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The Mediating Effect of Audit Quality on the Relationships Between Earnings Manipulation and the Changes in Value Relevance Level

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Abstract
This study aims to assess the impact of earnings manipulation on the changes in value relevance level, using audit quality as the mediating variable. For this reason, one hypothesis was established. These hypotheses were evaluated on 82 industrial product businesses listed on Bursa Malaysia after the implementation of MFRS, hence the study period began after 2012 due to the switch from international (IFRS) to Malaysian financial reporting standards (MFRS). The information was also acquired from financial reports published on the Bursa Malaysia website. The information was also acquired from financial reports published on the Bursa Malaysia website. The association between the market value of equity per share (MVEPS) and the book value of equity per share (BVEPS), earning per share (EPS), and dividend per share was initially investigated using multiple regression (DPS). This was done to establish the amount of value significance. The nature of the research variables and the relationships between the variables in the study sample were then investigated using descriptive statistics and a correlation matrix.
Keywords: Audit Quality, Earnings Manipulation, Value Relevance.

Introduction

Investors and management make the most crucial decisions during a company's life cycle when it comes to investment and finance. Accounting numbers that are relevant to the company's worth assist investors and management in making reasonable decisions. Regulators and investors have similar requirements for high-quality financial reports, and they agree on the impact of such reports on capital markets (Georgiou, 2018).
Accounting data created in accordance with high-quality accounting standards is essential for making important investment decisions that affect a company's market value. Naturally, the data must be devoid of mistakes and tampering (Elliott, 2018). However, there are instances where management information systems (MIS) are primarily concerned with their self-interests, they exploit a vulnerability in the International Financial Reporting Standards (IFRS)

(Pipatnarapong, 2020). The International Financial Reporting Standards (IFRS) give managers the option of using several accounting approaches. As a result, earnings manipulation has become a barrier to stakeholders making the best decision possible. Managers are free to utilize their discretion in selecting accounting procedures to transmit confidential information to the public under generally accepted accounting standards, which have long been associated with financial manipulation (Huang et al., 2020). Prior studies provided inconsistent results concerning the relationship between earnings manipulation and the value relevance of accounting information. According to some academics, earnings manipulation reduces the value relevance of accounting information. These results were obtained because earnings manipulation has been used in an opportunistic way (Dewi & Wirama, 2019). Other researchers came to the opposite conclusion, concluding that earnings manipulation is informative (Elbakry et al., 2017).

Because earnings reflect an organization's overall financial performance, many companies strive for large earnings to demonstrate a successful operation. The necessity of making economic decisions based on the organization's financial performance has drawn the focus of financial statement users to earnings (Kouki, 2018; Narayanaswamy, 2017). Because earning manipulation techniques have both beneficial and negative consequences for an organization, the proper means of performing the practices should be highlighted.

Several studies on management discretion in the compilation of financial statements and the role of accounting regulations in setting earnings levels have focused on earnings manipulation. The aforementioned variables would impact contractual outcomes, which are contingent on reported accounting earnings (Sukotjo & Soenarno, 2018). Earnings manipulation has been identified as one of the contributing elements to financial scandals. To be more explicit, some firms manipulate earnings outside of GAAP to attain better financial results (Young, 2020). Earnings manipulation has been identified as one of the contributing elements to financial scandals. To be more explicit, some firms manipulate earnings outside of GAAP to attain better financial results (Young, 2020). It was also revealed that Tesco, a large public food retailer in the United Kingdom, had an interim profit overstatement of £250 million, which was 25% greater than the true proportion, putting the integrity of published financial statements at risk.

The lack of information about the mediation effects of audit quality on the links between earnings manipulation and changes in value relevance level was the primary reason for this study (Perols & Lougee, 2011; Sukotjo & Soenarno, 2018; Taheri, et al., 2014). In recent years, experts have become increasingly interested in the subject of earnings manipulation. Because of its relevance, some of them proposed that studies in this field be intensified Blaylock, et al (2015); Rashid (2017), Earnings manipulation, they said, is a key creative accounting strategy that should be investigated together. Furthermore, one of the subjects of interest in the global accounting literature was the value relevance of accounting information (Robu, et al., 2014). The value relevance of accounting information has become the most significant literature for regulatory agencies, investors, and other stakeholders, according to (Alfraih, 2016; Mirza, et al., 2019).

