INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES

OPEN ACCESS JOURNAL

Vol 14, Issue 1, (2024) E-ISSN: 2225-8329

Impact of Board of Directors' Characteristics on Accrual and Real Earnings Management among Jordanian Listed Firms: Conceptual Paper

Saddam Al-Nohood, Mohamad Ali bin Abdul Hamid, Ahmed Razman Abdul Latiff

Putra Business School (PBS), Universiti Putra Malaysia (UPM), Serdang, Malaysia

Corresponding Author Email: saddam.phd_acc18@grad.putrabs.edu.my

To Link this Article: http://dx.doi.org/10.6007/IJARAFMS/v14-i1/20855 DOI:10.6007/IJARAFMS/v14-i1/20855

Published Online: 21 February 2024

Abstract

This study aims to develop a theoretical framework that paves the way for future empirical research measuring the impact of boards of directors through independence, activity (number of meetings), financial expertise, and foreign directors on the magnitude of earnings management, both accrual and real. The current study proposes that the sample of the coming empirical study be Jordanian industrial and service firms listed on the Amman Stock Exchange during the period from 2014 to 2019, given the importance of these companies and their significant contribution to national income. The choice of such a study period is important because it is likely to contribute to measuring the effectiveness of boards of directors during two important phases in the life of Jordanian corporate governance: the first is the "comply or explain" phase according to the Corporate Governance Code that entered into force in 2009, and the second is the "enforced" phase according to its latest revisions in 2017. Additionally, the importance of the study stems from the idea of giving Jordanian companies more time to adapt to corporate governance, in line with the claim that the quality of corporate governance matures over time. Further, choosing real earnings management will contribute to the earnings management literature, given the scarcity of previous research conducted on this issue in Jordan. The results of future empirical studies are expected to have implications for Jordanian legislators and policy-makers by distinguishing between good and weak corporate governance tools.

Keywords: Board of Directors, Accrual Earnings Management, Real Earnings Management, Jordan.

Introduction

The extent to which earnings figures have been manipulated is the central issue affecting the financial reporting quality Aharony et al (2000); McNichols (2000), and thus misvalue of entities Healy & Wahlen (1999), as earnings management (EM) limits the ability of shareholders to accurately assess the true value of the entity Xie et al (2003), which means that stakeholders are generally misled about the actual financial position and value of entities

(Saleh & Mansour, 2024; Uadiale, 2012; Park & Shin, 2004; Dechow & Dichev, 2002; Healy & Wahlen, 1999). Consequently, costs are incurred by stakeholders by making unreasonable economic decisions that result in misallocation of resources Healy & Wahlen (1999), that is, they are likely to affect shareholder wealth (Park & Shin, 2004). Its effect has actually been proven according to many studies Cohen & Zarowin (2010), where the collapse of giant and pioneering companies (e.g., Enron, Parmalat, and WorldCom) and the failures of financial institutions (e.g., Lehman Brothers, Fortis, and AIG) have been attributed to many reasons, including EM practices (Fields & Keys, 2003). Rather, EM is at the heart of these scandals, according to Goncharov (2005). Which, in turn, ultimately leads to the financial markets being affected; thus, global concern has been raised about EM (Alhadab et al., 2020). Especially in light of certain events or motives that may witness the severity of the agency problem (Healy & Wahlen, 1999).

Accordingly, restoring investor confidence in the management of public firms, specifically in relation to financial reporting, has become 1) an issue that has attracted the attention of international bodies in recent years Zhou (2008); Osma & Noguer (2007); Schipper & Vincent (2003), 2) a task that many legislative and regulatory bodies have sought to fulfill it at the world level, in both developed and developing countries, and 3) a requirement that regulators and standard-setters have made their efforts to achieve it by ensuring the transparency of the financial Statements Levitt (1998), by ensuring the credibility and reliability of the financial Statements (Schipper & Vincent, 2003; Levitt, 1998). In other words, by improving the reliability and accuracy of the reported information to reflect the sound underlying performance of the firm, which means providing protection to investors (Zhou, 2008), by confronting EM (Levitt, 1998) and thus maintaining a superior financial market or reassuring capital markets (Schipper & Vincent, 2003; Levitt, 1998). In short, transparency and reliability of financial statements, which are the cornerstones of financial market supremacy, have constituted an issue across the financial community as a whole that has called for coordinated and immediate action to enhance investor confidence (Levitt, 1998).

The response of the financial community to maintain a superior financial market, specifically by addressing the phenomenon that has been considered a destructive factor for these markets, namely EM (Leventis & Dimitropoulos, 2012; Levitt, 1999, 1998), necessitate from him, in the course of its comprehensive endeavour to tackle EM, first: changes to technical rules (i.e., improving all of accounting and disclosure rules) (Levitt, 1998), and second: implementing and developing monitoring, supervision and the functional role of corporate governance (CG) mechanisms that are more stringent on financial reporting procedures (Mohamad et al., 2012; Osma & Noguer, 2007; Bédard & Johnstone, 2004; Schipper & Vincent, 2003; Levitt, 1998).

Focusing on CG, it is a vital control system primarily aimed at reducing agency costs as well as solving agency problems (Demsetz & Lehn, 1985), by reducing potential agency conflicts either between agents (managers) and principals (shareholders); so-called Type I agency problems or vertical agency problems, according to agency theory (Al-Rassas & Kamardin, 2016; Hoffmann, 2014; Liu & Lu, 2007; Shleifer & Vishny, 1997; Jensen & Meckling, 1976), or between the controlling shareholder(s) and the non-controlling (minority) shareholders; so-called Type II agency problems or horizontal agency problems (Hoffmann, 2014; Liu & Lu, 2007; Gillan, 2006; Shleifer & Vishny, 1997), the non-distortion of the management and major shareholders of their firms value and the delivery of reliable information about firm value to the minority shareholders (Bushman & Smith, 2003) and thus protecting them (i.e., the minority shareholders) from expropriation by firms insiders (Bushman & Smith, 2001).

Moreover, internal and external CG mechanisms have been associated with bringing in and pumping resources to entities, according to the resource dependence theory, characterised by experience, skills and knowledge that may be associated with increasing the firm's monitoring and enhancing financial reporting quality (Al-Rassas & Kamardin, 2016; Hillman & Dalziel, 2003). In the same regard, opportunistic managerial behaviour, according to Saona et al (2020), is contingent upon the efficiency of such CG systems. Well-designed CG mechanisms may mitigate/prevent EM outbreaks (Saona et al., 2020; Cohen et al., 2005). Similarly, Kanagaretnam et al (2007) indicate better earnings quality as well as lower information asymmetry in entities with higher levels of CG. Therefore, CG has received the attention of market participants as well as researchers in the last decade.

