target Population*

The target population of this study was MSEs found in the selected four towns. The owners and managers MSE was used as the respondent for this study to offer information majorly about the role accounting record keeping and financial reporting practices has played in their enterprises. Since enterprises can be managed by managers employed and by the owners (act as managers of their business)of the enterprise, were seen as most appropriate to give out the required information by this study. The total target population of this study is presented below:

Table 3.1: Target population

No.	Description	Nekemte town	Gimbii Town	Shambu town	Dembi Dolo Town	Total
1	Manufacturing	317	84	22	41	464
2	Construction	406	305	43	31	785
3	Agriculture	17	23	14	8	62
4	Dairy	118	85	68	60	331
5	Mineral	3	6	4	7	20
6	Service	797	406	295	325	1823
7	Trading	637	341	326	368	1672
	Total	2,295	1,250	760	840	5,145

Source: Nekemte MSE office, 2017

c) Sampling method and sample size selection

Sampling is the process of selecting individuals for a study (McMillan and Schumacher, 1999). For the purpose of this study probability sampling techniques by using simple random sampling technique was used to sample the respondents. The total sample size was calculated using Slovin's sampling formula:

$$n = \frac{N}{(1 + N(e^2)}$$

Where *e* is the level of precision, i.e., *e* = 0.075 N = Population size; and n = sample size

$$n= [5,145/(1+5,145*(0.07)^2]$$

$$=195 \text{ respondents}$$

d) Data Type, Source and Method of Data Collection

i. Data Type and Source

The necessary data required for this study was both primary and secondary data. Primary data was acquired through a questionnaire which is designed in linkert scale forms of structured type questioners. Secondary data was collected via books, articles, journals, publications, audited annual reports of the company under this study and internet sources of related materials.

ii. Method of Data Collection

The primary data was collected through self-administrative structure. The questioners was accessed to MSE's owners and manager through self-administration and data collector, since the entire respondents are found in selected four towns.

e) Model Specification

Different researcher uses different model in their analysis of the effect of explanatory variables on the dependent variables under investigation. In this study, for determining the severity and specificity of the independent variables over the dependent variable (financial record keeping and reporting) in the study, the following regression model is applied.

$$\text{FRKR} = \beta_0 + \beta_1\, Will + \beta_2 Knw + \beta_3\, PrAct + \beta_4\, \text{ProfCon} + \beta_5 PerBen + e$$

Where: FRKR = Financial record keeping and reporting which is is a dependent variable in the study.

The explanatory or independent variable of the study used in the regression analysis includes:

Will= Willingness of financial record keeping and reporting.

Knw= Knowledge of financial record keeping and reporting.

PrAct= Proper account for financial record keeping and reporting.

ProfCon= Need for professional and consultancy for financial record keeping and reporting.

PerBen= perceived benefit for financial record keeping and reporting.

e = is the stochastic random term.

According to Greene (2012),), Homser and Lemeshow (2000), and Treiman (2009) multinomial (polytomous) logistic regression fits maximum likelihood models with discrete dependent variables when the dependent variable takes on more than two outcomes and the outcomes have no natural ordering. If the dependent variable takes on only two outcomes, estimates are identical to those produced by the logistic regression model which calculate the OR as a measure of the strengthens of the association between the outcome and a covariate.

To understand what means the perception of financial record keeping and reporting let as consider the dependant variable y coded into three outcomes:

1= 'I have not yet started to use record keeping',

2= ´I have started but face difficult to use record keeping´,

3= 'I have started to use record keeping´, and

x = the explanatory variable

In the multinomial model, the study estimates a set of coefficients: $\beta^{(1)}, \beta^{(2)}, \beta^{(3)}$ . . . corresponding to each outcome as follow:

$$P(y=1) = \frac{e^{x\beta^{(1)}}}{e^{x\beta^{(1)}}+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

$$P(y=2) = \frac{e^{x\beta^{(2)}}}{e^{x\beta^{(1)}}+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

$$P(y=3) = \frac{e^{x\beta^{(32)}}}{e^{x\beta^{(1)}}+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

Setting $\beta^{(1)}= 0$ to allow for the identifiability of the model, the equations become:

$$P(y=1) = \frac{1}{1+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

$$P(y=2) = \frac{e^{x\beta^{(2)}}}{1+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

$$P(y=3) = \frac{e^{x\beta^{(32)}}}{1+e^{x\beta^{(2)}}+e^{x\beta^{(3)}}}$$

f) Method of Data Process, Presentation and Analysis

The qualitative data was organized and arranged according to the objectives of the study. The data collected was again coded, and organized into categories and labeled. The data collected was checked for completeness and consistency of the responses, edited and then entered in Statistical Package for Social Science (SPSS) version 20 software and STATA 10.0. Descriptive analysis and multinomial logistic regression model was employed for the data analysis. The descriptive parts analyzed the result of the study using frequency, percentages. The multinomial logistic regression and correlation between each explanatory variable is explained. Finally, interpretation of the data will be made. The data will be then to be presented in form of graphs and tables.

Chapter Four

IV. Anaysis and Presentation

a) *Introduction*

This chapter presents the study analysis and presentation. The chapter includes the study demographic information, the survey result referring to perceptions of financial records keeping and reporting practice by MSEs in Four Wollega zonal administrations.

b) *Demographic information*

This section presents the study demographic information concerning MSEs in Four Wollega zonal administrations.

Table 4.1: Respondents Demographic information

No.	Demographic information	Demographic information	Frequency	Percentage
1		Construction	27	15%
		Trading	2	1%
		Agriculture	11	6%
		Dairy	2	1%
		Service	63	35%
		Manufacturing	57	32%
		Mineral	16	9%
		Total	178	100%
2	Age of your business	1 to 5 years	26	15%
		6 years to 10 years	112	63%
		11 years to 15 years	34	19%
		More than 16 years	6	3%
3	Number of employees	One to five	32	18.0
		Five to twenty	102	57.3
		Twenty one to fifty	39	21.9
		Above fifty	5	2.8
4	Manager of your business	The owner	122	69%
		Employed /salary manager	48	27%
		Someone else	8	4%
5	Academic background	Under 12 Grade	86	48%
		Twelve complete	52	29%
		TVET/Diploma	28	16%
		BA/BSC and above	12	7%

Source: Researchers own computation from survey result (2017).

Table 4.1 shows that 32% of the MSEs are Manufacturing,15% of the MSEs are Construction, 1 % of the MSEs are Trading ,6% of the MSEs are Agriculture, 1 % of the MSEs are Dairy,63 % of the MSEs are Service and 9 % of the MSEs are Mineral. This result indicates majority of the respondents are engaged in service and manufacturing.

Table 4.1 shows that 15% of the MSEs are owned by persons that are from 1 to 5 years old, 63% of the MSEs are owned and operated by young people from 6 years to 10 years old and 19% of the respondents are 11 years to 15 years and 3% are more than 16 years. Majority of MSE are below the age of 15 which means majority of the MSE owners are of the young generation, and of them 1.2% are in their teen age.

Table 4.1 shows that 15% of the MSEs have one to five employees, 63% of the MSEs have Five to twenty employees, 19% of the MSEs have Twenty one to fifty employees and 3% of the MSEs have above fifty employees. This result indicates majority of MSE have employee more than five.

Table 4.1 shows that 69%of the MSEs are owner manager, 27% are employed manager/salary manager and4% of the MSEs are someone else. This result indicates majority of MSE are managed by the owners.

Table 4.1 shows that 48% of the MSEs are under 12 grade, 29% of the MSEs are twelve complete, 16% of the MSEs are TVET/Diploma and7% of the MSEs are BA/BSC and above. This result indicates majority of MSE are under 12 grades were they lack of having financial records keeping.

c) Perception of financial records keeping and reporting

This section presents the perception of financial records keeping and reporting in reference to their willingness, owners' literacy (education), preparations of proper accounts, hired professional and consultancy and benefits of recordkeeping by the MSE sample taken from four Wollega zonal administrations.

d) Willingness of FRKR

The study result and analysis concerning willingness 'of financial records keeping and reporting by MSEs is presented in the following table 4.2 below.

Table 4.2: Participants' Response to Willingness of financial records keeping and reporting

No.	Description	Level of agreement	Descriptive statistics		
			F	%	Mean
1	Willing to have financial record keeping that make one more aware of what is going on in a business.	Strongly Disagree(1)	7	3.9	4.17
		Disagree(2)	14	7.9	
		Undecided (3)	1	.6	
		Agree (4)	76	42.7	
		Strongly Agree (5)	80	44.9	
2	I believe that MSE business such as mine should keep accounting records being kept and maintained.	Strongly Disagree(1)	107	60.1	1.97
		Disagree(2)	29	16.3	
		Undecided (3)	2	1.1	
		Agree (4)	20	11.2	
		Strongly Agree (5)	20	11.2	
			178	100.0	
3	Other concerned body like tax authority forces me rather than my own interest to have financial records keeping and reporting.	Strongly Disagree(1)	8	4.5	3.78
		Disagree(2)	32	18.0	
		Undecided (3)	5	2.8	
		Agree (4)	80	44.9	
		Strongly Agree (5)	53	29.8	
			178	100.0	
4	I always recognize that financial records keeping and reporting is a tedious activity.	Strongly Disagree(1)	25	14.0	3.29
		Disagree(2)	40	22.5	
		Undecided (3)	0	0	
		Agree (4)	84	47.2	
		Strongly Agree (5)	29	16.3	
			178	100.0	

Source: Researchers own computation from survey result (2017).

NB: Strongly Disagree refers to (1), Disagree refers to (2), Undecided refers to (3), Agree refers to (4), Strongly Agree refers to (5), F- refers to frequency, % - refers to percentage.

As it can be observed from the table above, majority of the respondents 156 (87.6%) did say agree, saying that they have the willingness of having financial record keeping that makes Micro and Small Enterprises more aware of what is going on in their businesses. The mean score of 4.17 also evidenced Micro and Small Enterprises have an interest towards having financial records and report. Hence, the result indicates that Micro and Small Enterprises have an interest to understand what is going on in the businesses by having record keeping and producing financial that reflect their financial operation.

Majority of respondent 136 (in percent 76.4%) are disagree, saying that I do not believe MSE business such as mine should keep financial records being kept and maintained. The mean of 1.97also supports that they are disagreed with the statement. This result indicates MSE are in perception not having financial record and report practice at their current level of financial performance.

Again majority of respondent 133 (in percent 74.7%) are agree saying that other concerned body like tax authority forces me rather than my own interest to have financial records and reporting. The mean of 3.78 also supports that they are agreed with the statement. This result indicates that MSE are not initiated by themselves to have financial record and reporting practice. This shows they were rarely considered financial record and report practice is for their business concern, rather it is by the external push.

In addition, majority of respondent 113 (in percent 63.5%) are agree that they recognize financial record keeping and reporting is a tedious activity. The mean of 3.29 also supports that they are agreed with the statement. This result indicates that MSE are perceived financial record and reporting is a tedious activity.

e) Knowledge (education) in FRKR

The study result concerning MSE owners' or employee knowledge (education) in financial records keeping is presented in the following table 4.3 and analyzed below.

Table 4.3: Business owners' literacy(education) in financial records keeping

No.	Description	Level of agreement	Descriptive statistics		
			F	%	Mean
1	I have some basic knowledge of bookkeeping and accounting that helps me to have records keeping and reporting of my business transaction.	Strongly Disagree(1)	110	61.8	1.57
		Disagree(2)	54	30.3	
		Undecided (3)	2	1.1	
		Agree (4)	5	2.8	
		Strongly Agree (5)	7	3.9	
2	I did not know what I'm doing and easily understand what is going on in my business.	Strongly Disagree(1)	17	9.6	3.69
		Disagree(2)	13	7.3	
		Undecided (3)	19	10.7	
		Agree (4)	111	62.4	
		Strongly Agree (5)	18	10.1	
3	I confirm that my business has been very successful even if I don't practice record keeping and reporting of my business.	Strongly Disagree(1)	20	11.2	3.80
		Disagree(2)	11	6.2	
		Undecided (3)	0	0	
		Agree (4)	101	56.7	
		Strongly Agree (5)	46	25.8	
			178	100.0	
4	I look for knowledge at how the business operates and identify how financial transactions are processed.	Strongly Disagree(1)	16	9.0	3.62
		Disagree(2)	24	13.5	
		Undecided (3)	12	6.7	
		Agree (4)	86	48.3	
		Strongly Agree (5)	40	22.5	
			178	100.0	

Source: Researchers own computation from survey result (2017).