Furthermore, the introduction of MFRS in 2012 has caused the research on the value relevance of accounting information to be highly current and necessary, especially to determine if the quality of accounting information is successful (Mirza et al., 2019). Earnings manipulation, on the other hand, will be investigated to determine its impact on changes in the value relevance level of listed firms in Malaysia, which will be sampled in the current study.

The researcher also believes that, in the context of international comparison, research on the link between earnings manipulation and changes in value relevance level should be explored and deepened. These motives led to the decision to conduct this study.

When accounting data contains information that impacts share prices, it is considered to have value relevance. The recurring global financial crisis prompted the downfall of some enterprises in the United States and Europe between mid-year 2007 and early 2009. The collapse of significant financial institutions in the United States in 2008 triggered a worldwide financial crisis that failed numerous European banks. The Global Crossing, WorldCom, Adelphia Communications, Enron, and Tyco International were among the largest insolvencies in history in 2001 and 2002, and a financial crisis hit the Russian, Asian, and Brazilian economies at the end of the previous century, threatening the global financial system's stability (Baxevanki, 2018). These crises pique people's interest in the significance of accounting data. Value relevance is a standard study strategy used in market-based accounting research to assess the decision-making use of accounting data (Veith & Werner, 2014). There are various causes for the lack of openness in the company's financial information, but the most crucial is management's profit manipulation actions (Amidu, et al., 2016; Oats & Tuck, 2019). Accounting manipulation is a current topic that has been described in a variety of literature, such as earnings manipulation, which has caused worries among existing and potential investors because of its impact on financial reports, which affect their current and future decisions (Mahama, 2015).

Previous research has concentrated on problems that may influence earnings manipulation, but only a few studies have looked at the impact on changes in value relevance level (Dumay & Guthrie, 2017; Kouki, 2018). Following the consequence of aggressive earnings manipulation used by firms to maximise shareholder wealth alongside company earnings, there has been a growing interest in the influence of accounting information on the value relevance of accounting information. Previous literature has also said that if these sorts of activities were used aggressively, they would have several drawbacks for present and future investors (Kim, et al., 2011; Rashid, 2017). As a result, value relevance research is a trendy issue that academics should investigate more.

Salamudin, et al (2010) found an increasing tendency to conceal financial information not revealed by Malaysian corporations between 2002 and 2006. Furthermore, their research found that the concealed value in financial reports increased from 10% to 43% between 2002 and 2006. Furthermore, this would address the current issue of a decrease in Malaysian Treasury revenue, which fell from 35% to 25% over ten years from 1999 to 2009. According to a recent assessment, accounting fraud accounts for 17% of all economic crimes in Malaysia (PwC, 2016).

Previous research has focused on the impact of earnings manipulation on the value relevance of accounting data. Habbash and Alghamdi (2017) conducted a study in Saudi Arabia among non-financial stock listed companies to investigate the relationship between audit quality and earnings management; the results revealed that only auditor opinion is linked to earnings management, and auditors are powerless in the face of management opportunistic activities. Dewi and Wirama (2019) discovered that earnings management has a non-significant link. According to Mostafa (2017), profits of low-performing enterprises (those involved in opportunistic earnings management tactics) have lower value relevance than earnings of high-performing firms. Low-performing companies manipulate their earnings to hide their poor performance, according to Altintas, et al (2017); the findings also show that earnings and market-adjusted stock returns have a significant positive relationship, and there is no significant difference between the adjusted market returns of high-performing and low-performing companies. Previous research has shown that earnings management is an important antecedent for value relevance. However, this study is unique in that it examines the impact of earning manipulation on disparities in value relevance via audit quality. This link has never been proven in previous research.

By examining the relationship between income manipulation and audit quality with differences in value relevance level changes, this study fills a theoretical gap in understanding the probable antecedents of value relevance. Furthermore, past studies reveal that there is insufficient research on this subject among Malaysian listed businesses; therefore, the imperial examination will take place in Malaysia. The findings of the study will be valuable to Malaysian decision-makers as they will increase their expertise in the disciplines and understanding of the Malaysian stock market.