More specifically, the board of directors is the most important CG mechanism that has received attention from regulatory and legislative bodies for its prominent role in deterring opportunistic practices, including EM. These bodies seek to enhance the monitoring and advisory role of boards of directors to reach high-quality financial reports to maintain a superior financial market and restore investor confidence, which ultimately leads to the recovery of society. In fact, the effectiveness of the board of directors depends mainly on its characteristics, including independence, activity (number of meetings), financial expertise, and foreign directors. Given the importance of boards of directors, Jordan is among the countries that have been interested in strengthening the functions of boards of directors by enhancing their characteristics, whether through the CG Code that entered into force in 2009 or its recent revision in 2017. All of this was an impetus to build a conceptual paper that highlights the role of the characteristics of boards of directors in maximising shareholder wealth by preventing opportunistic practices, including EM, as a cornerstone for measuring it empirically during subsequent research.

This research will hopefully add several new theoretical contributions to the current literature related to EM and CG. Firstly, most theoretical and empirical studies on the characteristics of the board of directors and EM were conducted in advanced economies, while those conducted in developing economies received less attention, as the results of research conducted in developed countries cannot be generalised to developing economies due to several considerations, including country-level differences (e.g., institutional, social, economic, political and legislative differences) and firm-level differences such as ownership structures (e.g., ownership structure differences). Hence, developing a theoretical framework explaining the role of boards of directors in deterring opportunistic practices such as EM attracts researchers to examine them empirically, especially in a developing country like Jordan, due to its distinctive national context (Mansour et al., 2024). Secondly, studies on EM in Jordan are scarce and have mostly focused on its proxy, accrual EM (AEM), leaving a gap in the understanding of real EM (REM) despite its significant effects on companies in the long term due to its connection (i.e., REM) to the corporations' operational, investment and financing processes. As a result, the current theoretical framework of how the traits of boards of directors affect both proxies of EM (accrual and real) draws researchers to conduct empirical studies to measure both types of EM.

Finally, without considering the notion that the quality of CG mechanisms improves with time, Jordanian empirical studies on CG and EM have primarily measured the effectiveness of board mechanisms in mitigating EM immediately following the implementation of the CG Code in 2009. Furthermore, there were substantial revisions to CG in 2017. Accordingly, this theoretical research suggests that future empirical studies should take this belief into account (by excluding the first five years after CG issuance) and consider recent governance revisions.

More specifically, this theoretical research proposes to examine the period from 2014 to 2019 empirically. Excluding the years 2009–2013 leaves room for listed Jordanian firms to adapt to the CG code. The selection of the above period considers recent revisions and allows for comparisons of the pre- and post-period revisions.

Literature Review and Hypotheses Development

Board of Directors' Characteristics

Board Independence

Board independence is an essential mechanism of CG for stock market-listed corporations in most of the world's countries (Calderón et al., 2020; Fuzi et al., 2016; Alsunaid, 2015). The independence standards in laws and rules for CG measure potential conflicts of interest, with the assumption that independence from conflicts will produce independence in judgement. Shareholders entrust independent directors to represent them and help reduce agency problems (Dravis, 2018). The relationship between board independence and EM is complex and has been very interesting.

Imposing more monitoring over management Dravis (2018); Chen & Zhang (2014); González & García-Meca (2014); Zattoni & Cuomo (2010), protecting shareholder interests Chen & Zhang (2014) and maximising entity value goals (González & García-Meca, 2014; Zattoni & Cuomo, 2010) that can be achieved if boards are independent of management or boards contain more independent members than owners Chen & Zhang (2014); González & García-Meca (2014); Zattoni & Cuomo (2010) because independence is a valuable substitute for disclosure and transparency of financial reports (Dravis, 2018; González & García-Meca, 2014; Zattoni & Cuomo, 2010). External directors bring an appropriate degree of independence to monitoring senior managers, implying the performance of the monitoring function with superior objectivity (Chen et al., 2020). Effective monitoring by directors is, to a lesser extent, driven by their desire to preserve financial incentives for their work as board members (Chen et al., 2020), is mainly driven by their desire to preserve the worth of their reputational capital Chen et al (2020); Fama & Jensen (1983); Fama (1980) and may be driven by their being decision-makers in other entities (Ghosh et al., 2010; Fama & Jensen, 1983). Further, they lack the disincentive to monitor, making them better monitors (Hillman & Dalziel, 2003), and they are dedicated to controlling the executives' actions as well as monitoring their behaviour and performance (Benkraiem, 2009; Johnson et al., 1996; Fama, 1980).

Adding more independent members to boards increases their effectiveness in performing monitoring functions (Alareeni, 2018) and thus minimises agency conflicts, as independent board members are the main CG monitoring vehicle according to agency theory Lee (2008); Jensen & Meckling (1976), specifically curbing agency conflicts between managers and owners (Benkraiem, 2009). Further, family members are not allowed to expropriate the wealth of their companies under independent boards (Chi et al., 2015; Anderson & Reeb, 2004). Anderson and Reeb (2004) argue that independent directors step in to protect the interests of all shareholders, including minority and controlling shareholders, especially when there is a costly and wide disagreement between them. Therefore, they (i.e., the independents) are considered one of the forces that may limit the opportunistic influences of the controlling shareholders and are in line with the interests of the minority (Anderson & Reeb, 2004).

What is more, with independent boards, information asymmetry and opportunistic behaviour of management are lessened due to the comprehensive monitoring package offered, and internal control is reinforced, which means external users will have more information about

the entity (Bekiris & Doukakis, 2011; Abdullah & Nasir, 2004; Klein, 2002; Beasley, 1996). More specifically, Prencipe and Bar-Yosef (2011) argue that financial reports' reliability (or its opposite, accounting manipulation) is improved (decreased) with more independent boards. Vigilant oversight, typically carried out by independent board members, prevents management from pursuing personal interests. Consequently, opportunities for EM practices are substantially diminished.

As well as the monitoring role of independent directors, they also derive their importance from helping to evaluate an entity's projects and contributing objectivity and expertise (Anderson & Reeb, 2004; Beasley, 1996). According to Uadiale (2012), outside directors who bring expertise must dominate boards in order for them to control and monitor managers. Furthermore, entities in the investment community, to protect or enhance their legitimacy, use board independence as a signalling tool (Filatotchev et al., 2005). In the same regard, Hillman and Dalziel (2003) contend that owing to the CEO/organization being drawn upon by dependent outsiders and insiders, they have less incentive to stand up to management even if its interests trump/overwhelm shareholders. In fact, independent boards are associated with several positives that have enhanced entity value, for example, the low cost of debt (Anderson et al., 2004).