NB: Strongly Disagree refers to (1), Disagree refers to (2), Undecided refers to (3), Agree refers to (4), Strongly Agree refers to (5), F- refers to frequency, % - refers to percentage.

As indicated in table 4.3, concerning their level of knowledge of bookkeeping and accounting majority of respondent 164 (in percent 92.1%) did say disagree. The mean score of 1.57 also shows the same. This result indicates majority MSE owner and employees have no basic knowledge of bookkeeping and accounting that helps them to have records keeping and reporting of their business.

In regards to understand and control what is going on in their business, majority of the respondent 129 (in percent 72.5%) did agree saying that, I face difficulty to easily understand and control what is going on in their business which causes to unable to have financial record and reporting.

Majority of the respondent 147 (in percent 82.2%) confirm that they agree saying my business has been very successful even if I don't practice record keeping and reporting of my business. The mean score of 3.80 also shows they agreed with the statement. This result indicates MSE are perceived that their business will proceed and successful even if they have no financial record promptly. This cause Micro and Small Enterprise financial record and reporting practice, to be odd till right now in four Nekemte zonal administrations.

Regarding knowledge, majority of the respondent 126 (in percent 70.8 %) are agree saying I look for knowledge at how the business operates and identify how financial transactions are processed. The mean score of 3.62 also shows they agreed with the statement. This result indicates that, MSE are looking for the knowledge at which the business operates and identify how financial transactions are processed.

f) Preparations of proper accounts

The study result concerning preparation of proper accounting financial records keeping is presented in the following table 4.4 and analyzed below.

Table 4.4: Preparations of proper accounts

No.	Description	Level of agreement	Descriptive statistics		
			F	%	Mean
1	My business keep accounting records, such as; purchase book, sales (receipt) book, expenditure (bills) book, payroll records and asset register.	Strongly Disagree(1)	64	36.0	
		Disagree(2)	61	34.3	
		Undecided (3)	8	4.5	2.02
		Agree (4)	20	11.2	
		Strongly Agree (5)	25	14.0	
2	My businesses consider no need to have separate account for different financial information in financial record keeping and reporting.	Strongly Disagree(1)	18	10.1	
		Disagree(2)	26	14.6	
		Undecided (3)	3	1.7	
		Agree (4)	78	43.8	3.69
		Strongly Agree (5)	53	29.8	
3	My business uses one account for all purpose to have practice of record keeping and reporting of my business.	Strongly Disagree(1)	29	16.3	
		Disagree(2)	16	9.0	
		Undecided (3)	8	4.5	
		Agree (4)	106	59.6	
		Strongly Agree (5)	19	10.7	3.39
			178	100.0	

Source: Researchers own computation from survey result (2017).

NB: Strongly Disagree refers to (1), Disagree refers to (2), Undecided refers to (3), Agree refers to (4), Strongly Agree refers to (5), F- refers to frequency, % - refers to percentage.

As it can be observed from the table above, majority of the respondents 125 (70.3%) did say disagree, saying that they do not keep accounting records, such as; purchase book, sales (receipt) book, expenditure (bills) book, payroll records and asset register. The mean score of 2.02 also evidenced Micro and Small Enterprises not have different books of financial records. Hence, the result indicates Micro and Small Enterprises do not practiced keeping accounting records, such as; purchase book, sales (receipt) book, expenditure (bills) book, payroll records and asset register.

Majority of the respondents 131 (73.6%) did say agree that they consider no need to have separate account for different financial information in financial record keeping and reporting. The mean score of 3.69also evidenced the same. Hence, the result indicates that Micro and Small Enterprises consider no need to have separate account for different financial information, were it must to keep a record of financial information accordingly in financial record keeping and reporting.

In addition, Majority of the respondents 125 (70.3%) did say agree that they uses one account for all purpose to have practice of record keeping and reporting of my business. The mean score of 3.39 also evidenced Micro and Small Enterprises do not need a separate account to have financial record keeping and reporting. Hence, the result indicates that Micro and Small Enterprises uses of one account for all purpose makes ineffective record keeping and reporting of their business financial operation.

g) Need for professional and consultancy in FRKR

The study result concerning hired professional and consultancy in financial records keeping is presented in the following table 4.5 and analyzed below.

Table 4.5: Hired professional and consultancy

No.	Description	Level of agreement	Descriptive statistics		
			F	%	Mean
1	My business considers that It is waste of money to employ an accountant to help me to have financial record and reporting.	Strongly Disagree(1)	17	9.6	3.76
		Disagree(2)	10	5.6	
		Undecided (3)	21	11.8	
		Agree (4)	80	44.9	
		Strongly Agree (5)	50	28.1	
2	The use of consultants helps me to have practice of financial record and reporting of my business.	Strongly Disagree(1)	38	21.3	2.49
		Disagree(2)	85	47.8	
		Undecided (3)	8	4.5	
		Agree (4)	23	12.9	
		Strongly Agree (5)	24	13.5	
3	My business needs a periodic training to learn more about record keeping and reporting.	Strongly Disagree(1)	14	7.9	3.75
		Disagree(2)	18	10.1	
		Undecided (3)	8	4.5	
		Agree (4)	96	53.9	
		Strongly Agree (5)	42	23.6	
4	My business have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting.	Strongly Disagree(1)	53	29.8	2.50
		Disagree(2)	64	36.0	
		Undecided (3)	13	7.3	
		Agree (4)	15	8.4	
		Strongly Agree (5)	33	18.5	

Source: Researchers own computation from survey result (2017).

NB: Strongly Disagree refers to (1), Disagree refers to (2), Undecided refers to (3), Agree refers to (4), Strongly Agree refers to (5), F- refers to frequency, % - refers to percentage.

As it can be observed from the table above, majority of the respondents 130 (73%) did say agree that, they consider as a waste of money to employ an accountant to help them to have financial record and reporting. The mean score of 3.76also evidenced Micro and Small Enterprises not need an accountant to have financial records. Hence, the result indicates that Micro and Small Enterprises do not hired a professional considers that it is waste of money to employ an accountant to help me to have financial record and reporting.

Again as s it can be observed from the table above, majority of the respondents 123 (68.1%) did say that they do not need to use of consultants to have financial record and reporting of their business. The mean score of 2.49 also evidenced the same. Hence, the result indicates that Micro and Small Enterprises do not require the use of consultants for financial record and preparation of legal financial reporting of their business.

Majority of the respondents 138 (77.5%) did say that my business needs a periodic training to learn more about record keeping and reporting. The mean score of 3.75also evidenced the same. Hence, the result indicates that Micro and Small Enterprises needs a periodic training to learn more about record keeping and preparation of legal financial reporting of their business.

As it can be observed from the table above, majority of the respondents 117 (65.8%) did say that My business have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting. The mean score of 2.50 also evidenced Micro and Small Enterprises have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting. Hence, the result indicates that Micro and Small Enterprises have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting.

h) Perceived Benefits from FRKR

The study result concerning Benefits of recordkeeping in financial records keeping is presented in the following table 4.6 and analyzed below.

Table 4.6: Perceived Benefits of recordkeeping

No.	Description	Level of agreement	Descriptive statistics		
			F	%	Mean
1	Financial record keeping and reporting helps to understand and analyses the spending and revenue and in calculating my business profit.	Strongly Disagree(1)	13	7.3	
		Disagree(2)	45	25.3	
		Undecided (3)	0	0	3.52
		Agree (4)	75	42.1	
		Strongly Agree (5)	45	25.3	
2	Financial record keeping and reporting assists to know and back up a tax deductions to be paid to tax authority.	Strongly Disagree(1)	1	.6	
		Disagree(2)	30	16.9	
		Undecided (3)	10	5.6	
		Agree (4)	53	29.8	
		Strongly Agree (5)	84	47.2	4.06
3	Financial record keeping and reporting ensures accuracy of each payroll period and amount, to make sure that each employee receives the proper amount.	Strongly Disagree(1)	11	6.2	
		Disagree(2)	20	11.2	
		Undecided (3)	0	0	
		Agree (4)	82	46.1	4.12
		Strongly Agree (5)	65	36.5	
			178	100.0	
4	Having financial record keeping and reporting assist in making accurate report of current spending and revenue to help compare actual results with projections in the business budget.	Strongly Disagree(1)	26	14.6	
		Disagree(2)	18	10.1	
		Undecided (3)	0	0	
		Agree (4)	77	43.3	3.67
		Strongly Agree (5)	57	32.0	
			178	100.0	

Source: Researchers own computation from survey result (2017).

NB: Strongly Disagree refers to (1), Disagree refers to (2), Undecided refers to (3), Agree refers to (4), Strongly Agree refers to (5), F- refers to frequency, % - refers to percentage.

As indicated in table 4.6 , the respondents were asked financial record keeping and reporting helps to understand and analyses the spending and revenue and in calculating my business profit Majority of the respondent (in percent %) did say agree. The mean score of 3.52also evidences the same. The result indicates that, MSE are aware of the benefit of financial record keeping and reporting that helps to understand and analyses the spending and revenue and in calculating their business profit.

As indicated in table 4.6, the respondents were agree with financial record keeping and reporting assists to know and back up a tax deductions. The mean score of 4.06 also evidences the same. The result indicates that, MSE are financial record keeping and reporting assists to know and back up a tax deduction to be paid to tax authority.

As indicated in table 4.6 , the respondents were agree with financial record keeping and reporting ensures accuracy of each payroll period and amount to make sure that each employee receives the proper amount. The mean score of 4.12also evidences the same. The result indicates that, MSE are financial record keeping and reporting ensures accuracy of each payroll period and amount to make sure that each employee receives the proper amount.