This research is useful for anyone who wants to learn more about earnings manipulation and variations in the value relevance level. It may also increase consumers' knowledge of financial data relating to the significance of earnings manipulation. The conclusions of this study are immediately applicable to investors and other financial statement users, as well as regulators, tax authorities, financial analysts, and auditors. The interests of these parties are in determining the organisation's objectives and involvement in earnings manipulation.

Value Relevance of Accounting Information

Accounting numbers are facts that have been processed to provide useful indicators that can be used to make decisions and anticipate the future. Because accounting numbers are a measurement instrument of firm performance, accounting information may increase the competency of contracting between management and shareholders. Firms' success or failure is determined by their management and information utilization (Dandago, et al., 2014). This not only applies to management; it also enables other users to make informed decisions. It is a commodity used by users to help them evaluate the company's position. To be able to rely on this information to make informed decisions, it must be characterized by several characteristics, the most important of which are relevance, reliable, timeliness, accuracy, comparability, and verifiability (Ghio & Verona, 2020). These qualitative characteristics of accounting information are the key components of the theoretical framework of financial accounting and the second level of the accounting theoretical framework.

Accounting data must possess several characteristics to be of acceptable quality. The information must be relevant, consistent, comparable, objective, and timely, among other qualities. Accounting data is significant when it influences user decisions by assisting them in evaluating past, current, and future performance, as well as highlighting or correcting earlier estimates (Mirza, et al., 2020). Credible accounting information is typically provided as true, accurate, full (i.e. no major item is left out), and verifiable by a third party. If the treatment and application of accounting policies for the items are the same, accounting information is said to be consistent. Comparisons over time and among rivals will be easier with consistency. The best aspect of being constant is that it allows users to become more comfortable with one another, especially potential investors (Yusrina, et al., 2017). Being objective means accounting data is created and published impartially, with no bias toward a certain user group or special interest. The accuracy of accounting data is also critical in ensuring that financial data offered by a business can be used to make decisions. In a nutshell, the data must be accurate, unbiased, and thorough (Tsadira-Pocha, 2020).

The value relevance of accounting information explains how much information gained from share prices is summarized through accounting information, and an accounting amount is recognized as value relevance if its link with stock market values may be expected. Miller and Modigliani have been establishing this truth for nearly 50 years, since 1966. The accounting amount is shown by equity market values, assuming they are linked. Furthermore, if a considerable link with share prices is projected, a value relevance will be included in an accounting amount (Dumay & Guthrie, 2017). As a result, value relevance is an empirical operationalization of these criteria if the quantity reflects the information useful to investors in deciding the organization's worth and the measurement is reliable enough to be reflected in share prices. If the accounting amount is shown in the financial statement, a user may argue that it influences his or her actions. In general, value tests are combined with reliability and relevance assessments (Kouki, 2018).
The study's major focus is on the functioning of value relevance in earnings manipulation. Alford, et al (1993) conducted one of the first comparative value relevance studies, concluding that the differences in value relevance between financial statements in the United States and those in 16 other countries were due to the diverse range of disclosure practices, corporate governance mechanisms, and accounting standards quality. Traditionally, many methodological options were recommended in value relevance research, resulting in a bias in judgments about comparative value relevance designs. As a result, past research' contradictory outcomes might be related to these methodological decisions.
Following research has focused on worldwide disparities in value relevance as a result of differences in country-specific institutional frameworks. As a result, several influential variables were discovered, including shareholder protection strength (Bartov, et al., 2001; Hung, 2001), legal origin, financial system type (Ali & Hwang, 2000), accrual intensity and reporting conservatism (Brown Jr, et al., 2006), and corporate governance and ownership attributes (Brown Jr, et al., 2006; Fan & Wong, 2002; Kang, 2003). The adoption of IFRS in recent years has prompted comparative value relevance studies, highlighting the significance of institutional variations (Barth, et al., 2008; Clarkson, et al., 2011; Devalle, et al., 2010). However, value relevance variations between nations with distinct institutional frameworks were not observed in some other research, like Harris, et al (1994) found no evidence of substantial value relevance differences between Germany and the United Kingdom. In the instance of Joos & Lang's (1994) investigation, no evidence was discovered that the United Kingdom had a greater value relevance than Germany.

