MODERATING EFFECT OF AUDIT COMMITTEE FINANCIAL EXPERTISE ON THE RELATIONSHIP BETWEEN EARNINGS MANAGEMENT AND FINANCIAL PERFORMANCE OF QUOTED CONSUMER GOODS FIRMS IN NIGERIA

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Abstract
The business world of nowadays is full of competition, management strive hard to maintain their financial performance in the eyes of investors. This led to manipulations in earnings of those companies. This study examined the moderating influence of Audit committee financial expertise (AFE) on earnings management and financial performance of listed consumer goods firms in Nigeria. The study is a quantitative study as such Causal research design was used. The population of the study consist of all the 20 listed consumer goods companies out of which only 10 were sampled using purposive sampling technique. The data was extracted from financial statement of the sampled firms, a two-step regression analysis was done and also analysed using ordinary lease square (OLS) regression. The outcome of the study revealed a negative and significant effect of earnings management (DAC) on financial performance of listed consumer goods firms in Nigeria. The findings further revealed a significant moderating influence of audit financial expertise on the relationship between earnings management and financial performance of quoted consumer goods firms in Nigeria. As such, in order to maintain reputation and enhance corporate image, management of quoted consumer goods companies are advised to avoid earnings manipulation since it can significantly affect their performance. Therefore, the study recommends that the management of consumer good firms should prioritize accurate and transparent financial reporting, avoiding practices that compromise financial integrity. And also Audit committees should comprise of members with financial expertise to provide robust oversight and guidance on financial reporting. By implementing these recommendations, companies can strengthen their financial reporting practices, enhance financial performance, and build trust with stakeholders.

Keywords: Audit committee financial expertise, earnings management, financial performance

1.0Introduction

In recent business world, the financial performance of quoted consumer goods firms in Nigeria remains a critical indicator of their overall health and its ability to boost growth of the nations economy (Adelagan, 2018). Financial performance plays a pivotal role in signalling companies financial health, by providing stakeholders with insight in to a company's efficient capital utilisation, comparison to cost of capital, investment decisions and management performance in terms of the company's ability to generate returns and profits on capital employed (Agbata, Oranu,

Ndum, & Eze, 2022). This is a good metrics of determining return on Investment (ROI) and this create investors' confidence (Khuong & Ha, 2019).

Corporate financial performance is seen as the use of ratios, benchmarks and other metrics in evaluating firms' financial position, performance and prospects (Ross el al., 2020). In order to stay in the competitive market, companies need to adjust it financial status so as to depicts good financial performance to its investors, which in turn creates investors' confidence. Although, the consumer goods firms are faced by serious problems such as fluctuations in currency due to high dependency on oil generated revenue, high inflation rate in the country and navigating through the changing regulatory framework.

The consumer goods companies plays an important role in Nigeria's Gross Domestic Product (GDP) of about 23.4% in 2020 and has being a source of employment for many Nigerians (Ubesie, Nwankwo, & Nwankwo, 2020), but is still faced with various regulatory complexities and inconsistencies such as Security and Exchange Commission (SEC), NAFDAC, Nigerian Exchange Group (NXG) etc, high energy cost and unreliable power supply, foreign exchange volatility and currency depreciation, lack of good infrastructures and rising cost of unsold inventory among others. Most of the companies recorded huge profits in 2019 and in 2023 they record huge losses, such as Cadbury Nigeria Plc, Dangote sugar Nigeria Plc among others.

However, the relationship between earnings management practice and financial performance has been an issue in the ongoing debates among practitioners and researchers. The reliability of financial statements remains an issue of serious concern among various stakeholders in the corporate world, especially in the present century characterised by the need for all financial statements to represents a true and fair view. These statements are very important because they demonstrate the quality of management performance in a particular period of time. As such, management of companies worldwide engage in various corporate governance practices in order to alter their financial results, so as to depict good financial health in the eyes of investors(Ibobo & Ogbodo, 2023). In the developing countries such as Nigeria, where companies operate within a volatile macroeconomic environment and are faced with significant regulatory scrutiny Earnings Management (EM) has been the practice (Saidu, Ocheni, & Muktar, 2017). Ibobo and Ogbodo (2023) defines Earnings Management (EM) as practice whereby corporate managers manipulate financial reports within the limits of accounting standards to either misinform stakeholders or influence contractual consequences. All these practices are done in order to depict good financial health in an organisation particularly where management are paid based on performance.