As indicated in table 4.6 , the respondents were agree with having financial record keeping and reporting assist in making accurate report of current spending and revenue to help compare actual results with projections in the business budget. The mean score of 3.67also evidences the same. The result indicates that, MSE are having financial record keeping and reporting assist in making accurate report of current spending and revenue to help compare actual results with projections in the business budget.

i) Multinomial logistic Regression result

The multinomial logistic regression result is shown below:

Multinomial logistic regression

Number of obs	=	178
LR chi2(38)	=	129.57
Prob > chi2	=	0.0000
Pseudo R2	=	0.4375

Log likelihood = -83.309855

pfrkp	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
2						
w1	-.709973	.2932559	-2.42	0.015	-1.284744	-.1352021
w2	.3895574	.1938779	2.01	0.045	.0095638	.7695511
w3	.6711217	.3643352	1.84	0.065	-.0429621	1.385206
w4	.2862615	.2990725	0.96	0.338	-.2999098	.8724327
l1	-1.785827	.9357942	-1.91	0.056	-3.61995	.048296
l2	-.0018027	.2539423	-0.01	0.994	-.4995204	.4959151
l3	.2827183	.3420306	0.83	0.408	-.3876494	.953086
l4	-.0432676	.251696	-0.17	0.864	-.5365827	.4500474
pa1	-.1563346	.2630563	-0.59	0.552	-.6719155	.3592463
pa2	-.3290497	.2713962	-1.21	0.225	-.8609764	.202877
pa3	-.2223584	.2759995	-0.81	0.420	-.7633075	.3185908
pc1	.4649913	.4161414	1.12	0.264	-.3506309	1.280613
pc2	.2103695	.2321985	0.91	0.365	-.2447313	.6654702
pc3	.0473682	.2890587	0.16	0.870	-.5191764	.6139129
pc4	-.3142526	.2228367	-1.41	0.158	-.7510044	.1224993
pb1	.139412	.2744681	0.51	0.611	-.3985357	.6773597
pb2	-.0681835	.4173413	-0.16	0.870	-.8861575	.7497904
pb3	-.3089824	.4500565	-0.69	0.492	-1.191077	.573112
pb4	.3740594	.3378478	1.11	0.268	-.28811	1.036229
_cons	-1.768118	3.666613	-0.48	0.630	-8.954548	5.418313
3						
w1	-.9180454	.3397132	-2.70	0.007	-1.583871	-.2522198
w2	.388813	.2658288	1.46	0.144	-.1322019	.909828
w3	-.1853513	.3193039	-0.58	0.562	-.8111754	.4404728
w4	.4569218	.3342703	1.37	0.172	-.1982359	1.11208
l1	-1.303451	.8333721	-1.56	0.118	-2.93683	.3299288
l2	.7683354	.565698	1.36	0.174	-.3404123	1.877083
l3	1.682115	.5459052	3.08	0.002	.6121608	2.75207
l4	.8989161	.4935511	1.82	0.069	-.0684262	1.866258
pa1	-.3158776	.3784157	-0.83	0.404	-1.057559	.4258035
pa2	-.2364627	.3683406	-0.64	0.521	-.958397	.4854716
pa3	-.08121	.3091608	-0.26	0.793	-.687154	.5247341
pc1	2.113441	.5875667	3.60	0.000	.9618316	3.265051
pc2	-.2996611	.4647535	-0.64	0.519	-1.210561	.611239
pc3	.1301825	.3384698	0.38	0.701	-.5332061	.793571
pc4	-.3839061	.3329284	-1.15	0.249	-1.036434	.2686215
pb1	.238556	.4511179	0.53	0.597	-.6456188	1.122731
pb2	-2.59416	.6499883	-3.99	0.000	-3.868113	-1.320206
pb3	-.2576668	.5806552	-0.44	0.657	-1.39573	.8803965
pb4	-.4976779	.3778663	-1.32	0.188	-1.238282	.2429265
_cons	-4.868554	3.969955	-1.23	0.220	-12.64952	2.912415

(pfrkp==1 is the base outcome)

Researchers own computation, (2017)

From the above result, the Likelihood Ratio Chi-Square test (LR chi^2 = 129.57) that for both equations (I have not yet started to use record keeping to I have started but face difficult to use record keeping and I have not yet started to use record keeping) that at least one of the predictors' regression coefficient is not equal to zero.

The small p-value from the LR test, < 0.00001, would lead us to conclude that at least one of the regression coefficients in the model is not equal to zero.

Thus the model prob > chi ^{2} = 0. 0000 which proofs p-value from the LR test is < 0.0000.

Logistic regression does not have an equivalent to the R-squared that is found in OLS regression; rather pseudo-R-square statistics. Because this statistic does not mean what R-square means in OLS regression (the proportion of variance of the response variable explained by the predictors), we suggest interpreting this statistic with great caution.

Financial record keeping and reporting is the response variable in the multinomial logistic regression. Underneath financial record keeping and reporting are two replicates of the predictor variables, representing the two models that are estimated: I have started but face difficult to use record keeping relative to I have not yet started to use record keeping and I have started to use record keeping relative to I have not yet started to use record keeping.

In this instance, Stata, by default, set I have not yet started to use record keeping as the referent group, and therefore estimated a model for *I have started but face difficult to use record keeping relative to I have not yet started to use record keeping and a model for I have started to use record keeping relative to I have not yet started to use record keeping.* Since the parameter estimates are relative to the referent group, the standard interpretation of the multinomial logit is that for a unit change in the predictor variable, the logit of outcome *m* relative to the referent group is expected to change by its respective parameter estimate (which is in log-odds units) given the variables in the model are held constant.

☞ *I have started but face difficult to use record keeping relative to I have not yet started to use record keeping:*

The multinomial logit estimate for a one unit increase in the score for I have started but face difficult to use record keeping relative to I have not yet started to use record keeping, given the other variables in the model are held constant.

- ❖ An increase in willing to have record keeping that makes to aware what is going on in my business score by one point, the multinomial log-odds for preferring I have started but face difficult to use record keeping relative to I have not yet started to use record keeping would be expected to decrease the perception of having financial record keeping by 0.389 unit while holding all other variables in the model constant.
- ❖ An increase to believe MSE business like me should keeping record score by one point, the multinomial log-odds for preferring I have started but face difficult to use record keeping relative to I have not yet started to use record keeping would be expected to increase the perception of financial record keeping and reporting by 0.7099 unit while holding all other variables in the model constant.
- ❖ The remaining explanatory variables are insignificant and checked whether the result is in line with the descriptive result analysis.

Chapter Five

V. Conclusion and Recommendation

a) Summary of the Major Findings

Five independent variables were analyzed to look at the financial record keeping and reporting practice of MSE in four selected town of Wollega administrative zone. The major summary is presented as follow:

➢ Willingness of FRKR

In regard with willingness of FRKR the study result indicates that Micro and Small Enterprises have an interest to understand what is going on in their businesses by having record keeping and producing financial that reflect their financial operation. Result also indicates MSE are in perception of unforeseen financial record and report practice at their current level financial performance. In addition, result indicates that MSE are not initiated by them-selves rather it is by the external push to have financial record and reporting practice. Finally study result indicates that MSE are perceived financial record and reporting is a tedious activity.

➢ Knowledge (education) in FRKR

The study result indicates MSE owner and employees have no basic knowledge of bookkeeping and accounting that helps them to have records keeping and reporting of their business. They also face difficulty to easily understand and control what is going on in their business which causes to unable to have financial record and reporting. In addition study result indicates MSE are perceived that their business will proceed and successful even if they have no financial record promptly. This cause Micro and Small Enterprise financial record and reporting practice, to be odd till right now in four Nekemte zonal administrations. The study result also indicates MSE are looking for the knowledge at which the business operates and identify how financial transactions are processed.

➢ Preparations of proper accounts

Concerning preparations of proper accounts the study result indicates Micro and Small Enterprises do not practiced keeping accounting records, such as; purchase book, sales (receipt) book, expenditure (bills) book, payroll records and asset register.In addition the result indicates that Micro and Small Enterprises consider no need to have separate account for different financial information and uses of one account for all purpose, makes ineffective record keeping and reporting of their business financial operation.

- Need for professional and consultancy in FRKR

The result indicates that Micro and Small Enterprises do not hired a professional considering that it is waste of money to employ an accountant to help them to have financial record and reporting. The result also indicates that Micro and Small Enterprises do not require the use of consultants for financial record and preparation of legal financial reporting of their business. The result indicates that Micro and Small Enterprises needs a periodic training even though they have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting.

- Perceived Benefits from FRKR

In regard to perceived benefits, the result indicates that, MSE are aware of the benefit of financial record keeping and reporting that helps to understand and analyses the spending and revenue and in calculating their business profit. The result indicates that, financial record keeping and reporting assists to know and back up a tax deduction to be paid to tax authority. The result indicates that, MSE financial record keeping and reporting ensures accuracy of each payroll period and amount to make sure that each employee receives the proper amount. The result indicates that, MSE are having financial record keeping and reporting assist in making accurate report of current spending and revenue to help compare actual results with projections in the business budget.

b) Recommendation

The study forewords the following recommendation:

- The governments have to provide an understanding of the need for financial record keeping in order make Micro and Small Enterprise to keep financial record by the will of them-selves than external push. Having this understanding also makes Micro and Small Enterprise to consider record keeping is simple task than tedious activity.
- Micro and Small Enterprise owners have to learn how to have record keeping through short term training as one part of its operational activity. The government, especially MSE office, tax authority and academic institution have to work in providing the knowledge of financial record keeping through minimum training means.
- Micro and Small Enterprise owners need to hire a professional in order to have a full flagged financial record keeping. In addition, if this makes in effective record keeping MSE need to use of consultants for financial record and preparation of legal financial reporting.
- The governments have to develop the suitable record keeping guidance which will be easier and simple to understand with such sector. This guidance system may goes together by establishing a record keeping be legal mandatory to all MSEs business.
- Micro and Small Enterprise have to make a separate record keeping for proper account as per the type of business transaction occurred rather than one account for all records.

APPENDIX 1: QUESTIONNAIRES

This questionnaire is on the subject "to assess the perception of financial records keeping and reporting practices of MSE's in selected towns of four zones (East Wollega, West Wollega, Kelem Wollega and Horo Guduru Wollega). Your honest and objective answers to the following questions will be highly appreciated and acknowledge. The information supplied will be treated in utmost confidentiality and use mainly for the purpose in which the study is intended.

Part One: Demographic Information

1	Types of business (MSE)	Manufacturing	( )
		Construction	( )
		Trading	( )
		Agriculture	( )
		Dairy	( )
		Service	( )
		Mineral	( )
		Total	( )
2	Age of your business	1 to 5 years	( )
		6 years to 10 years	( )
		11 years to 15 years	( )
		More than 16 years	( )

3	Number of employees	One to five Five to twenty Twenty one to fifty Above fifty	( ) ( ) ( ) ( )
4	Manager of your business	The owner Employed /salary manager Someone else	( ) ( ) ( )
5	Academic background	Under 12 Grade Twelve complete TVET/Diploma BA/BSC and above	( ) ( ) ( ) ( )

Part Two: Survey Questioner

1. What do you say about your financial record keeping and reporting practice?

I have not yet started to use record keeping ( )
i have started but face difficult to use record keeping ( )
I have started to use record keeping ( )

2. Please rate your level of agreement by ticking in the column provided after you understood the question asked below:

No.	Items	Level of agreement				
	Perception of financial records keeping and financial reporting	SD (1)	D (2)	U (3)	A (4)	SA (5)
	Willingness of records keeping					
1	Willing to have financial record keeping that make one more aware of what is going on in a business.					
2	I believe that MSE business such as mine should keep accounting records being kept and maintained.					
3	Other concerned body like tax authority forces me rather than my own interest to have financial records keeping and reporting.					
4	I always recognize that financial records keeping and reporting is a tedious activity.					
	Knowledge (education) in financial records keeping					
1	I have some basic knowledge of bookkeeping and accounting that helps me to have records keeping and reporting of my business transaction.					
2	I did not know what I'm doing and easily understand what is going on in my business.					
3	I confirm that my business has been very successful even if I don't practice record keeping and reporting of my business.					
4	I look for knowledge at how the business operates and identify how financial transactions are processed.					
	Preparations of proper accounts					
1	My business keep accounting records, such as; purchase book, sales (receipt) book, expenditure (bills) book, payroll records and asset register.					
2	My businesses consider no need to have separate account for different financial information in financial record keeping and reporting.					
3	My business uses one account for all purpose to have practice of record keeping and reporting of my business.					
	Need for professional and consultancy					
1	My business considers that It is waste of money to employ an accountant to help me to have financial record and reporting.					
2	The use of consultants helps me to have practice of financial record and reporting of my business.					
3	My business needs a periodic training to learn more about record keeping and					

	reporting.					
4	My business have not yet got concerned body that is responsible in providing a basic input how to practice financial record keeping and reporting.					
	Benefits of recordkeeping					
1	Financial record keeping and reporting helps to understand and analyses the spending and revenue and in calculating my business profit.					
2	Financial record keeping and reporting assists to know and back up a tax deductions to be paid to tax authority.					
3	Financial record keeping and reporting ensures accuracy of each payroll period and amount, to make sure that each employee receives the proper amount.					
4	Having financial record keeping and reporting assist in making accurate report of current spending and revenue to help compare actual results with projections in the business budget.					