Earnings Manipulation
The adoption of IFRS in recent years has prompted comparative value relevance studies, highlighting the significance of institutional variations (Barth, et al., 2008; Clarkson, et al., 2011; Devalle, et al., 2010). However, value relevance variations between nations with distinct institutional frameworks were not observed in some other research, like Harris, et al (1994) found no evidence of substantial value relevance differences between Germany and the United Kingdom. In the instance of Joos & Lang's (1994) investigation, no evidence was discovered that the United Kingdom had a greater value relevance than Germany.
Management can choose assumptions and presumptions based on the company environment thanks to generally accepted accounting standards (GAAP). Although the management must choose reporting processes that will raise the wealth of all parties, the estimations are generally selected by the management to notice the particular profit amount that catches their attention. As a result, profits manipulation may occur, making it difficult for financial

statement consumers to determine an organization's true economic value. As a result, the reports may not provide an accurate picture of the organization's performance (Ipino & Parbonetti, 2017; Narayanaswamy, 2017).

Income management is routinely used to reach the desired EPS levels. Previous research has shown that earnings manipulation is used to ensure that EPS is calculated according to analyst estimates. Due to the influence of investors' expectations of an entity's future cash flow (e.g. dividend-paying) prospects on the share price, (Jordan & Clark, 2003; Payne & Robb, 2000). Although achieving analyst expectations leads to a rise in stock price, failing to do so typically results in a drop in share price owing to the reliance of future cash flows on EPS.

Furthermore, rather than meeting analysts' expectations of EPS, earnings manipulation is done to achieve the cognitive reference points containing zeros or fives in two digital locations on the right side of the decimal point (Das & Zhang, 2003). The unaffected EPS is slightly lowered below the user's reference points in this form of earnings manipulation. Although the manipulation was identified as cosmetic earnings manipulation (CEM), negative results were obtained, confirming Thomas' (1989, p.774) assertion that "small changes in reported earnings [EPS] near user reference points have disproportionately large effects on perceived firm value." Additionally, until the EPS totals up to the intended breakpoints, income is enhanced by discretionary accruals.

Earnings manipulation is characterized in a variety of ways, including by Schipper as "management disclosure in the sense of active involvement in the external reporting process, to obtain some private advantages for managers or shareholders" (1989). Meanwhile, earnings manipulation was defined by Fischer and Rosenzweig (1995) as "activities by division managers that serve to raise (reduce) current reported earnings of a division without a matching rise (reduction) in the division's long-term economic performance." "Earnings manipulation occurs when managers use judgment in financial reporting and transaction structuring to alter financial reports to either mislead some stakeholders about the company's underlying economic performance or to influence contractual outcomes that rely on reported accounting numbers," according to (Healy and Wahlen, 1999). Finally, Rahman, et al (2013) defined this word as "reasonable and lawful management decision making and reporting aimed at achieving stable and predictable financial results."

Earnings manipulation, according to Healy and Wahlen (1999), happens when managers use their judgment to manipulate financial reporting in transaction structure and financial reports. As a result, contractual outcomes based on reported accounting figures are altered, or there is confusion among some stakeholders about the organization's underlying economic performance. As a result of the faction participation in the decision-making processes under earnings general management, the notion of earnings manipulation is focused on management. However, there are two drawbacks to this definition: first, it does not draw a clear line between regular activity and earnings manipulation, and second, not all earnings manipulations deceive stakeholders (Ipino & Parbonetti, 2017).

Ronen, et al (2011) define earnings manipulation as a collection of managerial decisions that result in the lack of a report of the value-maximizing profits and real short-term known to management. They pointed out that this phenomenon might be beneficial (indicates long-term worth), harmful (hinders short- or long-term value), or neutral (shows real short-term performance). These writers divided the various definitions of earnings manipulation into three categories: grey, black, and white. White earnings manipulation is beneficial since it increases report transparency, but black earnings manipulation is negative because it includes fraud and deception. Because it incorporates the exploitation of reports within the limitations of compliance with bright-line norms, grey earnings manipulation may be opportunistic or efficient.

In a nutshell, earnings manipulation is a management activity in which accounting processes are used to make financial reports that overstate the positive elements of an organization's financial situation and economic activities. The inclusion of accounting transactions, in which value judgements and ethical standards play a major part in decision-making, makes distinguishing between earnings manipulation difficult in a real-life situation.