The presence of audit committee financial expertise (AFE) on audit committee is assumed to increase the level of compliance so as to boost the quality and reliability of financial reports presented to stakeholders in order to have an inform decision (Emmanuel, et al., 2022). As such this study tends to explore the under explored intersection of the moderating role of audit committee financial expertise on earnings manipulation and financial performance of quoted consumer goods firms in Nigeria over a five-year period (2019–2023). By employing discretionary accruals as a proxy for EM and return on capital employed (ROCE) as a measure of financial performance.

Prior studies have extensively examined the relationship between earnings management and financial performance (Khuong & Ha, 2019; Agbata et al., 2022; Ibobo & Ogbodo, 2023; Saidu, et al., 2017; Umobong, 2025) to mention few and are well documented in the literatures, with mixed findings. And also (Ali, et al., 2023; Eme, et al., 2022; Emmanuel et al.2022) among others

studied the effect of audit committee attributes on Financial performance. However, the role of audit committee financial expertise in moderating this relationship has received comparatively little or no attention, particularly in consumer goods firms quoted in Nigeria. This study will add to the stock of knowledge and will serve as a bases for strengthening the postulation of existing theories like Agency (conflicting interest between the managers and shareholders), and stakeholder theories.

Previous studies on the interface between earnings management and financial performance for example Khuong and Ha, 2019; Ubesie, et al, 2020; and Eme, et al., 2022; revealed a conflicting findings. Audit committee financial expertise will enables the committee to better understand the firm's financial and non-financial risk, evaluate the mechanisms of internal control systems, and potential for fraud prevention and detection. These will enhances the reliability of financial statements, reduce the cost of capital and ultimately influence financial performance. As such this study determine the moderating influence of AFE on the interface between earnings management and financial performance. Hence this study hypothesized that audit committee financial expertise does not significantly moderate the relationship between earnings management and financial performance of listed consumer goods firms in Nigeria.

The motivation of this research is to practically serve as an addition to the knowledge in the area of EM, financial performance and AFE of consumer goods firms quoted on the NGX. In practice, the findings of this research will have a significant implication for policymakers, managements, investors, regulatory bodies and corporate governance practitioners of firms in Nigeria. The research will contribute to the existing knowledge by identifying the arguments of scholars with regards to the area of interest i.e on earnings management, financial performance and audit committee financial expertise, as such the study may serve as a source of literature for academicians. Hence, the study is aim at examining the impact of earnings management (discreatinary Accruals) on financial performance (ROCE), moderating this relationship with AFE.

The paper is structured in to 5 sections as follows: Section 2 reviews the relevant literature on earnings management, financial performance and audit financial expertise, with an empirical review of prior studies and underpinning theories. Section 3 outlines the research methodology, including the data collection process and analytical techniques. Section 4 presents the findings from both the descriptive, corelation and regression results. Finally, Section 5 concludes with policy recommendations and directions for future research.

2.0 Literature Review

Jones (1991) defined Earnings management as the practice to manipulate financial reports to present a more favourable picture of a company’s financial performance. Earnings management has to do with manipulating a company's earnings to make financial statements appear better than the real reports (Umobong, 2025). Ijeoma (2014) viewed earnings management as a practice that allows organizations to produced accounts that altered their financial results although is in compliance with GAAP. According to Ibobo and Ogbodo (2023) there are various ways in which earnings can be manipulated such as real activity management (REM), accruals earnings management (AEM), expenses manipulation, but this study uses accrual earnings management (discretionary accruals). As such earnings management in this study is seen as the way and manner in which companies make manipulations on their financial report so as to communicate good financial position to investors.

Concept of Financial Performance

Financial performance is a serious metrics of an organisation's economic capability and tactical success. It is a particular yardstick of how an organization utilized its assets to generate profits (Ubesie el al., 2020). The term is also used as a general measure of to a company's ability to efficiently utilize its financial resources to generate sustainable profits and growth over a given period of time(Akinyomi & Olagunju, 2013). In accounting research, it reflects the outcomes ofmanagerial strategic decisions within which an organization utilizes its resources to earned returns for shareholders. Commonly assessed using metrics such as ROA, ROE, EPS and net profit margin, financial performance provides insight into the profitability, stability, and long-term sustainability of a firm. In this study, financial performance is assessed using Return on Capital Employed (ROCE), a comprehensive metric that measures the profitability and efficiency of capital use by comparing earnings before interest and taxes (EBIT) to total capital employed, which is a total asset minus liabilities. ROCE is considered to be relevant for consumer goods companies, because it operates in a capital-intensive environment, relying on substantial investments in fixed assets, production facilities, and working capital (Akinyomi & Olagunju, 2013). Compared to other profitability ratios such as ROA or ROE, ROCE captures both equity and debt financing, providing a clearer picture of how well management is using all available capital to generate returns (Pandey, 2015). As such, ROCE serves as a robust and an appropriate indicator of value creation in the context of Nigeria's consumer goods.