However, Ghosh et al (2010) mention three reasons that limit the effectiveness of independent boards, the first of which is due to informational disadvantages, where outside directors may be less willing to question managers regarding report decisions. Second, the outside directors lack the technical prowess that would enable them to distinguish EM. Third, independent members working for shareholders may allow some EM under the assumption that accruals provide luxurious information and are ideal for shareholders. Some studies have also shown that the disciplinary role of outside directors in supervising management does not depend solely on their own role; board independence alone, for example, is insufficient despite being a decisive factor in effective monitoring (Chen et al., 2020), as board members must also have knowledge and financial acumen (Chen & Zhang, 2014; Park & Shin, 2004; Xie et al., 2003).

Considering the literature mentioned above, there is a pressing need for further research to comprehensively investigate the connection between board independence and AEM or REM, particularly within the context of Jordan. It is worth noting that Jordan has made significant strides in CG, including introducing CG guidelines in 2009 and subsequent revisions in 2017. The primary objective of the current study is to re-evaluate the relationship between board independence and AEM/REM among publicly listed Jordanian firms. Therefore, proposing the following hypotheses for future empirical research could confirm these associations

H1a: Board independence is negatively related to AEM.
H1b: Board independence is negatively related to REM.

Board Meetings

Board meetings play a vital role in CG. They serve as a platform for formulating strategic decisions, upholding regulatory compliance, and recording important resolutions (Baysinger & Butler, 2019). Well-executed board meetings can enhance the effectiveness of governing bodies and leave participants with a sense of direction and motivation (Puni & Anlesinya, 2020). Moreover, boards need to have two main characteristics: size and independence. They are not sufficient unless they enjoy the activity (the frequency of meetings) (Hurley, 2021; González & García-Meca, 2014). Boards' diligence includes board meetings and subsequent

activities before, during, and after the meetings (i.e., preparation, participation, and follow-up, respectively) (Hurley, 2021; Carcello et al., 2002). Board meetings as one of the aspects of the boards' diligence are the time that reflects their activity (Hurley, 2021; Vafeas, 1999; Conger et al., 1998; Lipton & Lorsch, 1992), signifying that boards with frequent meetings monitor, control, and advise management effectively (Ntim & Osei, 2011) and are more aware of the firm's activities (Chatterjee & Rakshit, 2020; Puni & Anlesinya, 2020).

In other words, frequent board meetings enhance their effectiveness in performing their two primary functions. First and foremost, they contribute to effective monitoring (Carcello et al., 2002; Vafeas, 1999). One of the main outcomes of frequent board meetings is the effort that board members put forth in monitoring (Lara et al., 2009; Adams, 2003). Similarly, Laksmana (2008) suggests that distributing workload and enhancing the monitoring function can be achieved through the allocation of more time during regular meetings. Secondly, board meetings play a crucial role in providing resources, such as advice and counsel, aligning with resource dependence theory principles.

Therefore, board meetings are seen as an important way to make boards more effective (Vafeas, 1999; Conger et al., 1998). This is because they help reduce the information asymmetry between managers and directors (Domínguez & Gámez, 2014), which lets them do their job of overseeing management and makes it easier for them to get information (Vafeas, 1999). More specific ones, which enables them to improve the overall process of financial reporting oversight according to the agency's perspective, specifically if adequate diligence is exhibited (Carcello et al., 2002). Further, boards are more proactive in overseeing managers if their meetings are more frequent, which contributes to mitigating firm-investor agency disputes (Vafeas, 1999; Conger et al., 1998). By the same token, the fiduciary duties of the boards are diligently fulfilled if they (i.e., the boards) meet regularly (Abbott et al., 2003).

Also, when meetings happen more often, there is more time to talk about the problems that companies face (Xie et al., 2003; Vafeas, 1999), especially those that can mess up financial reports like EM. This means that problems are found right away, which limits the opportunity for management's opportunistic discretion (Xie et al., 2003). This indicates that there is less manipulation because insider monitoring has become more active as a result of frequent board meetings (González & García-Meca, 2014). Hence, diligent boards are more likely to perform their duties effectively in line with the interests of shareholders (Lipton & Lorsch, 1992), denoting that frequent board meetings are beneficial to shareholders (Vafeas, 1999).

Moreover, frequent meetings are seen as a pledge for managers to share their information because they (i.e., managers) need strategic advice from directors, particularly if investment opportunities increase or the entity is involved in large investment programmes (e.g., acquisition or merger) (Brick & Chidambaran, 2010), or viewed as a pressure tool on managers to provide supplementary information because of the importance of such meetings to directors who require in-depth knowledge about the entity's activities and require timely updates (Barros et al., 2013; Vafeas, 1999). What is more, frequent board meetings have been associated with several positive aspects, for example, contributing to the quality of the external auditor seeking to avoid legal liability as well as protecting their reputation capital (Carcello et al., 2002), low financial fraud (Chen et al., 2006) and good operational (financial) performance/entity value (Ntim & Osei, 2011; Brick & Chidambaran, 2010; Vafeas, 1999). Interestingly, Vafeas (1999) proves that the board became more active after difficult work periods. In other words, the high level of board activity is in response to the poor financial performance, which has been rectified (i.e., the poor financial performance has been rectified

after the frequent reactive board meetings), contributing to improving the financial performance (Vafeas, 1999).
In the same regard, Lipton and Lorsch (1992) state that board effectiveness faces many impediments; among these impediments is the lack of time for the board to discharge their responsibilities due to the scarcity of meetings (Xie et al., 2003). It is therefore unlikely that boards will appear as effective monitors (Menon & Williams, 1994), which may result in boards not focusing on important issues such as EM but rather on the routine work of listening to presentations and signing management plans (Xie et al., 2003).
In contrast, Jensen (1993); Lorca et al (2011) argue that board meetings are not necessarily helpful because the time managers spend together will be consumed with routine tasks. In other words, the large number of meetings is absorbed by routine tasks and will not be used in the exchange of purposeful ideas either with management or among themselves (i.e., among board directors) due to its limited time Vafeas (1999) and will not be used for meaningful control over managers (or will not be used to control the management team) (Vafeas, 1999; Jensen, 1993).
The frequency of board meetings may not indicate the board's activity but rather a reaction to urgent matters and current circumstances about the performance and functioning of their companies (Ebrahim, 2007). The number of meetings may increase financial distress and involve questionable, illegal, and controversial activities (Saftiana et al., 2017). Frequent meetings may lead to mismanagement (Busirin et al., 2016); therefore, they are not necessarily one of the board's effective mechanisms (Jensen, 1993). In this respect, Brick and Chidambaran (2010) argue that entity value is likely to be negatively affected by increased board activity that confuses management from doing its business, particularly if these meetings are motivated by fear of litigation from shareholders and to comply with the regulations nominally/formally.
Considering the preceding information, it is important to note that assessing the correlation between frequent board meetings and AEM is limited and has yielded contradictory results. Furthermore, the measurement of the impact of board activity on REM through the frequency of board meetings is infrequent, and the existing findings are inconclusive. Consequently, it is not feasible to make broad generalisations based on any specific party's claims. As a result, there is an urgent need for more research to determine how board activity affects AEM and REM, particularly in the context of Jordan. Jordan has undergone a significant transitional phase in the implementation of CG since its introduction in 2009, coupled with its most recent revisions in 2017. Hence, for the purpose of empirical investigation in the future, the present study posits the subsequent hypotheses

H2a: Board meetings are negatively related to AEM.
H2b: Board meetings are negatively related to REM.