The Relationship between Earnings Manipulation and Value Relevance

The link between earnings manipulation and market value significance in Malaysian listed firms. There is a scarcity of research in Malaysia that focuses on profits manipulation and the value relevance of accounting information of listed businesses on the Malaysian stock exchange. On the other side, there have been studies on earnings manipulation and value relevance, but their link has not been explored as thoroughly as this study. Kadri (2015) investigated the relationship between book value and profitability of Malaysian Islamic and mainstream banks. The study's flaw is that it only evaluated the value relevance of Malaysian banks' book value and earnings, determining whether they are or are not value relevant, but not the influence of this information on any variable. Mohd, et al (2005) investigated the value relevance of R&D reporting across Malaysian publicly traded enterprises. The first flaw of this study is that it simply evaluated whether R&D expenses are significant or not, and its influence on other factors is not given; the second drawback is that it was applied between 2000 and 2001, lowering trust in its conclusions. Furthermore, Masruki, et al (2012) investigated the value significance of accounting number determinates of Islamic bank corporate social responsibility in Malaysia. The study's first flaw is that it only looked at the value relevance of accounting numbers in determining corporate social responsibility without focusing on financial data that may be connected to the businesses' performance. The study's second flaw is the limited sample size, which comprised 17 Islamic banks, both domestic and international.

Audit Quality on the Relationship between Earnings Manipulation and Value Relevance

The extant literature on the mediation influence of audit quality on the link between earnings manipulation and value relevance from a previous study. Over the last two decades, a vast number of preceding literature have emphasized the necessity of legal foundations, particularly audit quality, and for-profit manipulation. Higher-quality auditors, according to previous research, minimize the degree of accrual earnings manipulation (e.g., Balsam, et al., 2003; Becker, et al., 1998; Hosseini & Tareq, 2016; Johnson, et al., 2002). Other past audit research, on the other hand, shows that strong audit quality enhances the value relevance of accounting information e.g, (Al-Dhamari & Chandren, 2018; Dang, et al., 2011; Gul, et al., 2006; Lee & Lee, 2013).

These studies reveal that audit quality has an essential role in minimizing earnings manipulation and increasing the value relevance of accounting information, demonstrating the importance of audit quality and its application in earnings manipulation and value relevance literature. In a country like Malaysia, where corporations try to improve their credibility among international and local investors, research on the mediating influence of audit quality on the link between profits manipulation and value relevance is critical. While earlier research has mostly focused on the empirical examination of the link between audit quality and earnings manipulation, this study goes beyond that. In addition to the link between audit quality and accounting information value relevance. To the best of the researcher's knowledge, no empirical investigations on the impact of audit quality on the link between earnings manipulation and changes in the value relevance level in developing nations, particularly Malaysia, have been conducted.

Audit Quality and Earnings Manipulation
Previous studies looked at the quality of audits, focusing on technical competency and the extent of independence of auditors with incentives to control profits. Because it was believed that a better quality audit would result in fewer results manipulations, specialist auditors representing renowned organizations, particularly the Big 4, were expected to impose a stricter limit on results manipulation than lower quality auditors (Rija, 2018). It was also discovered that audit quality, such as auditor size, restricted profits manipulation as proved in the public companies in the United States and Europe market (Tsiggouras, 2020),
Habbash and Alghamdi (2017) conducted a study in Saudi Arabia among non-financial stock listed companies to investigate the relationship between audit quality and earnings management; the results revealed that only auditor opinion is linked to earnings management, and auditors are powerless in the face of management opportunistic activities. Lopes (2018) conducted a large study in Portugal involving 4723 publicly traded companies to investigate the relationship between earning manipulation and audit quality; the findings show that audit quality has a significant impact on various measures of earning manipulation; additionally, companies audited by Big 4 audit firms have less manipulation earning management than companies audited by non-Big 4 audit firms. Alfraih (2016b) investigated the relationship between audit quality and value relevance among Listed firms in Kuwait, with the hypothesis that firms audited by the Big 4 have a higher value relevance of earnings and book value. The results revealed that there was a significant relationship between audit quality and different measures of value relevance for both big 4 and non-big 4 audited firms. As a result, the listed Malaysian firms are analyzed in this study to see if profits manipulation is controlled by audit quality.