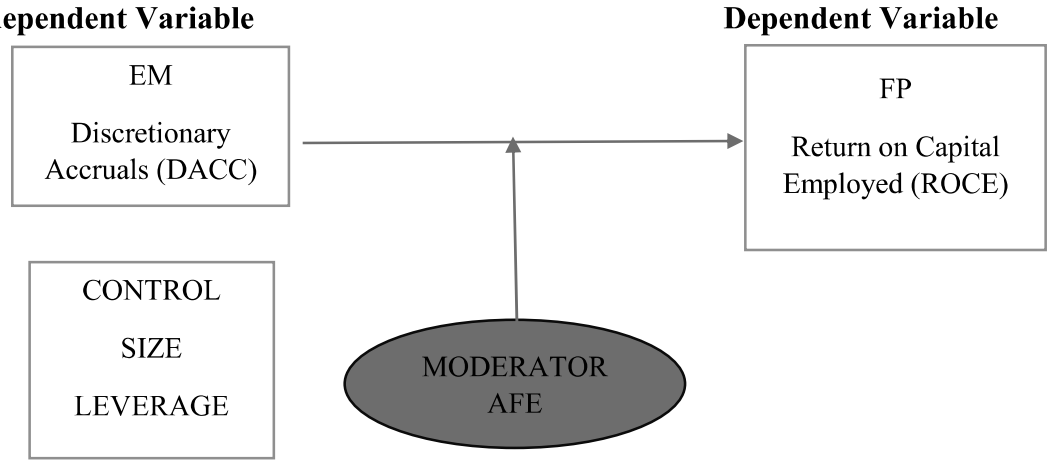
Concept of Audit Financial Expertise

Audit financial expertise refers to individuals within an audit committee who possess significant financial knowledge, qualifications, or experience in accounting, auditing, or financial management present on the board (Ali, et al., 2023). The Sarbanes-Oxley Act (2002) and subsequent governance codes in many countries including Nigeria's Code of Corporate Governance emphasize the significance of financial literacy on audit committees to enhance oversight functions. According to DeFond, et al.,(2005), financial experts are more capable of understanding complex accounting estimates and detecting earnings manipulation, thereby improving the integrity of accounting reports.

Prior studies (Eme, et al., 2022; Emmanuel, et al., 2022) have shown that firms with more financially expert audit committees are associated with lower levels of earnings manipulation and more reliable financial performance. Therefore, in this study, audit financial expertise is conceptualized as a moderating variable as it influences the magnitude of the relationship between earnings manipulation and measures of financial performance, reinforcing transparency in protecting stakeholder interests.

Conceptual Framework

Fig 1:



Source: Author's Compilation, 2026.

Empirical Review

Khuong and Ha, (2019) carried out a study in Vietnam to analyse the influence of real activities earnings management on firm performance for the period of 2010-2016. The result of the regression analysis shows that Real Activity Earnings Management (REM) has a positive but not significant influence on Financial Performance (ROA, ROE). This study is conducted outside Nigeria. Hence the question of generalisation due to different operating environment and variation in governance practice. In addition, the study use ROA & ROE which might not predict the real financial performance because return accruing to debt holders has not been considered.

In the same vein, Ubesie, et al, (2020) conducted a study to determine the influence of Earnings Management on financial performance of listed Consumer Goods Firms in Nigeria from 2009-2018. The study uses Ex-post factor design and data was analysed using simple regression. Earnings Management was proxied by Net profit for the year and Financial Performance is proxy by Total assets, total equity, total liabilities. The findings show that Earnings Management does not have significant impact on financial performance of consumer goods firms in Nigeria. This result might be as a result of not using widely used proxies of the variables of the study. As such the need for a change in the proxies and introduction of a moderating variable. Modified version of jones model will provide a clearer picture of management opportunistic tendancies, in addition total assets can be use as a proxy for financial performance because non-current assets are also included.