Board Financial Expertise
Board financial expertise is an important aspect of CG that can impact firm performance and investment decisions. Naheed et al (2022) suggested that firms with more financially expert BODs tend to make better investment decisions. Minton et al (2014) found that financial expertise among independent directors of U.S. banks is positively associated with balance-sheet and market-based measures of risk in the run-up to the financial crisis. They suggested that financial expertise can help banks manage risk more effectively. Alcaide-Ruiz and Bravo-Urquiza (2023) found that research on board financial expertise has increased significantly in

recent years and that future research should focus on topics such as the impact of financial expertise on firm performance, the role of financial expertise in mergers and acquisitions, and the relationship between financial expertise and CEO compensation.

Monitoring management is one of the functions of boards according to agency theory Alcaide-Ruiz & Bravo-Urquiza (2023); Naheed et al (2022); Nicholson & Kiel (2007); Hillman & Dalziel (2003); Zahra & Pearce (1989), which can be achieved if management information can be accessed in due course Zahra & Pearce (1989) and counsel and advice are part of another important function of boards Hillman & Dalziel (2003), which can be achieved through resource provision according to the resource dependence theory (Naheed et al., 2022; Nicholson & Kiel, 2007; Hillman & Dalziel, 2003; Zahra & Pearce, 1989). In particular, the inclusion of financial experts on the board can assist in the execution of both functions.

Focusing on the monitoring and oversight function of the boards, which is consistent with the agency's perspective. The financial expertise of board members plays a role in attaining effective monitoring (Allini et al., 2016; Carcello et al., 2002). More specifically, accounting expertise and knowledge are one of the main features that board directors have to acquire in order to implement their fundamental responsibilities of overseeing financial reporting more efficiently and effectively Chen & Zhang (2014); Hillman & Dalziel (2003); Xie et al (2003); Chtourou et al (2001) and boosting financial reporting quality Chen & Zhang (2014); Xie et al (2003), which means ensuring information transparency or restricting earnings manipulation Xie et al (2003) by making managers' opportunistic attitude less rife, particularly if boards have good monitoring expertise (Anderson et al., 2004). This may contribute to curbing agency disputes and costs (Wright, 1996).

Focusing on the consultative/advisory function of the boards, which is consistent with resource dependence's perspective. Boards have human capital, whether they are insiders or independents, with skills, experience, and expertise that are positively reflected in providing counsel and advice Hillman & Dalziel (2003) and improving the quality of boards' decisions due to the wide range of diverse views, knowledge, and expertise (Naheed et al., 2022; Forbes & Milliken, 1999). Furthermore, knowledge and competency can be acquired through external or internal training (Chtourou et al., 2001; Bédard et al., 1993). In fact, the financial expertise of board directors has been associated with several advantages, for example, their keenness on the high quality of external auditors' works Carcello et al (2002) and the low restatement of earnings (Agrawal & Chadha, 2005). In the same regard, the lack of financial knowledge of board directors is one of the reasons that has led to the failure of major companies such as Enron and WorldCom (Lanfranconi & Robertson, 2002).

Previous empirical studies have concentrated on determining the extent to which the presence of financial experts on audit committees has affected AEM or REM, whereas the evaluation of the impact of the financial expertise of board directors on AEM and/or REM has received very little attention. Therefore, the association between these variables is still uncertain. This suggests the need for additional investigation to determine how the board's financial expertise affects AEM and REM. Hence, upcoming empirical studies can confirm the following hypotheses

H3a: Board financial expertise is negatively related to AEM.
H3b: Board financial expertise is negatively related to REM.

Foreign Directors

Foreign directors can play an important role in promoting effective CG and improving the performance of an organisation. By bringing diverse perspectives and experiences to the board, foreign directors can help companies internationalise, provide independent oversight, and navigate changing regulatory environments (Dobija & Puławska, 2022; Handa, 2021). Diversity in board formation is among the ways that agency theory supports diversity because of its contribution to reaching good board decisions (Mori & Towo, 2017; Ibrahim & Hanefah, 2016) due to the variety of perspectives and skills that diversity brings to boards, which improve team performance, specifically exercising their monitoring role efficiently (Handa, 2021; Mori & Towo, 2017). Companies can benefit from the global exchange of governance talent as foreign directors can bring new ideas and best practices to the boardroom (Handa, 2021). Foreign directors can contribute to board dynamics, which can lead to better decision-making and improved performance. Foreign directors are among the board's diversity tools (Mori & Towo, 2017). The control-ownership equation changes significantly with foreign directors sitting on boards (Ramaswamy & Li, 2001). They can influence the entity's strategic direction due to their expertise and information, which qualifies them to understand the diverse strategic approach intricacies, which have mainly come from various management positions during stages of their professional lives; hence, foreign representation is more important in developing countries (Ramaswamy & Li, 2001). Moreover, the internationalisation of the governance structure is a signal of the entities' intent for global expansion that seek to align themselves with foreign competitors, espouse foreign technologies, or establish a foothold in cosmopolitan markets (Dobija & Puławska, 2022; Ramaswamy & Li, 2001).

Foreign representation on boards may contribute to a variety of skills that may result in superior performance (Mori & Towo, 2017; Choi et al., 2007; Oxelheim & Randøy, 2003) due to the ease of monitoring CEO performance (Mori & Towo, 2017). Therefore, foreign board directors are seen as additional monitoring techniques that limit the negative influence of managers (Dewayanto et al., 2017; Ujunwa, 2012), in line with agency theory, for their contribution to strengthening the board's monitoring role. Foreign directors are also seen as resources facilitating communication with external environments (Ujunwa, 2012), in line with the resource dependence theory. In short, foreign board members are of high quality compared to their counterparts (Ujunwa, 2012). They achieve high levels of cohesiveness among board members by inducing a great deal of accountability, transparency, and disclosure (Ghazali et al., 2019; Ibrahim & Hanefah, 2016; Srinidhi et al., 2011).