Please specify concerning financial record keeping and reporting issues

Acronyms

EC- European Commission

GDP- Gross Domestic Product

HKCPA- Hong Kong Institute of Certified Public Accountants

IASCF- International Accounting Standards Committee Foundation

IFRS- International Financial Reporting Standards

MSE– Micro and Small Enterprise

MS – Small and medium enterprise

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Perception of Accounting Experts on the Implementation of Integrated Reporting in Sri Lanka

By Vickneswaran Anojan
University of Jaffna

Abstract- The main purpose of this paper is to examine the perception of accounting experts on the implementation of integrated reporting in Sri Lanka. Integrated reporting provides a wide range of information especially financial and non-financial information to economic decision makers of the company. Primary data used in this study which was collected from accounting experts such as academician, auditors, professional accountants/ chief financial officer, accounting special degree graduated students, undergraduate students and accounting related professional studies students in Sri Lanka. Primary data collected through a 5 points Likert scale questionnaire. Questionnaire of this study covers two major parts, opportunities and benefits, challenges and disadvantages on the implementation of integrated reporting. Descriptive analysis performed in this study with the help of SPSS latest version. Mean analysis confirmed that opportunities and benefits on the implementation of integrated reporting are more than challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. Further, this study found that there is a lack of knowledge and awareness regarding integrated reporting in Sri Lanka. Respondents of this study strongly recommended that there should be needed proper training program on integrated reporting for internal and external stake holders of the company.

Keywords: perception, opportunities, challenges, accounting experts, implementation, integrated reporting, sri lanka.

GJMBR-D Classification: JEL Code: M41

PERCEPTIONOFACCOUNTINGEXPERTSONTHEIMPLEMENTATIONOFINTEGRATEDREPORTINGINSRILANKA

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I. Introduction

The main objective of the financial statement preparation is to provide the information for economic decision makers. Financial accounting provides information to not only for the internal users but also to external users on the other hand management accounting provides information only to internal users generally to top-level management of the company. Financial and non-financial information should be needed to make the economic decision so economic decision makers are seeking and expecting financial and non-financial information. Traditional financial reporting is mostly providing financial information. There is a problem in traditional reporting which did not meet the expectation of financial statement users. There is a strong evolution of corporate reporting in the world. Corporate reporting evolution can be considered as followings financial statements, environmental reporting, sustainability reporting, and integrated reporting. The main purpose of above corporate reporting evolution is to provide more information to the users and create value for the organization.

There is number of changes in financial reporting, accounting standards and auditing standard in Sri Lanka. Sri Lanka adopted international accounting standards and international reporting standards very first from 1st January 2012 even though there are a number of changes in Lanka Accounting Standards (LKAS) by CA Sri Lanka every year. Further integrated reporting is also very new financial reporting mechanism for Sri Lankan companies. Currently, every company has to prepare and adopt integrated reporting especially public listed company should adopt and prepare integrated reporting in Sri Lanka. There are a number of opportunities and benefits by the adoption of the integrated reporting at the same time there is a number of challenges and disadvantages by the adoption of integrated reporting in any country as well as in Sri Lanka. This study is mainly based on accounting expert's perception on the implementation of integrated reporting in Sri Lanka. As an accounting professional need to increase the quality of financial reporting to meet the stake holders' expectation. There are two main qualitative characteristics of financial information such as fundamental qualitative characteristics and enhancing qualitative characteristics. Here fundamental qualitative characteristics cover relevance and faithful representation. Enhancing qualitative characteristics include comparability, verifiability, timeliness and understandability. Accounting professionals hope that the adoption of the integrated reporting will increase the enhancing qualitative characteristics of financial information. Financial reporting should include all materiality information. If any information impacts on the economic decision of the users, then such information should be considered as materiality information. CA Sri Lanka is a high level accounting professional body in Sri Lanka. CA Sri Lanka has formed a committee titled the Integrated Reporting Council in association with the International Integrated Reporting Council (IIRC) on 05 July 2016. This committee main aim is to enable

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corporates and others interested to share knowledge on matters relating to the content, context, and implementation in Sri Lanka.

II. Literature Review

a) *Theoretical Review*

According to International Integrated Reporting Council (IIRC), integrated reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value. An Integrated Report should be an organization's primary reporting vehicle. International integrated reporting council is providing proper guidance and guidelines regarding integrated reporting adoption and implementation as globally. Integrated reporting includes several categories of capitals such as financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital.

They are providing following guiding principles underpin the preparation and presentation of an integrated report such as strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and consistency and comparability. An integrated report includes the following eight content elements such as organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, the basis of preparation and presentation, and in doing so, takes account of: and general reporting guidance.

b) *Empirical Review*

Francesca (2018) stated that integrated reporting is a new communication tool that is gaining increasing attention among scholars, practitioners, and standard setters in both the private and public sectors. This study focuses some reflections based on case studies of public entities that differ regarding legal structures, locations, and business models to establish a strong legal and cultural requirement which is some common features exist. The main objective of this study was to discuss whether integrated reporting represents a new challenge for public sector organizations, specifically regarding their stakeholder engagement and their pursuit of greater accountability. This study was done through selected case studies. Case studies are examined through a theoretical framework based on the growing integrated reporting literature and specific objectives recognized by the integrated reporting framework. The Researcher found that there is no sufficient support for public sector entities for it to be considered the primary reference for accountability purposes also researched suggested that integrated reporting may be considered a tool to enhance stakeholder engagement, improve accountability and in turn, gain legitimacy. The Researcher pointed out the implementation of integrated reporting and standard setters are aware of the relevance of this new tool and are working to provide better support for integrated reporting preparation.

Charl (2014) the main objective of this study was to synthesize insights from accounting and accountability research into the rapidly emerging field of integrated reporting and proposes a comprehensive agenda for future research in this area. This study covered upon and synthesizes academic analysis and insights provided in the embryonic integrated reporting academic literature in conjunction with policy pronouncements. This study found that the rapid development of integrated reporting policy, and early developments of practice, present theoretical and empirical challenges because of the different ways in which integrated reporting is understood and enacted within institutions.

Indra (2013) pointed out to outline the concept of integrated reporting and to propose a template for integrated reporting in organizations. Conceptual model was founded on concepts proposed on integrated reporting by the King Report on Governance for South Africa (King III) and the International Integrated Reporting Council in the U.K. Findings of the study confirmed that the integrated report should explain the story of reaching the organization's vision, underpinned by its values, enacted by management, monitored by governance, and using facets of resources relating to financial capital, intellectual capital, social capital, and environmental capital. This study proposed an integrated reporting framework and provides an example of a template to be used in organizations.

Ranjita and Mohammad (2018) stated that Integrated Reporting (IR) stands for organizational reporting which is prepared for public disclosure and includes both financial and important non-financial information. Researchers pointed out the existing financial reporting standards are inadequate to address issues like the importance of intangible assets, corporate impacts on the environment, human health, societal conditions and corporate influence on the political process. They noted that traditional reporting model focuses on a relatively narrow account of the historical financial performance of the value creation process. This study focused on the degree of disclosure of Integrated Reporting requirements by the top eleven multinational companies of Bangladesh as per market capitalization. They used annual report content analysis; the findings show that the companies have lately started

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providing non-financial information regarding the environment, society, and governance along with financial figures. Researchers found that they are still providing this information in disconnected strands and as a part of Corporate Governance or CSR disclosures instead of linking these to financial information and providing it as an integrated report.

Tudor (2016) noted that the emergence of integrated reporting had raised questions regarding the need for restructuring organizational reporting. The researcher stated this new system proposes interesting concepts around which the report revolves, respectively: the (six) capitals and value creation. The main objective of this study was to set the grounds for showing whether public sector reporting entities already have these concepts in focus in their practice and how close are their current annual reports to a standard integrated report. The study emphasized the main developments in public sector reporting and pinpoints the shift towards a balance between financial and non-financial elements. Further, this study covered on delineations for the integrated reporting fundamental concepts and outlined the basic model. The main findings of this study confirmed that the disclosure levels about the fundamental concepts of integrated reporting are high and the pool of data for the information required to compile an integrated report is consistent in the case of top universities. Further, there was still need for further guidance for certain elements of delineation regarding the fundamental concepts; the perspectives of implementing integrated reporting in these types of entities are promising.

Hugo and Macias (2017) evaluated the implementation of the integrated reporting (IR) framework in a group of Colombian enterprises. They used a multiple-case study in six enterprises that use the IR framework. Researchers conducted individual interviews of reporters and performed a documentary analysis. They found that few Colombian firms that use the IR framework all have ambitious expansion goals in the medium term.

Camilleri (2018) stated that organizations are increasingly disclosing financial and non-financial performance as they are encouraged to become more accountable and transparent to the providers of capital, and toward other interested parties. This study considered a critical review of key theoretical underpinnings that have anticipated the development of the corporations' integrated disclosures. This contribution posits that there are both costs and benefits for those organizations who intend using the integrated reporting framework. This study found that future avenues as it identifies knowledge gaps in the realms of the organizations' integrated reporting of capitals.

III. Research Objectives

The main objective of this study is to examine the perception of accounting experts on the implementation of integrated financial reporting in Sri Lanka. Further, the followings are the sub-objectives of this study;

- To identify the major limitation on adoption of integrated financial reporting in Sri Lanka.
- To find out the most appropriate way to encourage integrated financial reporting in Sri Lanka.

IV. Methodology

a) *Sample*

This study only considers accounting experts in Sri Lanka under the following four major categories such as academician, auditors, professional accountants/ chief financial officers, accounting; special degree graduated students, undergraduate students and accounting related professional studies students in Sri Lanka. Researcher selected 25 people from each category for this study based on convenience sampling. This study covers 100 accounting experts in Sri Lanka. The response rate of this study is illustrated in Table 1.

Table 1: Sample size and response rate

Accounting Experts	Sent	Returned	Response Rate
Academician	25	14	56%
Auditors	25	09	36%
Professional Accountants/ CFO	25	09	36%
Professional Studies / Accounting Special Degree Students	25	12	48%
Total	100	44	44%

b) *Data Source*

This study is mainly based on primary data from accounting experts in Sri Lanka. The researcher developed 1-5 points Likert scale questionnaire. Then developed questionnaire used to collect date from accounting experts through Google form. Google survey form is one of the user-friendly, very cost effective and green environment technique to collect data for primary data related studies. Further, the researcher collected relevant depth of theoretical and empirical knowledge from published research papers and CA and IIRC publications regarding integrated reporting.

c) Hypothesis

This study considers only one hypothesis based on the accounting experts perception in Sri Lanka.

H_1: Accounting experts are perceived more opportunities and benefits for Sri Lankan companies through implementing integrated reporting in Sri Lanka.

d) Data Analysis Strategies

The researcher used descriptive analysis in this study with the help of latest SPSS version. Mainly descriptive analysis used to examine the mean value of opportunities and benefits, challenges and disadvantages on the implementation of integrated reporting in Sri Lanka.

V. Descriptive Analysis and Discussion

a) Demographic Profiles of the Respondents

Demographic profiles of the respondents are shown in the table 2, 3, 4 and 5. Demographic profiles cover age, gender, qualification and working experience of the respondents of the study.

Table 2: Age of the Respondents

Age	Number of Respondents	Response Rate
Below 30 years	22	50%
30-40 years	15	34%
40-50 years	06	14%
50-65 years	01	02%
Total	44	100%

According to above table it can be seen that 50 percentage respondents are below 30 years old in this study.

Table 3: Gender of the Respondents

Gender	Number of Respondents	Response Rate
Male	30	68%
Female	14	32%
Total	44	100%

Table 3 reveals that most of the respondents in this study are male.

Table 4: Qualification of the Respondents

Qualification	Number of Respondents	Response Rate
Professional Qualification	07	16%
Bachelor	19	43%
Master	13	30%
Doctorate	05	11%
Total	44	100%

According to above table it can be found that most of the respondents are having their bachelor degree in the respective field.