Emmanuel,et al., (2022) carried out a study on how audit committee attributes affect financial performance of consumer goods companies listed on the NGX. The scope of the study is within the time period of 2017-2021. Secondary sources of data were utilised and the data sourced were analysed using E-views14. The result reveal that AFE has a positive but significant influence on return on Asset. Eme, et al., (2022) examined audit committee attributes and performance of listed financial institutions in Nigeria within just one-year, 2021. Using cross-section research design and ordinary least square technique as tool of analysis, the findings revealed that audit committee expertise has a significant effect on return on assets. And also, the audit committee independence,

expertise and size have no significant effect on Tobin Q, return on equity, earnings per share and net profit margin

Furthermore, Usaini and Hooy,(2023) examined the influence of earnings management on the financial performance of financial listed financial firms in Nigeria. They also investigate the moderating role of CEO competency on the relationship between earnings management and financial performance from 2010-2019 using discretionary accruals as a proxy for EM, FP proxied by ROA and a Moderator- CEO Competence. Using a panel regression estimator, the study finds evidence that earnings management reduces financial performance, On the contrary, the interaction of CEO competency and earnings management negatively reduce financial performance, The magnitude of the combined CEO competency and earnings management affecting financial performance is less than the sole effect of earnings management. The major weakness of the study is the use of return on asset to proxy financial performance which may not consider the parameters of debt and equity used in financing business.

Eniola and Adebiyi, (2023) examined the effect of audit committee characteristics on firm's financial performance of listed food and beverages companies on Nigeria Exchange Group for the period of (2015-2022). Audit characteristic is proxied by Audit Meeting, Audit Expertise and, Audit Independence, and financial performance proxied with EPS. The study sources data from financial statements of the selected companies. OLS regression was used to analysed it and findings revealed, that audit committee expertise exhibit positive but insignificant relationship with firm performance (EPS). The major weakness of the study is the use of EPS which is market based parameter to proxy financial performance which may not provide return of debt holder.

Umobong (2025), investigated whether real activities and accrual earnings management are mutually exclusive or complementary for the period of 2003-2023 in listed Manufacturing Firms in Nigeria. The study used the two types of EM that is REM (production method) and AEM (Discretionary Accruals). FP was proxied by Net Profit Margin, Price earnings ratio, Returns on Asset Tobin Q, Internal Efficiency and Customer satisfaction. The study uses ex-post facto research design and secondary data was analysed using GLSregression. The results indicates that AEM have positive and significant influence on Return on Assets and Net Profit Margin while REM have negative and significant influence. For internal efficiency, AEM has negative significant relationship while REM has a positive and significant relationship. For Price earnings ratio both AEM and REM have positive significant impact. Since the study is on all manufacturing firms, there is need to question the sampling technique of the study and this will lead to bias in drawing samples. Also, the need to try another measure of performance like ROCE and a Moderator like audit committee financial expertise to make financial statements more reliable and transparent.

Theoretical Review

Two(2) theories were used to underpinning this work and also used in providing the bases used in concluding the findings of the study. These theories collectively explain the dynamics between corporate governance mechanisms, earnings management practices, and financial performance.

Resource Dependence Theory (RDT)

Proposed by Pfeffer and Salancik (1978), RDT posits that organisations depend on critical external and internal resources to survive and succeed. Board members and executives are viewed not only as monitors but as resource providers whose expertise, connections, and legitimacy help the firm navigate complexities in real life situations. Audit committee members with financial expertise

serve as vital internal resources capable of ensuring compliance with regulatory requirements. Their knowledge enhances decision quality, promotes accurate reporting, and improves access to financial insights ultimately influencing strategic decisions that affect firm performance. This theory justifies the need for the compliance committee members to be financialy literates as confirmed by the code of corporate governence in Nigeria (Osevwe-Okoroyibo, & Emeka-Nwokeji, 2021; Ozigi et al., 2023.). As such this theory provide the basis and explanation of the expected moderating role of AFE, as audit committee members do not merely oversee but contribute substantively to the financial governance process. Their presence alters the strength and direction of the EM–FP relationship by injecting expertise into oversight functions to provide a reliable information that will meet the demand of all stakeholders.