The sitting of foreign directors may bring with them several benefits, for instance, providing high levels of disclosure and transparency due to their extensive international relations with stakeholders (Ibrahim & Hanefah, 2016) and assuring foreign investors regarding meeting their best interests that the entities are effectively managed (Dewayanto et al., 2017; Oxelheim & Randøy, 2003). Another thing that foreign directors are linked to is better performance in low-law enforcement situations (Miletkov et al., 2017; Mori & Towo, 2017), especially if the foreign board directors come from strong-law enforcement environments; the value of the entity (Oxelheim & Randøy, 2003); the quality of disclosure (Dewayanto et al., 2017); and the disclosure of social responsibility (Ibrahim & Hanefah, 2016; Khan, 2010).

On the other hand, there are obstacles that reduce the effectiveness of foreign directors and impede the efficiency of the board in carrying out its responsibilities (Ghazali et al., 2019; Hooghiemstra et al., 2019; Du et al., 2017; Masulis et al., 2012; Ujunwa et al., 2012), specifically its disciplinary and oversight roles over management (Hooghiemstra et al., 2019;

Masulis et al., 2012). Examples of such obstacles include the geographical distance that may hinder foreign directors from attending board meetings and incurring large supervision costs by firms (Du et al., 2017; Masulis et al., 2012). Consequently, these obstacles lead to agency problems between agents (i.e., managers) and principals (i.e., shareholders) and, ultimately, the poor performance of the firms (Masulis et al., 2012). Indeed, Enron collapsed in 2001, and foreign directors sat on its audit committee during the period between 1997 and 2001 (Masulis et al., 2012). They also reveal the association of foreign board directors with deliberate wrongful financial reporting, poor attendance at board meetings, less interaction with poorly performing CEO turnover, CEOs' higher compensation, and firms' poor performance.
Considering the arguments presented above and considering the implementation of CG regulations in 2009, along with its most recent revisions in 2017, it is anticipated that these regulations will serve as an incentive for attracting more foreign investors seeking secure investment opportunities. Furthermore, the Jordanian business landscape lacks empirical research assessing the impact of foreign directors on boards, particularly in relation to AEM. To the best of the researcher's knowledge, only one study has been conducted on the influence of foreign board directors on REM. The current study aims to address this research gap by investigating the effectiveness of diversifying boards by including foreign directors in mitigating instances of AEM and REM. Thus, the following proposed hypotheses need to be verified

H4a: Foreign directors are negatively related to AEM.
H4b: Foreign directors are negatively related to REM.

Conclusion
This paper aims to build a theoretical framework that can be a prelude to future empirical examinations to measure the impact of four important characteristics of boards of directors, namely independence, activity (number of meetings), financial experience, and foreign directors on both types of EM (accrual and real) in the Jordanian context. These characteristics are expected to play a prominent role in deterring EM, which means ensuring financial reporting quality that is likely to restore investor confidence, leading to a superior financial market and economic recovery that will ultimately reflect positively on society.

Funding Information
The authors received no direct funding for this research.

Conflict of Interest Statement
The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References

Abbott, L. J., Parker, S., Peters, G. F., & Raghunandan, K. (2003). The association between audit committee characteristics and audit fees. *Auditing: A journal of practice & Theory, 22*(2), 17-32. doi:https://doi.org/10.2308/aud.2003.22.2.17

Abdullah, S. N., & Nasir, N. M. (2004). Accrual management and the independence of the boards of directors and audit committees. *International Journal of Economics, Management and Accounting, 12*(1), 1-31.

Adams, R. B. (2003). What do boards do? Evidence from board committee and director compensation data. doi:http://dx.doi.org/10.2139/ssrn.397401

Agrawal, A., & Chadha, S. (2005). Corporate governance and accounting scandals. *The Journal of Law and Economics, 48*(2), 371-406. doi:https://doi.org/10.1086/430808

Aharony, J., Lee, C.-W. J., & Wong, T. J. (2000). Financial packaging of IPO firms in China. *Journal of Accounting Research, 38*(1), 103-126. doi:https://doi.org/10.2307/2672924

Al-Rassas, A. H., & Kamardin, H. (2016). Earnings quality and audit attributes in high concentrated ownership market. *Corporate Governance: The International Journal of Business in Society, 16*(2), 377-399. doi:https://doi.org/10.1108/CG-08-2015-0110

Alareeni, B. (2018). Does corporate governance influence earnings management in listed companies in Bahrain Bourse? *Journal of Asia Business Studies, 12*(4), 551-570. doi:https://doi.org/10.1108/JABS-06-2017-0082

Alcaide-Ruiz, M. D., & Bravo-Urquiza, F. (2023). Board’s financial expertise: a bibliometric analysis and future research agenda. *Management Review Quarterly*, 1-26. doi:https://doi.org/10.1007/s11301-023-00322-y

Alhadab, M., Abdullatif, M., & Mansour, I. (2020). Related party transactions and earnings management in Jordan: the role of ownership structure. *Journal of Financial Reporting and Accounting, 18*(3), 505-531. doi:https://doi.org/10.1108/JFRA-01-2019-0014

Allini, A., Manes Rossi, F., & Hussainey, K. (2016). The board's role in risk disclosure: an exploratory study of Italian listed state-owned enterprises. *Public Money & Management, 36*(2), 113-120. doi:https://doi.org/10.1080/09540962.2016.1118935

Alsunaid, O. N. (2015). *The Correlation Between Corporate Governance and Corporate Performance: Board Independence.*

Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2004). Board characteristics, accounting report integrity, and the cost of debt. *Journal of accounting and Economics, 37*(3), 315-342. doi:https://doi.org/10.1016/j.jacceco.2004.01.004

Anderson, R. C., & Reeb, D. M. (2004). Board composition: Balancing family influence in S&P 500 firms. *Administrative Science Quarterly, 49*(2), 209-237. doi:https://doi.org/10.2307/4131472

Barros, C. P., Boubaker, S., & Hamrouni, A. (2013). Corporate governance and voluntary disclosure in France. *Journal of Applied Business Research, 29*(2), 561-578. doi:https://doi.org/10.19030/jabr.v29i2.7657

Baysinger, B. D., & Butler, H. N. (2019). Corporate governance and the board of directors: Performance effects of changes in board composition. In *Corporate Governance* (pp. 215-238): Taylor and Francis Group.

Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review, 71*(4), 443-465. doi: Available at jstor: https://www.jstor.org/stable/248566

Bédard, J., Chi, M. T., Graham, L. E., & Shanteau, J. (1993). Expertise in auditing; Discussion. *Auditing: A journal of practice & Theory, 12*.