H: The audit quality mediates the association between earnings manipulation and the changes in the value relevance level in Malaysian listed companies
The population of the study

The population of this research is made up of the 925 listed firms on Bursa Malaysia's main market (816 companies) and the ACE market (109 companies). These two marketplaces were divided into 13 different industries. The categories of the firms listed on Bursa Malaysia are mentioned in the table below.

Table 1
Classifications of the companies listed in bursa Malaysia

NO	Industry	NO of companies
1	Consumer Products	134
2	Industrial Products	260
3	Construction	44
4	Trading Services	206
5	Technology	93
6	Infrastructure	6
7	SPAV	2
8	Finance	36
9	Hotel	4
10	Properties	85
11	Plantations	38
12	Mining	1
13	REITs	16
Total		925

Sample Selection and Data Collection

Sample Selection

Because the study is based on historical reports released by Bursa Malaysia, the data must be panel data, meaning that the selected firms must have the same number of reports during the period (Elhorst, 2017; Hsiao, 2014). The following limitations were implemented to ensure that the chosen data had adequate variability and represented a wide variety of companies:

- All picked firms must have data for the pooled years, which spans six years from 2013 to 2018.
- This study's sample includes 82 industrial product businesses that are listed on the Malaysian stock exchange.
- Companies with unusual reports may have an impact on the overall results, hence they should be regarded as outliers and excluded from the dataset. Organizations having negative equity are those (Hung & Subramanyam, 2007; Van Tendeloo & Vanstraelen, 2005).
- Only companies with comprehensive data should be evaluated. Organizations whose data is missing from Datastream or Annual Reports must be excluded.
- Companies that follow the International Financial Reporting Standards (IFRS) should be seen as a successor to the Malaysia financial reporting standard, which has been mandatory since 2012. (MFRS).

Measurement of Variables

This section of the study will demonstrate how to assess the dependent, independent, and mediating variables. The current study's measurements for each variable are listed below.

Dependent Variable – changes on Value Relevance level

The capacity of accounting information to represent the company's worth is known as value relevance (Ayzer & Cema, 2013). This is calculated by applying the following equation to

examine the relationship between the market value of equity per share (MVEPS), the book value of equity per share (BVEPS), earnings per share (EPS), and dividend per share (DPS).
$MVEPSit = \alpha 0 + \alpha 1 BVEPSit + \alpha 2 EPSit + \alpha 3 DPSit + \varepsilon it$
There are few studies on how accounting variables' value relevance levels evolve. As a result, the goal of this research is to see how the value relevance level varies over time in accounting variables like book value of equity per share (BVEPS), earnings per share (EPS), and dividend per share (DPS) (DPS). The value relevance level between accounting variables is examined in this study. The difference between value relevance in year t and value relevance in year t-1 was used in this study to determine whether the amount of value relevance has changed over time or if value relevance has varied across samples.

Independent Variables – Earnings Manipulation
The method utilized to measure earnings manipulation in the current investigation will be described in this portion of the study. The performance matching model will be used in this investigation to detect earnings manipulation. The performance matched model is the most important technique for estimating accounting accrual activities in conjunction with the Performance Matched model from the selected (Kothari, et al., 2005; Rashid, 2017). Additionally, Cheng, et al (2012) demonstrated that irregular accrual activities of the company are also total accounting accruals. To assist business operations in calculating accounting accrual, Kothari, et al (2005) design some easy measures that should be put into effect in Earnings manipulation research.