Table 5: Working Experience of the Respondents

Years	Number of Respondents	Response Rate
1-10 years	31	71%
10-20 years	08	18%
Above 20 years	05	11%
Total	44	100%

Respondents working experience is one to ten years in this study.

b) Descriptive Analysis

Table 6: Reliability Statistics (Cronbach's Alpha Test)

Questions	Number of Questions	Cronbach's Alpha
Opportunities and Benefits	17	0.883
Challenges and Disadvantages	17	0.837
Total	34	0.869

According to table 6 it can be seen that the score of Cronbach's Alpha range is 0.837 to 0.883. It reflects that validity of the data which is high level in this study.

Table 7: Perception of Accounting Experts on Implementation of Integrated Reporting in Sri Lanka

Survey Question Regarding Opportunities and Benefits on Implementation of Integrated Reporting in Sri Lanka.	Respondents Agreeing (percentage)
Integrated reporting is appropriate to achieve the true & fair view of the financial statements.	3.84
Implementation of integrated reporting will increase the transparency of the financial statements.	4.00
Implementation of integrated reporting will increase value of the organization.	4.11
Integrated reporting provides more financial and non-financial information rather than existing/ traditional reporting.	4.36
Implementation of integrated reporting will increase the international comparability of financial statements.	4.09
The adoption of integrated reporting provides opportunity to increase local customers.	3.61
Implementation of integrated reporting will bring in more opportunities for accessing the global market for Sri Lankan Companies.	4.14
Implementation of integrated reporting will increase the understandability of financial statements.	4.18
Implementation of integrated reporting will increase the relevance of accounting information for economic decision making.	4.16
Implementation of integrated reporting will assure the greater accessibility to funds for Sri Lankan Companies.	3.70
Implementation of integrated reporting will provide the professional opportunities to Sri Lankan professionals across the globe.	4.05
Integrated reporting increase greater clarity on business issues and performance in Sri Lanka.	3.82
Integrated reporting increase corporate reputation in Sri Lanka.	3.98
Integrated reporting increase relationships between corporate management people and stakeholder of the companies.	4.16
Integrated reporting is a more efficient reporting in Sri Lanka.	3.82
Integrated reporting increase employee engagement.	3.75
Integrated reporting increase gross margins.	3.45
Average	3.95 or 79.1%
Survey Question Regarding Challenges and Disadvantages on Implementation of Integrated Reporting in Sri Lanka.	
Integrated reporting is complicated in comparison to existing Sri Lankan.	3.59
Integrated reporting cannot be accepted as global reporting as they have not been implemented across the globe.	3.16
Integrated reporting requires training for staff owing to its complexities.	4.18
Integrated reporting requires changes in the accounting process.	3.91
Integrated reporting requires significant changes in the Information Technology infrastructure.	4.07
Implementation of integrated reporting will increase the volatility in company's earnings.	3.66
Implementation of integrated reporting will require too much disclosure of financial information and non-financial information which is troublesome.	3.59
IIRC's integrated reporting frame work, recommendation and application are generally difficult to apply.	3.20
Implementation of integrated reporting will entail the huge cost in terms of training of staff, financial information, non-financial information and preparation.	3.82
IIRC's integrated reporting frame work is rule based.	3.50
Regular changes in reporting framework like integrated reporting cannot be adopted in Sri Lanka.	3.14
Implementation of integrated reporting will require the major changes in various existing laws, accounting policies, concepts and reporting preparation.	3.57
There is no proper awareness and training regarding integrated reporting in Sri Lanka.	3.77
Integrated reporting is not much needed for Sri Lankan companies.	2.55
Integrated reporting framework's eight elements provide all the areas of the companies.	3.41
Integrated reporting provides un-necessary information to economic decision makers of the companies.	2.59
Integrated reporting cannot be applied for next 10 – 20 years in Sri Lanka.	2.43
Average	3.42 Or 68.4%

Table 7 reveals the average value of the respondents for opportunities and benefits, challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. It can be seen the average respondents' value is 79.1 percentages for opportunities and benefits on the implementation of integrated reporting in Sri Lanka. Average value of respondents is 68.1 percentage for challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. Sri Lankan accounting experts feel that there are more opportunities and benefits on the implementation of integrated financial reporting rather than challenges and disadvantages according to the analysis of the study. According to the results of this study H_1 *is accepted.*

VI. Conclusion and Recommendations

Convert from traditional reporting into integrated reporting is not an easy task. There are a number of countries they are following integrated reporting in the current world. Also, there is a strong committee to provide guidance and framework for the integrated reporting which is international integrated reporting committee (IIRC). There are opportunities, benefits, challenges and disadvantages on the implementation of integrated reporting. Sri Lankan accounting experts confirmed that there are more opportunities and benefits rather than challenges and disadvantages on the implementation of integrated reporting in Sri Lanka. Further they perceived that 68.4 percentages challenges and disadvantages on the other hand 78.1 percentage opportunities and benefits on the implementation of integrated reporting in Sri Lanka. It can be seen that there is no much deviation. Open ended question of this study, revealed that lack of awareness and knowledge regarding are the major limitation on the implementation of the integrated in Sri Lanka. Also Sri Lankan accounting experts suggested that there should be needed proper training program for the internal and external stakeholders of the company to increase and improve awareness and knowledge on integrated reporting which will lead to the high level integrated reporting practices in Sri Lanka. Finally, it can be concluded that there is more opportunities and benefits for every organization by adoption of integrated reporting in Sri Lanka. Professional institutions, universities, other relevant public and private institutions should try to give proper training to create awareness and knowledge on integrated reporting in Sri Lanka.

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Family and Foreign Ownership and Audit Quality of Listed Manufacturing Firms in Nigeria

By Abu Seini Odudu, Dr. Joshua Okpanachi & Dr. Adabenege O. Yahaya
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Abstract- The essence of audit quality is to assure the users that the financial statements contain no material misstatements. It show that the credibility and reliability of audited financial statements is what produce audit quality. This reliability and credibility are what assuring the investors, creditors and other resource providers that their investments are secured. However, the family and foreign ownership have the potential to affect the quality of an audit which in turn impair audit quality. This study examines the effect of family and foreign ownership on audit quality of listed manufacturing firms in Nigeria using secondary data extracted from published audited annual reports and accounts of manufacturing firms in Nigeria. Using 384 firm-year observations of 32 out of the total 59 listed manufacturing in Nigeria for 12 years, 2005-2016. Logistic regression technique was used for data analyses and test the hypotheses with the aid of STATA. The results show a positive significant effect of foreign ownership on audit quality, while inverse significant effect of family ownership on audit quality. The study recommends among other things, that there should be upward review of foreign ownership, and downward review of family ownership. It will encourage these group of owners to put in their best to effectively monitor the audit quality thereby giving assurance and confidence to other forms of ownership in the manufacturing firms that their investments are secured.

Keywords: *family ownership, foreign ownership, big 4 audit firms, audit tenure, and audit fees.*

GJMBR-D Classification: *JEL Code: M42*

FAMILYANDFOREIGNOWNERSHIPANDAUDITQUALITYOFLISTEDMANUFACTURINGFIRMSINNIGERIA

Strictly as per the compliance and regulations of:

Family and Foreign Ownership and Audit Quality of Listed Manufacturing Firms in Nigeria

Abu Seini Odudu [α], Dr. Joshua Okpanachi [σ] & Dr. Adabenege O. Yahaya [ρ]

Abstract- The essence of audit quality is to assure the users that the financial statements contain no material misstatements. It show that the credibility and reliability of audited financial statements is what produce audit quality. This reliability and credibility are what assuring the investors, creditors and other resource providers that their investments are secured. However, the family and foreign ownership have the potential to affect the quality of an audit which in turn impair audit quality. This study examines the effect of family and foreign ownership on audit quality of listed manufacturing firms in Nigeria using secondary data extracted from published audited annual reports and accounts of manufacturing firms in Nigeria. Using 384 firm-year observations of 32 out of the total 59 listed manufacturing in Nigeria for 12 years, 2005-2016. Logistic regression technique was used for data analyses and test the hypotheses with the aid of STATA. The results show a positive significant effect of foreign ownership on audit quality, while inverse significant effect of family ownership on audit quality. The study recommends among other things, that there should be upward review of foreign ownership, and downward review of family ownership. It will encourage these group of owners to put in their best to effectively monitor the audit quality thereby giving assurance and confidence to other forms of ownership in the manufacturing firms that their investments are secured.

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I. Background to the Study

Auditing as we know today is as old as human existence. The Bible accounts for this in Genesis Chapter 1:29, that all the living creature after creation were entrusted to Adam for daily administration and management, implying that there was established agent relationship designed for accountability from the beginning, but no structured formal internal control mechanisms put in place for proper reporting. Despite the fact that there was no structure, or internal control mechanisms put in place for reporting. Adam was still invited after a certain period to accounts of his stewardship in the Garden of Eden to enable God to determine the value and status of everything in his possession for decision making. It implies that whenever there is a fiduciary relationship with or without financial commitments, there is a need for accountability, as the end product of the stewardship, being the business statements upon which the owner will express an opinion as to the agent's honesty or dishonesty. It is also an indication that the relationship between the principal and agent then was based on personal and, as such, the services of a third party (auditor) was not required.

Furthermore, the lack of non-structured business and no formal internal mechanisms for proper reporting, the financial statement does not pass through the third party (i.e. auditor) as principal supervised the agent. There were no intermediary services of the third party who should have monitored the work performed by agents who held little or no interest in the businesses.

In the modern organization, due to innovations and changes that have taken place in accounting, financial reporting and auditing, agents of a company no longer present financial statement of a business to the owner directly, such prepared financial statement would pass through a third- party (auditor) who constitute a profession providing services to the people (Adeyemi & Fagbemi, 2010). It suggests that the audit is designed to meet the needs of financial statement users, such as investors, creditors, prospective creditors, and government institutions through auditors (Ho & Kang, 2011). The favorable auditor's opinion communicates to the owners that their business interests are protected and they can rely on the picture that the financial statement portrays. The purpose of owners demanding for audit services is to reduce the agency costs because of information asymmetry and competing interests that exist between them (owners) and managers. The only mechanisms that can be used to resolve the competing interests between owners and managers are independent auditors (Jensen & Meckling, 1976 in Suleiman, 2011). Therefore, auditor's opinion expressed in the form of the report upon which the economic decisions of the investors, creditors, and the government are depend. That means audit report should reflect the auditor's opinion regarding the company and with a reasonable assurance assure investors, creditors and any resource providers in an organization that the company's accounting and stewardship of the company are correct, which referred to as "audit quality".

Audit quality is subject to many direct and indirect influences. While some people place more emphasis on direct influences on audit quality, others

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rely on indirect influences. It resulted in arguments and counter-arguments of what constitutes audit quality and whether direct or indirect influence affects audit quality. Direct enrapture according to International Auditing and Assurance Standards Board (IAASB, 2014) are grouped into three categories: inputs, outputs and context factors, while the indirect sway on the other hand, is linked to output factors via ownership structure, which is made up of pressure from individual owners, the political influence of the owners and environmental factors. All the direct influences are within the power of auditors, and to some extent, they have control over it, which would address audit quality. However, the direct influence only is not sufficient to address the question of whether audit quality are being achieved in the broader context.

The indirect influence deals with ownership structure on audit quality, and it is critical. Because there are different forms of owners that constitute ownership structure and it is significance for the auditor to understand each owner's need and how an action of one shareholder affect on other's perspective, without which audit quality cannot be enhanced. The position of auditors in a firm is ethically expected to represent the interest of all the owners in respect of the owner's status in the company. However, this position are usually violated as auditors go into negotiation with some specially, family and foreign investors to undertake activities that are detrimental to other shareholders. That often results to audit expectation gap as the general public sees auditors as performing their fiduciary responsibility in order to satisfy statutory requirements of an audit, which impair audit quality. Therefore, audit quality is the ability of auditors to reduce noise such as material misstatement, errors or omission and improve fitness on the financial statement prepared and presented by the company's management.