Bédard, J., & Johnstone, K. M. (2004). Earnings manipulation risk, corporate governance risk, and auditors' planning and pricing decisions. *The Accounting Review, 79*(2), 277-304. doi:https://doi.org/10.2308/accr.2004.79.2.277

Bekiris, F. V., & Doukakis, L. C. (2011). Corporate governance and accruals earnings management. *Managerial and Decision Economics, 32*(7), 439-456. doi:https://doi.org/10.1002/mde.1541

Benkraiem, R. (2009). Does the presence of independent directors influence accruals management? *Journal of Applied Business Research, 25*(6), 77-86. doi:https://doi.org/10.19030/jabr.v25i6.997

Brick, I. E., & Chidambaran, N. (2010). Board meetings, committee structure, and firm value. *Journal of Corporate Finance, 16*(4), 533-553. doi:https://doi.org/10.1016/j.jcorpfin.2010.06.003

Bushman, R. M., & Smith, A. J. (2001). Financial accounting information and corporate governance. *Journal of accounting and Economics, 32*(1-3), 237-333. doi:https://doi.org/10.1016/S0165-4101(01)00027-1

Bushman, R. M., & Smith, A. J. (2003). Transparency, financial accounting information, and corporate governance. *Economic Policy Review, 9*(1), 65-87. doi: Available at SSRN: https://ssrn.com/abstract=795547

Busirin, M. F., Zakaria, N. B., Azmi, N. A., & Hermawan, A. (2016). Has the board been effective enough to look after the earnings manipulation exercise? *International Journal of Economics and Management, 10*(Specia), 463-481.

Calderón, R., Piñero, R., & Redín, D. M. (2020). Understanding independence: board of directors and CSR. *Frontiers in Psychology, 11*.
doi:https://doi.org/10.3389/fpsyg.2020.552152

Carcello, J. V., Hermanson, D. R., Neal, T. L., & Riley Jr, R. A. (2002). Board characteristics and audit fees. *Contemporary Accounting Research, 19*(3), 365-384. doi:https://doi.org/10.1506/CHWK-GMQ0-MLKE-K03V

Chatterjee, R., & Rakshit, D. (2020). Association Between Earnings Management and Corporate Governance Mechanisms: A Study Based on Select Firms in India. *Global Business Review, 24*(1), 1-19. doi:https://doi.org/10.1177/0972150919885545

Chen, G., Firth, M., Gao, D. N., & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud: Evidence from China. *Journal of Corporate Finance, 12*(3), 424-448. doi:https://doi.org/10.1016/j.jcorpfin.2005.09.002

Chen, J. J., & Zhang, H. (2014). The impact of the corporate governance code on earnings management–Evidence from Chinese listed companies. *European Financial Management, 20*(3), 596-632. doi:https://doi.org/10.1111/j.1468-036X.2012.00648.x

Chen, J. Z., Cussatt, M., & Gunny, K. A. (2020). When are outside directors more effective monitors? Evidence from real activities manipulation. *Journal of Accounting, Auditing & Finance, 35*(1), 26-52. doi:https://doi.org/10.1177/0148558X17692691

Chi, C. W., Hung, K., Cheng, H. W., & Lieu, P. T. (2015). Family firms and earnings management in Taiwan: Influence of corporate governance. *International Review of Economics & Finance, 36*, 88-98. doi:https://doi.org/10.1016/j.iref.2014.11.009

Choi, J. J., Park, S. W., & Yoo, S. S. (2007). The value of outside directors: Evidence from corporate governance reform in Korea. *Journal of Financial and Quantitative Analysis, 42*(4), 941-962. doi:https://doi.org/10.1017/S0022109000003458

Chtourou, S. M., Bédard, J., & Courteau, L. (2001). Corporate governance and earnings management. doi:http://dx.doi.org/10.2139/ssrn.275053

Cohen, D., Dey, A., & Lys, T. Z. (2005). Trends in earnings management and informativeness of earnings announcements in the pre-and post-Sarbanes Oxley periods. *Working Paper No. 2451/27545*. doi:http://dx.doi.org/10.2139/ssrn.658782

Cohen, D., & Zarowin, P. (2010). Accrual-based and real earnings management activities around seasoned equity offerings. *Journal of accounting and Economics, 50*(1), 2-19. doi:https://doi.org/10.1016/j.jacceco.2010.01.002

Conger, J. A., Finegold, D., & Lawler, E. E. (1998). Appraising boardroom performance. *Harvard Business Review, 76*(1), 136-164.

Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review, 77*(s-1), 35-59. doi:https://doi.org/10.2308/accr.2002.77.s-1.35

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of Political economy, 93*(6), 1155-1177. doi:https://doi.org/10.1086/261354

Dewayanto, T., Kurniawanto, H., Suhardjanto, D., & Honggowati, S. (2017). Audit committee toward internal control disclosure with the existence of foreign directors as moderation variable. *Review of Integrative Business and Economics Research, 6*(3), 324-332.

Dobija, D., & Puławska, K. (2022). The influence of board members with foreign experience on the timely delivery of financial reports. *Journal of Management & Governance, 26*(1), 287–313. doi:https://doi.org/10.1007/s10997-020-09559-1

Domínguez, L. R., & Gámez, L. C. N. (2014). Corporate reporting on risks: Evidence from Spanish companies. *Spanish Accounting Review, 17*(2), 116-129. doi:https://doi.org/10.1016/j.rcsar.2013.10.002

Dravis, B. (2018). Director Independence and the Governance Process. *Business Law Today*. doi: Available at jstor: https://www.jstor.org/stable/27180150

Du, X., Jian, W., & Lai, S. (2017). Do foreign directors mitigate earnings management? Evidence from China. *The International Journal of Accounting, 52*(2), 142-177. doi:https://doi.org/10.1016/j.intacc.2017.04.002

Ebrahim, A. (2007). Earnings management and board activity: an additional evidence. *Review of Accounting and Finance, 6*(1), 42-58. doi:https://doi.org/10.1108/14757700710725458

Fama, E. F. (1980). Agency problems and the theory of the firm. *Journal of Political economy, 88*(2), 288-307. doi: Available at jstor: https://www.jstor.org/stable/1837292

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law and Economics, 26*(2), 301-325. doi: Available at jstor: https://www.jstor.org/stable/725104

Fields, M. A., & Keys, P. Y. (2003). The emergence of corporate governance from Wall St. to Main St.: Outside directors, board diversity, earnings management, and managerial incentives to bear risk. *Financial review, 38*(1), 1-24. doi:https://doi.org/10.1111/1540-6288.00032

Filatotchev, I., Lien, Y.-C., & Piesse, J. (2005). Corporate governance and performance in publicly listed, family-controlled firms: Evidence from Taiwan. *Asia Pacific Journal of Management, 22*(3), 257-283. doi:https://doi.org/10.1007/s10490-005-3569-2

Forbes, D. P., & Milliken, F. J. (1999). Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of management review, 24*(3), 489-505. doi:https://doi.org/10.5465/amr.1999.2202133

Fuzi, S. F. S., Halim, S. A. A., & Julizaerma, M. K. (2016). Board independence and firm performance. *Procedia Economics and Finance, 37*, 460-465. doi:https://doi.org/10.1016/S2212-5671(16)30152-6

Ghazali, A. W., Nurullah, M., Ibrahim, S., Sanusi, Z. M., & Mohamed, N. (2019). The Effect of Corporate Board Diversity: Real Earnings Management among Malaysian Listed Firms. *International Journal of Business & Management Science, 9*(2), 257-276.