Stakeholder Theory

Developed by Freeman (1984), stakeholder theory expands the firm's accountability beyond shareholders to all stakeholders (e.g., investors, regulators, employees, and society). It emphasizes ethical management and transparency to maintain trust and legitimacy. Stakeholder expectations for credible financial reporting and sound governance are particularly high in consumer goods companies, where product visibility and social impact are significant. Audit financial expertise enhances transparency and helps firms meet stakeholder expectations by releasing timely financial statement that are from management manipulations. This theory supports the broader rationale for including AFE as a quality enhancing factor that ensure not only reliable but also timely financial reporting. By curbing management opportunistic behaviours (EM), AFE improves the credibility and realiability of performance metrics (like ROCE), thereby aligning firm behaviour with stakeholder interests(Saidu et al., 2017; Osevwe-Okoroyibo, & Emeka-Nwokeji, 2021; Ozigi et al., 2023.). In addition, financial knowledge and expertise allows audit committee members members to scrutinize accounting figures, estimates and judgments, ensuring financial reporting adequately and genuinely represents the firm's economic position.As such stkeholder theory is the best theory that expain the real association between opportunistic behaviours of managemnt, audit committee financial expertise and financial performance hence it was adopted to underpin this study.

3.0 Methodolgy

This study fits post-positivist paradigm which is quantitative in nature, because the variables of the study can be measured using numbers as such, it uses quantitative approach. This study adopts causal research design due to the fact that it can be used to extract data from historical records, and it is among the most efficient designs used in finding the relationship between two or more variables and the influence of one variable on another. The study made used of all the 20 consumer goods firms in Nigeria publicly quoted on NGX as at 31st December, 2022 as its population. 10 out of the firms have been utilized as the sample by adopting purposive technique of sampling and apply two filters to eliminates companies that are delisted within the period under study and the companies that operate at loss for three consecutive years. Only secondary source of data was utilized and it was extracted from the accounts and reports (financial Statements) quoted on the NGX as at 31st December 2022. The study used the period of five (5) years from (2019-2023). The study used descriptive, correlation and multiple regression analysis as a techniques of data analysis. Fixed and random effect regression are run but the hausman test shows a 0.1826 p-value suggesting a random effect regression results however the langrangian multiplier (LM) test p-value is 0.0508 suggesting OLS regression results hence OLS regression results was interpreted since the data are homoscedstic in nature.

The discretionary accruals (DAC) is arrived using the modified version of the Jones model which implicitly assumes that all changes in credit sales in the event period result from earnings management which is based on the reasoning that it is easier to manage earnings by exercising discretionary power over the recognition of revenue on goods sold on credit than to manage earnings by exercising discretionary power over the recognition of revenue on cash sales. If this modification is successful, then the estimate of earnings management should no longer be biased toward zero in samples where earnings management has taken place through the management of revenues, therefore;

$$TAC_{it} = a_1(\frac{1}{A_{t-1}}) + a_2(\Delta REV_t) + a_3(PPE_t) + \gamma_t \text{ ---------- (1)}$$

$$NDA_{it} = \alpha_1(\frac{1}{A_{t-1}}) + \alpha_2(\Delta REV_t - \Delta REC_t) + \alpha_3(PPE_t) \text{ ---------- (2)}$$

Where;

ΔREC = net receivables in year t less net receivables in year t-1 scaled by total assets at t- 1.

The estimates of (α_1, α_2 and α_3 nondiscretionary accruals during the estimation period (in which no systematic earnings management is hypothesized) are those obtained from the original Jones Model. The only adjustment relative to the original Jones Model is that the change in revenues is adjusted for the change in receivables in the event period.

$$DAC_{it} = TAC_{it} - NDA_{it} \text{ ---------- (3)}$$

The model for the study is thus;

$ROCE_{it} = \alpha_0 + \beta_1 DAC_{it} + \beta_2 FSize_{it} + \beta_3 Lev_{it} + \mu_{it}$……. (1)

$ROCE_{it} = \alpha_0 + \beta_1 AFE_{it} + \beta_2 FSize_{it} + \beta_3 Lev_{it} + \mu_{it}$……. (2)

$ROCE_{it} = \alpha_0 + \beta_1 DAC_{it} + \beta_2 DACit * AFE_{it} + \beta_3 FSize_{it} + \beta_4 Lev_{it} + \mu_{it}$……..(3)