This study considers indirect influence, that is, the effect of family and foreign ownership on audit quality of listed manufacturing firms in Nigeria. That suggests that when a family member and foreign investor acquire equity or stock of the company, such family and foreigner is one out of the many owners of a company. Equity or stock enable the holder to claim everything the company owns. Therefore, the more equity or stock the family and foreign investor acquire, so shall their ownership stake in the company become greater.

The manufacturing sector are considers as one of the crucial driving force of the modern economy. The sector serves as the vehicle for the production of goods, generation of employment, and enhancement of incomes. Hence, described as the heart of the economy (Sola, Obamuyi, Asekunjo & Ogunleye, 2013). In developed economies, the manufacturing sector contributes a significant portion to the economic growth. For example, in the USA, the manufacturing sector contributed 11.7% to economic growth. In Japan, the manufacturing sector contributed 27.2% to the economic growth. In the UK, the manufacturing sector contributed 25% to the economic growth. In China, the manufacturing sector contributed 40% to the economic growth. In developing country specifically Nigeria, the manufacturing sector contributed 2.54% to the economic growth. This percentage is far below what is happening in the wealthy and industrialized nations. It could be as a result of many factors including lack of confidence of foreign investors, audit quality, performance, quality of management saddled with the responsibility of managing the industries and other determinants. The researcher is disturbed as to why the low contribution to economic growth. The study is, therefore, examine the effect of family and foreign ownership on audit quality to determine whether the low contribution to the economic growth was as a result of poor audit quality of manufacturing firms in Nigeria.

The study objective examine the effects of family and foreign ownership on audit quality of Nigerian manufacturing firms. To achieve the research goal, the study evaluates the effect of family ownership on audit quality of listed manufacturing firms in Nigeria; and assesses the impact of foreign ownership on audit quality of listed manufacturing firms in Nigeria.

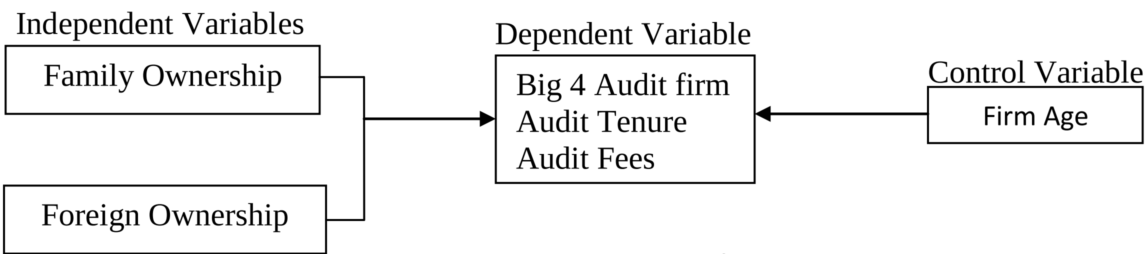
To accomplish the research objectives, two hypotheses are formulated. First, family ownership has no significant influence on audit quality of manufacturing companies in Nigeria. Second, foreign ownership has no significant effect on audit quality of manufacturing industries in Nigeria.

II. Literature Review

Family and foreign ownership were among the vital tools of the corporate governance mechanisms influencing audit quality. However, the influence of audit quality by a family member and foreign investor in a company has been debated theoretically and empirically in the corporate finance literature. Prior studies document that the principals ratified the appointment of external auditors, and they (auditors) saw them as a client and protect their interest (Otusanya & Laowu, 2010; Alabede, 2012). Auditors act as agents to principals when performing an audit work. That may induce auditors to establish the relationship with principals, which may jeopardize audit quality.

Also, the relationship between family and foreign ownership on audit quality has been debatable for several decades. It has generated arguments and counter-arguments in the corporate finance literature. Prior studies found that the relationship between owners and audit quality was drive by segregation of owners from control. The separation results to a conflict of interests between the owners and management (Berle & Means, 1932). The friction later metamorphosed into agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983), where the sole aim of the owners is to maximize their wealth while managers prefer self-center benefits. In the absence of sufficient monitoring, managers can exercise opportunistic behavior to the owners detrimental. The action of managers requiring the services of external auditors as a monitoring mechanisms to checkmate such behavior. The ownership structure in this study consists of family and foreign ownership.

The study developed a conceptual framework to link the independent and dependent variables. The independent variables in this study consist of family ownership and foreign ownership. The dependent variable was audit quality measured by big four audit firms, audit tenure and audit fees, while firm age is used as control variable. Figure 1 below shows the conceptual framework.



Source: Built by the researcher based on literature

Figure 1

The family-owned firm is any public company where a family member or a founder owns 51% equity or more (Villalonga & Amit, 2006; Anderson & Reeb, 2003). Family ownership is also a firm which the founders or descendants of the founding family continue to hold positions in the top management, serve on the board or are directors, (Anderson & Reeb, 2003). That implies that any firm where a family member holds important position such as managers, directors, supervisor, CEO / Chairman of the board of directors and as well as owns 51% equity or more is family ownership firm. The explanation distinguishes family ownership from non-family ownership, showing that any public company that a family or a founder owns less than 51% equity is non-family ownership.

This study considers family ownership in two ways. Firstly, any firm where the family has ownership of 51% stock and above of the firm's total shares (Cascino, Pugliese, Mussolino & Sansone, 2010). Secondly, any firm where two members of the same family acquire a substantial proportion of equity and the total of their shares add together is 51% and above and at least one representative of the family is a member at the management level or board member (Abdallah, 2012). The presence of a family representative on the company's board can lead to a demand for high audit quality or lower audit quality (Chrisman, Chua & Sharma, 2005). However, a company with family ownership will experience two types of agency problems. Firstly, a company in which a family has a low proportion of shares may have a low incentive and may wish to hire a big4 audit firm to serve as their external monitoring mechanism to improve and strengthen their motivation, which they referred to as type 1 agency problem. Secondly, a company in which a family has a higher proportion of shares and hold vital positions on top management are willing to improve their financial statements and are less likely to hire a high-quality auditor to cover up their wrongdoings, which they referred to as type II agency problems. Therefore, this study uses the ownership stake of the family as a proxy of family ownership.

Foreign ownership is typically sophisticated individual or institutional investors, who are potentially professional with a wealth of experience, resources, skills, and capacity to collect and process relevant and specific firm information for investment decisions (Kim & Yi, 2007). This wealth of experience, material resources, and skills gives added advantage to the firms with foreign investors against their counter-parts (firm with domestic investors) as firms with foreign owners are more productive, more prudent and more capital intensive and can pay higher wages when compared with a firm without foreign investors (Doms & Jensen, 1998).

However, one area in which foreign investors due consider in taking investment decision is to rely on credible financial statements as sources of information, and in doing so, auditors play essential role in certifying these statements as higher level of certification from big auditing firms could minimize information asymmetry between management and outside investors, thereby attracting greater foreign investment (Choi & Wong, 2007; Myers, Myers & Omer, 2003; Teoh & Wong, 1993). That means managers when left unmonitored, will likely engage in earnings management, fraudulent activities or make suboptimal corporate decisions (Bertrand & Mullainathan, 2003; Hope & Thomas, 2008; Leuz, Nanda & Wysocki, 2000). Thus, the quality of the audit will be a yardstick to determine whether the manager acted opportunistically or not. Therefore, the study expects that manufacturing firms in Nigeria that use Big4 auditors will have much potential to attract foreign investors than firms that use non-big four auditors, and such ownership stake of the foreign investor as a proxy of foreign ownership on audit quality of listed manufacturing firms in Nigeria.

Audit quality is a variation of the market-assessed joint probability that a given auditor will both detect a breach in the client's accounting system, and report the violate (DeAngelo, 1981a). This explanation has made pompous contribution to motivating a large body of research. It portrays auditing as a binary process, whereby the auditor's role are reduced to detection and reporting of violations in the financial statements (Mark & Jieying, 2013). Audit quality is also a function of the auditor's ability to detect material misstatements (technical capabilities) and reporting the errors (auditor independence). However, the characteristics involved in this definition are largely unobservable (DeAngelo, 1981b). That results in the use of different proxies by the researchers to measure audit quality like audit size, audit hours, audit fees, audit tenure, reputation, litigation rate among others. Therefore, big 4 audit firm, audit tenure and audit fees are use to measure audit quality.

There are numerous theories regarding firm's owners and audit quality, but this study considered three. These are policeman, credibility and agency theory. The policeman theory required competent, objective, effective and efficient for officers in carrying out their responsibilities. Thus, they are expected to spend three to five years in any community, formation, unit or department to avoid ownership problems. If the officer exceeded five years, it will impair the independence in carrying out their duties. However, the harmonize Corporate Governance Code (2014) suggests minimum of five and ten years maximum tenure for external auditors. Thereafter, they can be changed. Thus, allowing auditors for ten years maximum in a particular client firm will affect audit quality.

Credibility theory claims that the primary function of the audit is to add value to the financial statements. One aspect of an audit firm that is considered most appropriate in adding value to the audit report is the size of the audit firm and fee. Therefore, the high remuneration charged by big-four audit firms is evidence of credibility theory. Thus, audit fee premiums yield high quality as the audit firm prove their integrity, expertise, and experience which add credibility to the financial statements prepared and presented to them by the management of the organization (Johnson, Daily & Ellstrand, 1995; Palmrose, 1986). If the remuneration charged by audit firm is so low, it may be difficult for auditors to carry out audit work by applicable technical and professional standards thereby induce them to accept compensation which in turn lower audit quality.

Agency theory according to Berle and Means (1932); Jensen and Meckling (1976) in their separate study suggests that due to information asymmetries and self-interest. The owners lack reasons to trust the management, and will seek to resolve these concerns by putting in place mechanisms to align the interests of management with owner. That reduce the scope of managers opportunistic and information asymmetries. The structural device put in place is the board of directors. However, the acquisition of shares by directors prevent them to summon courage in monitoring. Therefore, shareholders employ the services of independent auditors to carry out such responsibility. An underlying notion behind the monitoring is the compliance of the relevant regulatory bodies, which external auditors would contribute to corporate control, thereby increasing the quality of financial statements. The financial statement quality form the bases of investors' decision making. Because it gives assurance, trust and hope to investors that their investments are secured.

In light of the three theories, the study anchored on agency theory. This is because if family member and foreign investor would be allowed auditors to execute their statutory responsibility in the examination of financial statements prepared and presented to them by company's management as contained on the relevant laws, rules, and regulation, standards, and procedures are followed without undue influence or interruption from them, audit quality can be accomplished. It will prevent the sudden collapse of some companies witness in the past like that of Enron, Afri bank among others.

Cascino, Pugliese, Mussolino, and Sansone (2010) investigate the effect of family ownership on audit quality in Italy. The study sample 114 out of 263 firms listed in Italian Stock Exchange for the period 1998-2004 with 798 firm-year observations. Audit quality measured by Big 4, while family ownership was the independent variable. The findings reveal that the family firm has a positive and significant effect on audit quality. This finding shows that the presence of a family member in a firm encourage to engaged the services of big four audit firm since quality auditors enhance a higher degree of compliance, hence audit quality (DeAngelo,198a1). Niskanen, Karjalainen, and Niskanen (2010) examine the relationship between family ownership and audit quality in Finland. The study sample 441 firms out of 1,500 of small family firms listed in Finish Stock Exchange with 1,637 firm-year observations for the period 2000-2006. Logistic regression was used to test audit quality as a dependent variable and family ownership as the independent variable. The findings reveal that family ownership has a negative and significant relationship with audit quality. That implies that an increase in managerial ownership in a sample of family firms decreases the demand for audit quality.

Franciele, Paulo, and Leandro (2015) evaluate the relationship between family ownership and audit quality in Brazil. The study population consists of 133 family firms and 128 non-family firms listed in Brazilian Stock Exchange for the period 2009-2011. Audit quality measured by Big 4 and audit tenure, while family and non-family ownership were the independent variables. The findings reveal inverse insignificant relationship between family and non-family ownership and audit quality. This finding could have been as a result of the regression technique and the study period. Thus, expanding the study period with a robust regression technique could yield a different result.