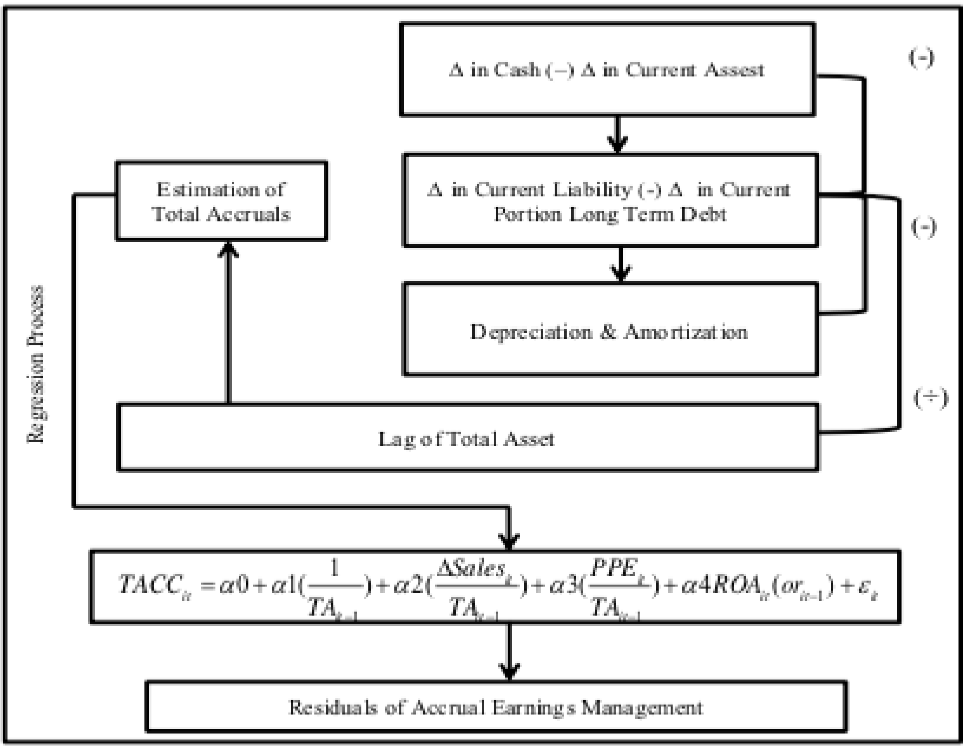

Figure **Error! No text of specified style in document.**.1: Measurement process of Accrual Earnings manipulation (Rashid, 2017)

As illustrated in Figure 3.1, the procedure for measuring the Performance Matched Model is as follows: (Kothari, et al., 2005). The residuals values derived from the regression analysis used between the contents of the financial performance and the total accruals are proxies for

Earnings manipulation in the performance-matched model. Finally, the predicted residual values for the model determined by regression analysis will be used as a substitute for Earnings manipulation. The Accrual Earnings manipulation is shown in equation number five in chapter two to help with the estimating procedure that will be employed in this study:

$$TACC = \alpha 0 + \alpha 1\left(\frac{1}{TA_{it-1}}\right) + \alpha 2\left(\frac{\Delta Sales}{TA_{it-1}}\right) + \alpha 3\left(\frac{PPE_{it}}{TA_{it-1}}\right) + \alpha 4\left(ROA_{it\ (or\ it-1)}{}^{+\,\varepsilon_{it}}\ \right)$$

Where

$TACC_{it}$: The total accruals of firm *i* in year *t*;

TA_{it-1}: The total assets of firm *i* at the end of year *t -1*

$\Delta Sales_{it}$: Sales change net of the change of Deferred

The tax of firm *i* between years *t* and *t – 1*

$PPE_{it:}$ The level of the gross property, plant, and equipment of firm *i* in year *t*

ROA_{it}(or $_{it-1}$): ROA of firm *i* at the end of year *t,* while (ROA of firm *i* at the end of year *t – 1*)

$\varepsilon_{it:}$ Residual from regression

Mediating Variable – Audit Quality

According to DeAngelo (1981), Big 4 audit firms have a stronger inclination to deliver higher quality audits as a result of their concentration on maintaining a good market reputation and the effect of disciplinary punishments on their auditors. Tendeloo & Vanstraelen (2008) proved this point by stating that organizations audited by the Big 4 had lower levels of outcomes manipulation than firms that did not have a Big 4 audit. Overall, Becker et al. (1998) projected that because the variable "Big 4" indicates a negative signal, a Big Four company would be represented by (1), whereas a non-Big Four organization would be represented by (2). (0).

Conclusion

This suggests that the goal of this research is to see whether there are any overlapping impacts from the quality of auditing on the linkages between profits manipulation by firms listed on the Bursa Malaysia and the amount of change in the value relevance. The researcher wanted to emphasize this because it may help to explain the circumstances of links between earnings manipulation and the amount of change in value relevance. The audit quality (AQ) was tested in this study because it was expected that the AQ had a significant influence on firms' innovative accounting tactics, which are reflected in this study by earnings manipulation and tax evasion. According to the study, the degree of audit quality reflected in (big 4 or non-big 4) may influence the link between profits manipulation and the level of change in value relevance.