Table 1:
Variables and their Measurement

Variables	Measurement	Source
IndependentVariable Discretionary Accruals (DAC)	$DAC_{it} = TAC_{it} - NDA_{it}$ Modified Jones Model	Umobong, (2025)
Dependent Variable Return on capital Employed (ROCE)	Profit after tax/Total Capital employed. Cap. Em = TA – TL	Akinyomi & Olagunju, 2013)
Moderator Audit Fin. Expertise	Proportion of audit committee members with financial expertise/any accounting and professional knowledge	Emmanuel, et al., (2022)
Control		
Leverage(Lev)	Proportion of total debt to total assets	Emmanuel, et al., (2022)
Firm Size (FSize)	Natural log of total assets	Emmanuel, et al., (2022)

Source: Author's Compilation, 2026.

Discussion of Results

This section presents analysis and interprets the data generated for the study. The hypotheses of the study were also tested and inferences there from.

On the Table1 below it shows the report of the descriptive statistics of the dependent and the explanatory variables. The description of mean, standard deviation, minimum, and maximum of the variables as computed.

Table1:
Descriptive Statistics

	Obs	Mean	Std. Dev	Min	Max
ROCE	50	0.0198	0.0934	-0.3009	0.2362
DAC	50	8.5207	9.0807	1.2416	3.8608
ACFE	50	2.74	1.0264	1	4
FSIZE	50	8.1528	0. .5338	7.0407	8.9008
LEV	50	0.5091	0.1754	0.1894	1.0908

Source: STATA Output, 2026.

Table1 shows the mean value of ROCE was 0.0198, this indicates that on average the quoted consumer goods companies in Nigeria generate N0.0198 of profit for each N1 in capital employed. The result shows that ROCE has a minimum value of -0.3009 and maximum value of 0.2362 even though the std dev. of 0.0934 shows no high variation in the level of return on capital employed by the listed consumer goods companies under study.

Discretionary accrual on table 2 showed a mean of 8.5207 with a minimum and maximum values of 1.2164 and 3.8608 respectively. The standard deviation of 9.0807 shows high variation in the discretionary accrual of the listed consumer goods companies in Nigeria within the period under study. Audit committee financial expertise has a mean of 2.74 with a minimum of 1 and maximum of 4 meaning on average audit committee of listed consumer goods companies has 3 members with accounting and related financial knowledge.

Table 2:
Correlation Matrix

	ROCE	DAC	ACFE	FIRMSIZE	LEV	VIF
ROCE	1.0000					
DAC	-0.3675	1.0000				1.15
ACFE	-0.2148	-0.1334	1.0000			1.21
FSIZE	-0.2873	0.3900	0.2543	1.0000		1.53
LEV	-0.3552	0.0399	0.4976	0.4831	1.0000	1.36

Source: STATA Output, 2026.

Table 2 shows the correlation coefficients between the dependent variable financial performance (ROCE) and the explanatory variables earnings management, audit financial expertise, bank size and leverage. The correlation matrix shows that all the explanatory variables discretionary accrual, audit financial expertise, firm size and leverage are negatively correlated with the return on capital employed. The vif results proved absence of multicollinearity because the vif ranges between 1.15 to 1.53.

Table 3:
OLS Regression Results

	Direct Relationship				Moderated Relationship			
Variables	**Coefficient**	**Std. Dev**	**T-stat**	**P-value**	**Coefficient**	**Std. Dev**	**T-stat**	**P-value**
DACC	-4.1810	(1.4410)	-2.90	(0.006)	4.3510	(3.9710)	1.10	(0.279)
AFE					-0.0247	(0.0137)	-1.94	(0.059)
DACC*AFE					-4.0910	(1.7310)	-2.37	(0022)
FSIZE	0.0362	(0.0293)	1.24	(0.224)	0.0386	(0.0294)	1.32	(0.196)
LEV	-0.2356	(0.0838)	-2.81	(0.008)	-0.2308	(0.0797)	-3.77	(0.008)
Constant	-0.1126	(0.2151)	-0.52	(0.604)	-0.1111	(0.2132)	-0.52	(0.604)
R-squared	0.2787				0.3696			
F-stat	F(3, 40)=5.15				F(4, 44)=6.45			
	p-value 0.0042				p-value 0.0004			
Hausman	Chi2(5)=3.40 p-value0.1826							
HETTEST	0.3175							
LM Test	Chibar2(01)=3.82, p-value 0.508				Chibar2(01)=66.18 p-value 0.0610			
Noof Obs	50				50			

Source: STATA Output, 2026.