Ghosh, A., Marra, A., & Moon, D. (2010). Corporate boards, audit committees, and earnings management: pre-and post-SOX evidence. *Journal of Business Finance & Accounting, 37*(9-10), 1145-1176. doi:https://doi.org/10.1111/j.1468-5957.2010.02218.x

Gillan, S. L. (2006). Recent developments in corporate governance: An overview. *Journal of Corporate Finance, 12*(3), 381-402. doi:https://doi.org/10.1016/j.jcorpfin.2005.11.002

Goncharov, I. (2005). *Earnings management and its determinants: Closing gaps in empirical accounting research* (Vol. 5): Peter Lang Gmbh, Internationaler Verlag Der Wissenschaften.

González, J. S., & García-Meca, E. (2014). Does corporate governance influence earnings management in Latin American markets? *Journal of Business Ethics, 121*(3), 419-440. doi:https://doi.org/10.1007/s10551-013-1700-8

Handa, R. (2021). Does presence of foreign directors make a difference? A case of Indian IPOs. *Business Perspectives and Research, 9*(1), 111-127. doi:https://doi.org/10.1177/2278533720923508

Healy, P. M., & Wahlen, J. M. (1999). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons, 13*(4), 365-383. doi:https://doi.org/10.2308/acch.1999.13.4.365

Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of management review, 28*(3), 383-396. doi:https://doi.org/10.5465/amr.2003.10196729

Hoffmann, P. S. (2014). Internal corporate governance mechanisms as drivers of firm value: panel data evidence for Chilean firms. *Review of Managerial Science, 8*(4), 575-604. doi:https://doi.org/10.1007/s11846-013-0115-3

Hooghiemstra, R., Hermes, N., Oxelheim, L., & Randøy, T. (2019). Strangers on the board: The impact of board internationalization on earnings management of Nordic firms. *International Business Review, 28*(1), 119-134. doi:https://doi.org/10.1016/j.ibusrev.2018.08.007

Hurley, T. (2021). *You're On Mute-How the Shift from In-person to Virtual Board Meetings Impacts Board Governance and Communication in Nonprofit Associations.*

Ibrahim, A. H., & Hanefah, M. M. (2016). Board diversity and corporate social responsibility in Jordan. *Journal of Financial Reporting and Accounting, 14*(2), 279-298. doi:https://doi.org/10.1108/JFRA-06-2015-0065

Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance, 48*(3), 831-880. doi:https://doi.org/10.1111/j.1540-6261.1993.tb04022.x

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate Governance* (Vol. 3, pp. 305-360).

Johnson, J. L., Daily, C. M., & Ellstrand, A. E. (1996). Boards of directors: A review and research agenda. *Journal of management, 22*(3), 409-438. doi:https://doi.org/10.1177/014920639602200303

Kanagaretnam, K., Lobo, G. J., & Whalen, D. J. (2007). Does good corporate governance reduce information asymmetry around quarterly earnings announcements? *Journal of Accounting and Public Policy, 26*(4), 497-522. doi:https://doi.org/10.1016/j.jaccpubpol.2007.05.003

Khan, H. U. Z. (2010). The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh. *International Journal of Law and Management, 52*(2), 82-109. doi:https://doi.org/10.1108/17542431011029406

Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of accounting and Economics, 33*(3), 375-400. doi:https://doi.org/10.1016/S0165-4101(02)00059-9

Laksmana, I. (2008). Corporate board governance and voluntary disclosure of executive compensation practices. *Contemporary Accounting Research, 25*(4), 1147-1182. doi:https://doi.org/10.1506/car.25.4.8

Lanfranconi, C., & Robertson, D. (2002). Corporate financial reporting: The role of the board of directors. *Ivey Business Journal, 67*(1), 1-3.

Lara, J. M. G., Osma, B. G., & Penalva, F. (2009). Accounting conservatism and corporate governance. *Review of Accounting Studies, 14*(1), 161-201. doi:https://doi.org/10.1007/s11142-007-9060-1

Lee, H.-Y. (2008). The association between audit committee and board of director effectiveness and changes in the nonaudit fee ratio. *Applied Financial Economics, 18*(8), 629-638. doi:https://doi.org/10.1080/09603100601166887

Leventis, S., & Dimitropoulos, P. (2012). The role of corporate governance in earnings management: experience from US banks. *Journal of Applied Accounting Research, 13*(2), 161-177. doi:https://doi.org/10.1108/09675421211254858

Levitt, A. (1998). *The 'Numbers Game'*. Retrieved from https://www.sec.gov/news/speech/speecharchive/1998/spch220.txt

Levitt, A. (1999). *Corporate Governance in a Global Arena*. Retrieved from https://www.sec.gov/news/speech/speecharchive/1999/spch302.htm

Lipton, M., & Lorsch, J. W. (1992). A modest proposal for improved corporate governance. *The Business Lawyer*, 59-77. doi: Available at jstor: www.jstor.org/stable/40687360

Liu, Q., & Lu, Z. J. (2007). Corporate governance and earnings management in the Chinese listed companies: A tunneling perspective. *Journal of Corporate Finance, 13*(5), 881-906. doi:https://doi.org/10.1016/j.jcorpfin.2007.07.003

Lorca, C., Sánchez-Ballesta, J. P., & García-Meca, E. (2011). Board effectiveness and cost of debt. *Journal of Business Ethics, 100*(4), 613-631. doi:https://doi.org/10.1007/s10551-010-0699-3

Mansour, M., Al Zobi, M. T., Saleh, M. W., Al-Nohood, S., & Marei, A. (2024). The board gender composition and cost of debt: Empirical evidence from Jordan. *Business Strategy & Development, 7*(1), e300. doi:https://doi.org/10.1002/bsd2.300

Masulis, R. W., Wang, C., & Xie, F. (2012). Globalizing the boardroom—The effects of foreign directors on corporate governance and firm performance. *Journal of accounting and Economics, 53*(3), 527-554. doi:https://doi.org/10.1016/j.jacceco.2011.12.003