The (Kothari 2005) model was used to test earnings manipulation. The change in the relationship between the market value of the share on the one hand and the book value of the share on the other hand, as well as the return per share and dividends per share, is used to determine the amount of change in the value relevance of accounting information. To assess the audit's quality, the researcher used (big four or non-big four). The findings of assessing the association between earnings manipulation and the amount of change in value relevance for six selected sectors are presented in the table below for the first period (2006-2018).

industry		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
construction	CHVR <-						
	EM	0.098	0.043	2.24	0.025	0.012	0.183
	AQ	-0.09	0.056	-0.15	0.087	-0.013	0.101
	AQ <-						
	EM	-0.299	0.062	-4.8	0.000	-0.177	-0.421
consumer product		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
	CHVR <-						
	EM	0.054	0.057	0.93	0.035	-0.059	0.166
	AQ	0.043	0.02	2.12	0.034	0.003	0.082
	AQ <-						
	EM	-0.555	0.035	-15.76	0.000	-0.624	-0.486
industrial product		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
	CHVR <-						
	EM	-0.026	0.008	-3.24	0.001	-0.042	-0.01
	AQ	-0.472	0.054	-8.72	0.000	-0.579	-0.366
	AQ <-						
	EM	-0.17	0.01	-16.77	0.000	-0.19	-0.15
plantation		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
	CHVR <-						
	EM	0.064	0.03	2.16	0.031	0.006	0.122
	AQ	-0.534	0.14	-3.82	0.000	-0.808	-0.26
	AQ <-						
	EM	-0.286	0.029	-9.72	0.000	-0.343	-0.228
properties		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
	CHVR <-						
	EM	0.814	7.494	3.04	0.002	8.127	37.501
	AQ	0.687	11.323	1.3	0.195	-7.505	36.879
	AQ <-						
	EM	-0.377	0.024	-15.57	0.000	-0.425	-0.33

		Coef.	Std.Err.	z	P>z	[95%Conf.	Interval]
trading & services	CHVR <-						
	EM	-0.539	114.535	-4.33	0.000	-720.024	-271.054
	AQ	-0.15	32.021	-1.19	0.233	-100.91	24.61
	AQ <-						
	EM	-0.204	0.114	-1.79	0.074	-0.427	-0.02

The results of the test of the relationship between earnings manipulation and the level of change in the value relevance appear in the table above in the presence of tax avoidance as an intermediate variable and for the entire study period of 2006 to 2018, after excluding the year 2012 as previously explained. In light of the presence of the quality of earnings as an intermediary change in all of the examined industries, the findings demonstrate a statistically significant association between earnings manipulation and the amount of change in value relevance. In three industries, there is a statistically significant association between auditing quality and value relevance change (consumer product, industrial product and plantation). In the other three industries, the findings reveal that audit quality has no bearing on the magnitude of change in value relevance. The findings demonstrate a statistically significant association between earnings manipulation and audit quality in all businesses except trading and services. The goal of this study was to look into the role of audit quality in mediating the link between earning manipulation and the amount of change in value relevance in publicly traded Malaysian firms. As previously stated, this test was done over three periods, with the investigation activities focused on evidence connected to the interference impact arising from the audit quality in affecting the relationship between income manipulation and the amount of change in value relevance.

The findings of this study reveal that audit quality has a substantial impact on the link between income manipulation and the amount of change in value relevance. As the data reported in the previous chapter showed, the level of audit quality influenced earning manipulation. It may also be explained that audit quality has a significant impact on the link between income manipulation and the degree of change in value relevance. The cash-based tax planning strategy has a considerable influence on the linkages between earning manipulation and the amount of change in value relevance, according to this study. As a result of the higher audit quality and more effective approach to earning manipulation tactics, the amount of change in value relevance is predicted to rise. Typically, a decrease in audit quality offers organizations an advantage to engage in earning manipulation activities to affect changes in the amount of change in value relevance. Because of the poor degree of audit quality, it is projected that corporations would gain more from earning manipulation actions. As a result, the researcher anticipates that when there is a high degree of audit quality, the amount of change in value relevance will improve favourably.

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