Table 3 shows an R-square of 0.2787 with the adjusted r-square of 0.2246 meaning that approximately 28% of the variation in the dependent variable financial performance (ROCE) is accounted by changes in the independent variable earnings management (Discretionary accrual, bank size and leverage) jointly while the remaining 72% is accounted by other variables not considered in this study. The f-value of 5.15 and p-value of 0.0042 confirm that the model is statistically fit at 5% level of significance.Hausman test shows a 0.1826 p-value and it therefore suggests random effect regression results however the LM test p-value 0.0508 suggest OLS regression results hence OLS regression results was interpreted.

The results in Table 3 shows that earnings management (discretionary accrual) has a significant negative influence on financial performance (ROCE) of quoted consumer goods companies in Nigeria. This implies that as this listed consumer goods companies increases their earnings manipulation it is expected that their financial performance will decrease and vice versa. This finding is consistent with a prior expectation because deliberate manipulation of earnings to outsmart stakeholders and other users of financial statement is misleading and will be detrimental to financial performance. This is also consistent with previous studies (Saidu, Ocheni, & Muktar, 2017; Ubesie, Nwankwo, & Nwankwo, 2020; Umobong, 2025) that uncovered a negative interface between earnings manipulation and finanacial performance. This finding is however contrary with the findings of Ibobo & Ogbodo (2023) that examinedthe effect of earnings management on financial performance of listed manufacturing firms in Nigeria from 2012-2021 and found that discretionary accrual has a positive and significant effect on returns on assets, returns on equity, earnings per share and net profit margin. Rahul, Shashidhar and Manisha (2025) findings also confirmed that aggressive earnings management will temporarily enhance reported performance but often correlates negatively with weaker long-term organizational fundamentals parhaps is because these studies considers the short-term performance terget which might be influence by the opportunistic behaviours particularly when managers are paid based on performances.

The result of the moderating effect of audit committee financial expertise on the relationship between earnings management and financial performance of listed consumer goods firms on the NGX was found to have a beta coefficient of -4.0910, t-value of -2.37 and a probability value of

0.0022 which is statistically significant at 5 percent. This result shows a significant moderating influence of audit committee financial expertise on the interface between earnings management and financial performance of quoted consumer goods firms in Nigeria. It infers that any increase in number of audit committee financial expertise variables by 1 will result to a significant change in the interface between earnings manipulation and financial performance of quoted consumer goods firms in NGX. Hence audit committee financial expertise has significantly moderated this relationship. This finding is consistent with aprior expectation because compliance committee financial expertise will significantly influence management opportunistic behaviours to improve the credibility and reliability of the accounting information which will ultimately influence financial performance. This findings is also in line with the explanation of stakeholder theory as it highlight the importance of compliance committee in aligning management actions with stakeholders interest.

Firm size which is measured as logarithm of total asset poses a positive but not significant influence on financial performance (ROCE) of listed consumer goods companies in Nigeria. This is consistent with a prior expectation because larger firms are expected to have stabilised and developed reputation which will add to revenue generation capacities of the companies.

Leverage has a negative and significant influence on financial performance proxied by ROCE of listed consumer goods companies in Nigeria. This is contrary with a prior expectation because levered companies are expected to out-performed unlevered companies because the debt will serve as the monitoring mechanisms for the shareholders. However, this finding is not surprising considering the fact that debt covenant particularly asset covenant will be detrimental on management decisions and this will definitely affect return on capital employed of the quoted consumer goods firms in Nigeria.

5.0 Conclusions and Recommendations

This paper has provide an empiriacal backing on the role of audit financial expertise in moderating the relationship between earnings managementand financial performance, as measured by ROCE, among listed consumer goods companies in Nigeria. The results indicate that earnings management negatively impacts ROCE, while audit financial expertise mitigates this adverse effect. Therefore, it is imperative for companies to prioritize accurate financial reporting and robust oversight mechanisms.

To enhance financial performance and maintain stakeholder trust, the following measures are recommended:

i. The management of the consumer goods companies should prioritize accurate and transparent financial reporting, avoiding practices that compromise financial integrity as it has a great impact on their performance.
ii. The audit committees membership should compriseof members with financial expertise to provide robust oversight and guidance on financial reporting.
iii. Management should also carry out regular assessment of financial performance using key metrics like ROCE to identify areas for improvement and to optimize capital utilization.

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