Gaaya, Lakhal, and Lakhal (2017) examine the effect of family ownership on audit quality in Tunisia. The study sample 55 companies listed on the Tunisian Stock Exchange for the period 2008-2013 with 315 firm-year observations. Audit quality measured by Big 4 audit firm and audit tenure, while family ownership was the independent variable. Multiple regression was used data analyzes. The findings show that family ownership has a positive and significant effect on audit quality. It means that a unit increase in family ownership increases audit quality. The result of this study could have been as a result of inappropriate regression tool used. A research of this nature could have used binary logistic regression since the dependent variable is dichotomized into 1 or zero instead of multiple regression. Therefore, with the expansion of study period coverage, it could give a different result. In light of the above, family ownership is seen as an essential tool that could influence the quality of the audit

Khasharmeh and Joseph (2017) empirically examine the effect of ownership structure on audit quality in Bahrain. The study sample 138 companies out of 152 companies listed on Bahrain Burse Market for the period 2015-2016. Audit quality was measured by Big 4 audit firms, while ownership structure was the independent variables proxy by foreign ownership, institutional ownership, and block-holder ownership. Logistic regression is used for data analysis. The results reveal that foreign ownership has a positive and significant effect on audit quality, while institutional and block-holder ownership has a positive but not significant impact on audit quality. That means an increase in foreign ownership increases audit quality. The study used appropriate regression technique, which is capable of yielding a better result; however, two year study period is too small and cannot give a valid outcome to depend on it.

Shan (2012) examines the effect of internal corporate mechanisms on audit quality in China. The study population consists of 117 companies listed in Chinese Stock Exchange with 540 firm-year observations for the period 2001-2005. Audit quality was measured by Big 4 audit firms, while internal corporate mechanisms were the independent variables proxy by foreign ownership, board independence, board size, and State ownership. Logistic regression is utilized for data analysis. The results show that foreign ownership has a positive and significant effect on audit quality.

Khanh and Khuong (2018) examine audit quality, firm characteristics and, real earnings management in Vietnam. The study sample 241 listed companies on Vietnam stock markets (HNX and HOSE) for the period 2010-2016 with 1,687 firm-year observations. The study used GMM- regression for data analysis. Firm characteristics and real earnings management were the independent variables proxy by firm age, firm size, and profitability, while audit quality was dependent variable measured by big four and non-big 4 audit firm. The findings show a positive and significant effect of firm age on audit quality. Aliu, Okpanachi, and Mohammed (2018) examine audit fees and audit quality of listed companies in Nigeria. The study sample 9 listed companies in the downstream sector of Nigerian Petroleum Industry for the period 2007-2017. Audit quality was measured by a big four audit firm, while audit fees were independent. Binary logit regression was used to analyze the data. The findings show a positive and significant influence of age on audit quality. Hartono, Subrato, Djumahir and Irianto (2013) examine the impact of firm characteristics proxy by firm age, profitability, leverage and firm growth on the audit quality and its impact on firm value in Indonesia. The research work sample 110 firms listed in Indonesia Stock Exchange excluding all financial firms. Two-Stage Least Square (2 SLS) statistical model was utilized to analyze the relationship between firm size and audit quality. The study failed to document the period of the study, but the findings of the study show that firm age has significant and negative effects on audit quality.

III. Methodology

The study adopts longitudinal research design specifically panel data. It is an effect study using regression models to examine the influence of family and foreign ownership on audit quality. The study uses the annual reports and accounts of listed manufacturing firms in Nigeria on the floor of the Nigerian Stock Exchange for the twelve (12) years period (1st January 2005 to 31st December 2016). Fifty-nine listed manufacturing firms form the total population for the study. Filters were employed to consider some firms and eliminate others (Shehu, 2012). The percolate removes all the companies listed after 31st December 2005. As they cannot produce complete data required for the study. The filter weed out all companies that had disappeared from the trading schedule of NSE as at 31st December 2016. The infiltrate also do way with all the companies that experienced technical suspension and were unable to meet up with the Nigerian Stock Exchange requirements within the period. Therefore, a total of 27 firms were weeded out. As they cannot produce data required for the study. Thus, 32 manufacturing firms form the sample size of the study as they met the criteria, which have the complete data

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for all the variables of the study for the period under review.

This paper adopts the Jusoh, Ahmad and Omar (2013); Zureigat (2011) model with modification. The model is adopted and, the variables modified to suit the environment for the research. Therefore, the following model is design for testing the hypotheses of the study:

Audit firm size using Big 4 audit firm as a proxy to measure audit quality. If the financial information obtained from the companies' audited reports shows that it is audited by one of the "Big4" audit firms is 1 or otherwise 0. This forms the first model as seems below:

Model I

$$AQ1=\alpha+\beta1MANOit+\beta2BDSHit+\beta3INSOit+\beta4BLHOit+\beta5FAMOit+\beta6FRGOit+\beta7FSIZit+\beta8FAGEit+Uit$$

Audit tenure is used as a proxy to measure audit quality. If the information obtained from companies audited reports show the duration or years covered by the audit firm is between 3-5 is 1 or otherwise 0. This forms the second model as demonstrate below:.

Model II

$$AQ2=\alpha+\beta1MANOit+\beta2BDSHit+\beta3INSOit+\beta4BLHOit+\beta5FAMOit+\beta6FRGOit+\beta7FSIZit+\beta8FAGEit+Uit$$

Audit fees are also utilized in this study as a proxy to measure audit quality. If the financial statement obtained from the audited firms reports shows the amount charged as fees is two million Naira (N2,000,000) and above is 1 or otherwise 0. This forms the third model as seems below:

Model III

$$AUDF=\alpha+\beta1MANOit+2\beta BDSHit+\beta3INSOit+\beta4BLHOit+\beta5FAMOit+\beta6FRGOit+\beta7FSIZit+\beta8FAGEit+Uit$$

The Audit Quality is the composition of these three audit quality elements.

IV. Results and Discussion

This section presents the results. It includes the presentation, analysis and, interpretation of collected data from published annual reports of the firms. After that, conclusion and recommendations are made based on the findings of the study.

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
big4	384	0.7395833	0.4394345	0	1
Audt	384	0.53125	0.4996735	0	1
Audf	384	0.7161458	0.4514551	0	1
famo	384	2.387187	6.356533	0	40.52
Frgo	384	40.7199	29.21663	0	89.82
Fage	384	47.81771	15.78174	12	93

Source: STATA 11 Output Results based on study data

Table 1 shows a descriptive statistics panel data set made up of 32 firms, xix variables and a total of 384 observations for 12 years (2005-2016). Three variables (big 4, audit tenure and audit fees) were dichotomized as 1 and 0, while three others were the continuous variable. The continuous variables were family ownership, foreign ownership, and firm age. The big 4 has a mean of .7395833, the standard deviation of .4394345, and a maximum value of 1. It implies that for all the 32 listed manufacturing firms in Nigeria, there is an average value of .7395833 with a deviation of .4394345 around the mean. The mean value of .7395833 is close to 1 maximum value. That was in line with the data set of the study as firms audited by big4 audit firm was coded 1 and, those investigated by non-big four was coded 0. The mean big 4 of .7395833 and a maximum value of 1 is indicating that most Nigerian manufacturing firms are audited by big4 during the study period.

The audit tenure has a mean of .53125, a standard deviation of .4996735, and a maximum figure of 1. It shows that for all the 32 listed manufacturing firms in Nigeria, there is an average value of .53125 with a deviation of .43996735 around that value. The mean audit tenure of .53125 is nearness to the maximum value of 1. That was in conjunction with the data set of the study. The mean audit firm tenure of .53125 implies that majority of audit firms in Nigeria spent three to five years in auditing listed manufacturing firms in Nigeria. In the same vein, the average for the audit fees stands at .7161458 with a standard deviation of .4514551 around the mean and a maximum value of 1. The median of .7161458 and a maximum value of 1 conform with the data set of the study. The middle audit fee of .7161458 implies that most audit firms in Nigeria charged as high as N2,000,000 and above for remuneration in auditing Nigerian manufacturing firms during the study period.

Family ownership has a mean of 2.38787, a standard deviation of 6.356533, a minimum of 0 and a maximum of 40.52 showing that family member(s) on averaged acquired 2.39 shares of listed manufacturing firms in Nigeria with 6.36 variation around this during the period. 40.52 was the highest shares obtained by a family member(s), while based on the policy of some companies refused family member(s) possessing shares during the study period. Foreign ownership has a mean of 40.7199, a standard deviation of 29.21663, a minimum of 0 and a maximum of 89.82 implying that foreign investors on averaged acquired 40.72 shares of listed manufacturing firms in Nigeria with a variation of 29.22 around this during the period. 89.82 was the highest shares acquired by foreign investors, while some listed manufacturing firms do not have their shares purchased by foreign investors. Firm age has a mean of 47.81771, a standard deviation of 15.78174, a minimum of 12 and a maximum of 93 implying that the average age of the listed manufacturing firms in Nigeria is 47.82 years with a variation of 15.78 around this during the period. The highest age was 93 years, while the minimum age was 12 years.

Table 1 also depicts high standard deviation between family and foreign ownership. The high standard aberration shows that there is no uniformity in ownership of the listed manufacturing firms in Nigeria. That resulted into broad divergence of variables from their mean. If normal distribution of owners existed. The standard deviation would have been within the acceptable maximum of 2.

a) The Result of Data Normality Test

The study used the Shapiro-Wilk (W) data normality test to determine how normal the data collected is. The test was conducted to check a variable that emanates from a normally distributed population. It was meant to test the null hypothesis that the data were distributed at a 0.05 (5%) level of significance. The results of the test are seems in table 2 below:

Table 2: Results of Data Normality Test

Variable	Observations	W	V	Z	P-VALUE
Big 4	384	0.99333	1.770	1.357	0.08744
Audt	384	0.99984	0.044	-7.437	1.00000
Audf	384	0.96331	9.739	5.406	0.00000
Famo	384	0.62380	99.851	10.933	0.00000
Frgo	384	0.69229	81673	10.456	0.00000
Fage	384	0.95041	13.162	6.121	0.00000

Source: STATA 11 Output Results based on study data

A careful examination of Table 2 shows that the P-value of three variables were less than or equal to 5% significant level, while the data for audit quality variables, such as big 4, audit tenure and audit fees are normally distributed. The three independent variables failed the normality test, as the tests were significant at 5% with a confidence level of 95%, implying that the data does not fit the normal distribution. The failures of the three variables were attributed to several reasons amongst are: first, when the sample size is adequately large, the normality of data is not required (Wooldridge, 2009). The 32 listed manufacturing firms selected for 12 years is sufficiently large, and as such, the normality of data were not required. Second, in a panel data set, there were repeated observations in the same components. The repeated perceptions from the same unit usually cause a problem, since the perceptions are, very likely, not independent, which most times violates normality assumptions (Baltagi, Song, Jung, & Koh, 2007; Baltagi, Song, & Koh, 2003; Elliott & Woodward, 2007). Third, in panel dataset where observations are repeated across the sample firms for several years, data normality become a sufficient condition, but not a necessary condition for the model to be a good model (Alejo, Galvao, Montes-Rojas, & Sosa-Escudero, 2015; Baltagi, Song, Jung, & Koh, 2007). That is an indication that despite the failure of the normality test in these variables, it does not affect the model of the study.

b) Regression Results and Hausman Specification Tests

Table 3 presents the summary of the regression analysis for all the three models.