McNichols, M. F. (2000). Research design issues in earnings management studies. *Journal of Accounting and Public Policy, 19*(4-5), 313-345. doi:https://doi.org/10.1016/S0278-4254(00)00018-1

Menon, K., & Williams, J. D. (1994). The use of audit committees for monitoring. *Journal of Accounting and Public Policy, 13*(2), 121-139. doi:https://doi.org/10.1016/0278-4254(94)90016-7

Miletkov, M., Poulsen, A., & Wintoki, M. B. (2017). Foreign independent directors and the quality of legal institutions. *Journal of International Business Studies, 48*(2), 267-292. doi:https://doi.org/10.1057/s41267-016-0033-0

Minton, B. A., Taillard, J. P., & Williamson, R. (2014). Financial expertise of the board, risk taking, and performance: Evidence from bank holding companies. *Journal of Financial and Quantitative Analysis, 49*(2), 351-380. doi:https://doi.org/10.1017/S0022109014000283

Mohamad, M. H. S., Rashid, H. M. A., & Shawtari, F. A. M. (2012). Corporate governance and earnings management in Malaysian government linked companies: The impact of GLCs' transformation policy. *Asian Review of Accounting, 20*(3), 241-258. doi:https://doi.org/10.1108/13217341211263283

Mori, N., & Towo, G. (2017). Effects of boards on performance of local and foreign-owned banks in Tanzania. *African Journal of Economic and Management Studies, 8*(2), 160-171. doi:https://doi.org/10.1108/AJEMS-06-2016-0090

Naheed, R., Rizwan, S., Jawad, M., & Naz, M. (2022). The role of the boards' financial expertise in the investment dynamics of businesses in emerging markets. *Cogent Business & Management, 9*(1), 1-21. doi:https://doi.org/10.1080/23311975.2022.2096804

Nicholson, G. J., & Kiel, G. C. (2007). Can directors impact performance? A case-based test of three theories of corporate governance. *Corporate Governance: An International Review, 15*(4), 585-608. doi:https://doi.org/10.1111/j.1467-8683.2007.00590.x

Ntim, C. G., & Osei, K. A. (2011). The impact of corporate board meetings on corporate performance in South Africa. *African Review of Economics and Finance, 2*(2), 83-103.

Osma, B. G., & Noguer, B. G. d. A. (2007). The effect of the board composition and its monitoring committees on earnings management: Evidence from Spain. *Corporate Governance: An International Review, 15*(6), 1413-1428. doi:https://doi.org/10.1111/j.1467-8683.2007.00654.x

Oxelheim, L., & Randøy, T. (2003). The impact of foreign board membership on firm value. *Journal of Banking & Finance, 27*(12), 2369-2392. doi:https://doi.org/10.1016/S0378-4266(02)00395-3

Park, Y. W., & Shin, H.-H. (2004). Board composition and earnings management in Canada. *Journal of Corporate Finance, 10*(3), 431-457. doi:https://doi.org/10.1016/S0929-1199(03)00025-7

Prencipe, A., & Bar-Yosef, S. (2011). Corporate governance and earnings management in family-controlled companies. *Journal of Accounting, Auditing & Finance, 26*(2), 199-227. doi:https://doi.org/10.1177/0148558X11401212

Puni, A., & Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management, 62*(2), 147-169. doi:https://doi.org/10.1108/IJLMA-03-2019-0076

Ramaswamy, K., & Li, M. (2001). Foreign investors, foreign directors and corporate diversification: an empirical examination of large manufacturing companies in India. *Asia Pacific Journal of Management, 18*(2), 207-222. doi:https://doi.org/10.1023/A:1010620008101

Saftiana, Y., Mukhtaruddin, Putri, K., & Ferina, I. (2017). Corporate governance quality, firm size and earnings management: empirical study in Indonesia Stock Exchange.

Investment Management and Financial Innovations(14, Iss. 4), 105-120. doi:http://dx.doi.org/10.21511/imfi.14(4).2017.10

Saleh, M. W., & Mansour, M. (2024). Is audit committee busyness associated with earnings management? The moderating role of foreign ownership. *Accounting Research Journal, 37*(1), 80-97. doi:https://doi.org/10.1108/ARJ-04-2023-0106

Saona, P., Muro, L., & Alvarado, M. (2020). How do the ownership structure and board of directors' features impact earnings management? The Spanish case. *Journal of International Financial Management & Accounting, 31*(1), 98-133. doi:https://doi.org/10.1111/jifm.12114

Schipper, K., & Vincent, L. (2003). Earnings quality. *Accounting Horizons, 17*, 97-110. doi:https://doi.org/10.2308/acch.2003.17.s-1.97

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance, 52*(2), 737-783. doi:https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

Srinidhi, B., Gul, F. A., & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research, 28*(5), 1610-1644. doi:https://doi.org/10.1111/j.1911-3846.2011.01071.x

Uadiale, O. M. (2012). Earnings management and corporate governance in Nigeria. *Research journal of finance and accounting, 3*(3), 1-10.

Ujunwa, A. (2012). Board characteristics and the financial performance of Nigerian quoted firms. *Corporate Governance: The International Journal of Business in Society, 12*(5), 656-674. doi:https://doi.org/10.1108/14720701211275587

Ujunwa, A., Okoyeuzu, C., & Nwakoby, I. (2012). Corporate board diversity and firm performance: Evidence from Nigeria. *Revista de Management Comparat International, 13*(4), 605. doi:https://doi.org/10.22495/cocv9i2c1art6

Vafeas, N. (1999). Board meeting frequency and firm performance. *Journal of Financial Economics, 53*(1), 113-142. doi:https://doi.org/10.1016/S0304-405X(99)00018-5

Wright, D. W. (1996). Evidence on the relation between corporate governance characteristics and the quality of financial reporting. *Working Paper No. 9601-18*.

Xie, B., Davidson III, W. N., & DaDalt, P. J. (2003). Earnings management and corporate governance: the role of the board and the audit committee. *Journal of Corporate Finance, 9*(3), 295-316. doi:https://doi.org/10.1016/S0929-1199(02)00006-8

Zahra, S. A., & Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of management, 15*(2), 291-334. doi:https://doi.org/10.1177/014920638901500

Zattoni, A., & Cuomo, F. (2010). How independent, competent and incentivized should non-executive directors be? An empirical investigation of good governance codes. *British Journal of Management, 21*(1), 63-79. doi:https://doi.org/10.1111/j.1467-8551.2009.00669.x

Zhou, J. (2008). Financial reporting after the Sarbanes-Oxley Act: Conservative or less earnings management? *Research in Accounting Regulation, 20*, 187-192. doi:https://doi.org/10.1016/S1052-0457(07)00210-X