Table 3: Regression Results- Model 1, 2 and 3

Variable	Model1 BIG 4			Model 2 AUDT			Model 3 AUDF		
	Coeff	t-value	P-value	Coeff	t-value	P-value	Coeff	t-Value	P-value
FAMO	-.015526	-4.71	0.000	.001531	0.38	0.707	-.0160824	-4.86	0.000
FRGO	-.0022323	-3.09	0.002	-.0008703	0.98	0.303	.0020854	2.87	0.004
FAGE	.0089144	6.67	0.000	-.0037956	-2.31	0.022	.0086651	6.46	0.000
CONS	.4412777	6.26	0.000	.7445308	8.57	0.000	.2552743	3.61	0.000
NO. OBS	384	384	384	384	384	384	384	384	384
R^2	0.1667			0.0206			0.2048		
Adj- R^2	0.1601			0.0128			0.1985		
F-Value	25.34			2.66			32.62		
P-Value	0.0000			0.0480			0.0000		

Haus-chi²	263.37	2.68	0.00
P-value	0.0000	0.2622	0.4322

Source: STATA 11 Output based on study data

The result as summarized in Table 3 reveals that only model 3 is statistically significant as the validity of the model is evident. The R^2 (2048) in table 3 is the multiple coefficients of determination. It gives the proportion or percentage of the total variation in the dependent variable explained by the explanatory variable jointly. Hence, it signifies 20.48% of the total aberration in audit quality of listed manufacturing firms in Nigeria caused by family and foreign ownership. The Adjusted R-square shows the degree of freedom of the model only. It explains also about 19.85% of the total systematic variations in audit quality. This variation (19.85%) in audit quality of the listed Nigerian manufacturing firms is substantially accounted for by the different explanatory variables. Also, the P-value of 0.0000 for the estimation confirms the fitness of the model. However, model 1 and 2 with R^2 of 0.1667 and 0.0206 with Adj-R^2 of 16.01 and 01.28 respectively show the variation in audit quality of listed manufacturing firms in Nigeria is not substantially accounted for by all the explanatory variables. Therefore, for analysis, model 3 only will be used.

The test of model selection using Hausman specification was conducted. It enable us to determine between random and fixed effects model. The result enables us to reject the fixed effects and accept random effects estimator as Hausman Chi2 and, the Prob > chi2 shows 0.00 and 0. 4322 respectively. Therefore, a random effects model is adopted using model 3 for testing hypothesis. The bottom line here is that model 3 is the best model that explained audit quality compare with other models.

Table 4: Regression Results- Model 3

Variable	Model 3 Random Effect		
	Coeff	Z-Value	P-value
FAMO	-.0866327	-3.39	0.001
FRGO	.0107858	2.21	0.027
FAGE	.0644158	4.95	0.000
CONS	-2.203718	-3.55	0.000

Source: STATA 11 Output Results based on study data

Table 4 reports that the family ownership has significant and privative effect on AUDF as explained by a coefficient of -0.86327 and Z-value of -3.39 at 0.1% level of significance (P-Value = 0.001). It means every unit increase in family ownership significantly decreases audit quality by 0.86327. That was statistically significant at the 99.9% confidence level. Similarly, Foreign ownership has significant and positive effect on AUDF as explained by a coefficient of 0.107858 and Z-value of 2.21 at 2.7% level of significance (P-Value = 0.027). It indicates that for every one unit increase in foreign ownership increases audit quality by 0.107858. That was statistically significant at 97.3% confidence level.

The age of the sample firms during the study period has significant and positive effect on AUDF as explained by a coefficient of 0.644158 and z-value of 4.95 at a 0.000 level of significant (P-Value = 0.000). It implies that every unit increase of firm age significantly increases audit quality by 0.644158. That was statistically significant. The regression results in table 4 show that the coefficient of the CONS is -2.203718, which determines the value of AUDF given a unit increase or decrease in any of the two independent variables, while all others are held constant.

Hypothesis 1 states that Family ownership has no significant effect on audit quality of listed manufacturing firms in Nigeria. The regression result in table 4 shows that the family ownership of listed manufacturing firms in Nigeria during the study period has significant and negative effect on audit quality. Table 4 shows a Z-Value of -3.39 and P-Value of 0.001, which is statistically significant at 5% level of significance. It provides us with evidence of rejecting the null hypothesis and accepting the alternative hypothesis that family ownership has significant and effect on audit quality of listed manufacturing firms in Nigeria. This finding conforms with the result of Niskanen et al. (2010), who also find significant and adverse relationship between family ownership and audit quality. However, this finding contradicts the outcome of Cascino et al. (2010); Gaaya et al. (2017), who find significant and positive relationship between family ownership and audit quality.

Hypothesis 2 states that Foreign ownership has no significant effect on audit quality of listed manufacturing firms in Nigeria. The result of the binary logit regression as presented in table 4 shows that the foreign ownership is positively and statistically significant at 5% level of significance. The Z-Value of 2.21 and P-Value of 0.027 attest to the fact. The result provides us with evidence of rejecting the null hypothesis. And as such, accepting the alternative that foreign ownership has a significant effect. This finding is compatible with the report of Khasharmeh and Joseph (2017); Shan (2012), who also find significant and positive relationship between foreign ownership and audit quality. However, The finding is contrary to the result of Darmadi (2012); Kim and Yi (2009), who find significant and negative relationship between foreign ownership and audit quality.

The findings of this study were based on the balanced panel data collected for 12 years (2005-2016) from a sample of 32 listed manufacturing firms on the Nigerian Stock Exchange. The result of the estimated regression shows that both family ownership and foreign ownership have a significant effect on audit quality. While family ownership has significant and negative effect, foreign ownership on the other hand, has significant and positive effect on audit quality. Also, the R^2 of 20.5% and the Adj-R^2 of 19.9% evidence that family and foreign ownership used in this study proved to be determinants of audit quality despite the low R^2 of 20.5% and Adj-R^2 of 19.9%. Firm age as a control variable has significant and positive effect on audit quality. That means that the age of the corporation is an important determinant on audit quality as some firms have been established for several years and have been doing very well as a result of a good management team and audit quality, while other suddenly collapse as a result of poor audio quality.

V. Conclusion and Recommendations

In the light of the findings, the family ownership of Nigerian manufacturing firms is negatively related with audit quality measured by audit fees, indicating that at a higher level of shares held by family owners, the level of audit quality could be low. Therefore, reducing the shares held by family owners, in the companies to a justifiable proportion by companies' board of directors or companies' management can help enhance family ownership contribution toward improving audit quality; and The foreign ownership is significantly and positively associated with audit quality measured by audit fees. It signifies that foreign ownership contributes positively to audit quality. Thus, reviewing the proportion of shares upward for foreign ownership by the management or board of directors would encourage foreign ownership toward sustaining audit quality in the listed manufacturing firms in Nigeria.

Given the proceedings, the following recommendations are put forward:

The regulatory authorities particularly the Security and Exchange Commission (SEC), who are responsible for monitoring the compliance of corporate governance by listed companies in Nigeria, should come up with policies or revisit the policy regarding allotment of shares in all the listed companies in Nigeria. Based on the data available and extracted from the annual reports of listed manufacturing firms in Nigeria, family member(s) have acquired the huge sum of shares in some firms, while others, they do not acquire the shares of the companies. Such policies, if formulated and implemented will go a long way in encouraging the monitoring capability of family ownership toward improving audit quality of listed manufacturing firms in Nigeria.

Foreign ownership is significantly related to audit quality. This was evidenced by calculated logit regression result which was statistically significant at 5% level of significance. Therefore, the study recommends that the relevant regulatory body responsible for monitoring and administering the activities of listed manufacturing firms in Nigeria should design policies toward upward reviewing or maintaining the proportion of shares assigned to foreign ownership. This will enhance the capability of foreign ownership to put more effort and commitment for effective monitoring, like any other shareholders, toward sustaining audit quality. This is because foreign ownership will stand to lose their investment if the firms collapse for lack of audit quality.

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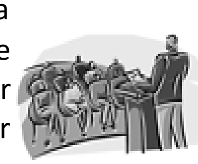

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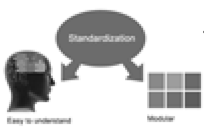

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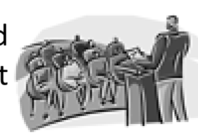

The Global Journals Incorporation (USA) at its discretion can also refer double blind peer reviewed paper at their end to the board for the verification and to get recommendation for final stage of acceptance of publication.

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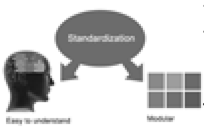

After nomination of your institution as "Institutional Fellow" and constantly functioning successfully for one year, we can consider giving recognition to your institute to function as Regional/Zonal office on our behalf.

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- • This individual has learned the basic methods of applying those concepts and techniques to common challenging situations. This individual has further demonstrated an in–depth understanding of the application of suitable techniques to a particular area of research practice.

Note :

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"

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1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can't clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of management and business then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.

6. Bookmarks are useful: When you read any book or magazine, you generally use bookmarks, right? It is a good habit which helps to not lose your continuity. You should always use bookmarks while searching on the internet also, which will make your search easier.

7. Revise what you wrote: When you write anything, always read it, summarize it, and then finalize it.

8. Make every effort: Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. Use proper verb tense: Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.
Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. Arrangement of information: Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. Multitasking in research is not good: Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

18. Go to seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.

19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

20. Think technically: Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.

21. Adding unnecessary information: Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn't be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

22. Report concluded results: Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

23. Upon conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

The discussion section:

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear: Adhere to recommended page limits.

Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.

- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

An abstract is a brief, distinct paragraph summary of finished work or work in development. In a minute or less, a reviewer can be taught the foundation behind the study, common approaches to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- o Single section and succinct.
- o An outline of the job done is always written in past tense.
- o Concentrate on shortening results—limit background information to a verdict or two.
- o Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

Introduction:

The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:

- o Explain the value (significance) of the study.
- o Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- o Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- o Briefly explain the study's tentative purpose and how it meets the declared objectives.

Approach:

Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

As always, give awareness to spelling, simplicity, and correctness of sentences and phrases.

Procedures (methods and materials):

This part is supposed to be the easiest to carve if you have good skills. A soundly written procedures segment allows a capable scientist to replicate your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order, but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt to give the least amount of information that would permit another capable scientist to replicate your outcome, but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section.

When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the particulars of each process that engaged the same methodology.
- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

What to keep away from:

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.

Content:

- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

As always, use past tense when you submit your results, and put the whole thing in a reasonable order.

Put figures and tables, appropriately numbered, in order at the end of the report.

If you desire, you may place your figures and tables properly within the text of your results section.

Figures and tables:

If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:

The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an argument should be.

Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact, you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved the prospect, and let it drop at that. Make a decision as to whether each premise is supported or discarded or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."

Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work.

- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

When you refer to information, differentiate data generated by your own studies from other available information. Present work done by specific persons (including you) in past tense.

Describe generally acknowledged facts and main beliefs in present tense.

The Administration Rules

Administration Rules to Be Strictly Followed before Submitting Your Research Paper to Global Journals Inc.

Please read the following rules and regulations carefully before submitting your research paper to Global Journals Inc. to avoid rejection.

Segment draft and final research paper: You have to strictly follow the template of a research paper, failing which your paper may get rejected. You are expected to write each part of the paper wholly on your own. The peer reviewers need to identify your own perspective of the concepts in your own terms. Please do not extract straight from any other source, and do not rephrase someone else's analysis. Do not allow anyone else to proofread your manuscript.

Written material: You may discuss this with your guides and key sources. Do not copy anyone else's paper, even if this is only imitation, otherwise it will be rejected on the grounds of plagiarism, which is illegal. Various methods to avoid plagiarism are strictly applied by us to every paper, and, if found guilty, you may be blacklisted, which could affect your career adversely. To guard yourself and others from possible illegal use, please do not permit anyone to use or even read your paper and file.

Criterion for Grading a Research Paper (Compilation) by Global Journals

Please note that following table is only a Grading of "Paper Compilation" and not on "Performed/Stated Research" whose grading solely depends on Individual Assigned Peer Reviewer and Editorial Board Member. These can be available only on request and after decision of Paper. This report will be the property of Global Journals.

Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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