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Board Meetings and Financial Reporting Quality of Quoted Manufacturing Companies in Nigeria.

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ABSTRACT.

This study investigates the impact of Board meeting, on the financial reporting quality of quoted manufacturing firms in Nigeria. A total of ten firms were used from 2006-2017. Financial reporting quality is proxy by accrual model which was calculated using Jones Model, while board meeting was extracted from the annual reports based on the number of time the board meets in a year. The Ordinary Least Squares technique was used to analyze the data .The result shows that Board meeting frequency exerts a positive effect on financial reporting quality of sampled quoted manufacturing firm; overall the quality of Board meetings is an important factor that contributes to financial reporting quality. They study recommend that quoted manufacturing Boards should meets regularly as it will improve the quality of their financial report and reduce agency conflicts.

***KEYWORDS**: Board meetings, Financial Reporting quality, Quoted Manufacturing Firms, Jones Model, Nigeria.*

Introduction.

The growing information needs of stakeholders who have operational interest in financial reporting have resulted in the quest for credible financial reports. Financial reporting in general is subject that has attracted much attention and is the centre of debate for investors, regulators as well as scholars in the recent years. Following the colossal corporate collapses of Enron, WorldCom, Parmalat and more specifically, Leisure net and Fidentia in South Africa amongst others; which has put a big question mark on the financial reporting quality of the publicly listed companies .All these weakened the confidence towards the management team and the financial report produced by these firms, which casts a general doubt on the quality of financial report produced by them.(Abdullah 2004).

Financial information is of interest to users of financial statement because information derived is utilized in making contracting and investment decision. From contracting perspective, low-quality financial report may result in unaltered wealth transfer, from investors point, low quality report are undesirable because they result in a defective resource allocation (Kapoor, 2016)

Since investors need unbiased information to make the right investment decision, financial crises and financial reporting scandals have unveiled the importance of Board supervision and highlighted the crucial need for firms to enhance the quality of financial reports. The quality of financial report depends on a whole set of guaranteed mechanisms capable of efficiently supersizing the process of accounting information report. The Board of Directors as the core of corporate governance will undoubtedly play a key role in supersizing quoted companies financial reporting process and thereby enhance the quality of financial reporting.

Board meeting is an organised set up arranged to assemble Directors on the Board to discuss and address relevant issues relating to their prior experience, current predicaments and forward looking matters as its related to the company survival (going concern). Every resolution passed during this exercise is legal and become operational in the company. Board meeting can be ascertained by the number of meetings held during the year by the number of Board of Directors. The exercise serves as a salient medium for effective harmonization of option toward achieving the firms overall goals.

Biddle,Hilary and Veide(2009) define financial reporting quality as the precision with which financial report convey information about the firms operation in particular and its cash flows in order to inform the equity investors.

Tang,Chen and Zhijum (2008) see financial reporting as the exert true and fair information about the underlying performance and financial position of an enterprise. According to Damilola, Olamide, Wisdom, Emmanuel, Godswill, Simon and Olutemi (2018) there has been consistent argument as regard the essence of Board meeting. This results in two different schools of thought, some believe that for board members to effectively fulfil their function of strategy setting and management monitoring there is need for a frequent meeting from time to time. On the other hand some asserted that frequent meeting leads to waste in managerial time, increases financial burden in terms of travelling expenses and sitting allowance given to board members. They concluded by that Board meeting frequency does not improve the firm but the quality of such meeting does (.Taghizadeh and Saraemi ,2013; Oyeride 2014)

2.1Theoretical Frame work.

Base on the premise that a board meeting is a dimension under board process which is a variable attribute, the study therefore adopts the agency theory as a theoretical foundation. Agency theory is one of the most frequently adopted theoretical frameworks by researcher in Finance and accounting. The existence of Agency theory is based on the relationship between principles(shareholders and agents (board member) which arise as a result of separation in ownership and control of business enterprise, such that these shareholders appoint the board member to ensure the creation of disciplined atmosphere, setting of timely and achievable strategic plan and the effective control of management team thereby ensuring that the firm operate at it maximum limit, which leads to maximization of shareholders value. In ensuring these it is vital for the board of directors to have more meetings thereby increasing their capacity to advise, control and ensure discipline in an organization, so as to enhance good financial reporting quality, Nlimand Osei(2011). Corporate decisions can as well be effectively monitored through more frequenting board meetings,

2.2 Conceptual Frame work.

2.2.1 Financial Reporting quality.

Financial reporting quality is said to be the accuracy with which reported finances of a firm reflects its operating performance and how useful they are in forecasting future cash flows(Scoh&Irem2008).

The value of financial accounting is generally determined by the quality (Pounder, 2013) reporting quality is that accounting information which is better and more reliable than other accounting information in relation to its characteristics of communicating what it purports to communicate.

Biddle, Hilany and Veidi(2009) define financial reporting quality as the precision with which financial reports convey information about the firms operation in particular its cash flows in order to inform the equity investors. Financial reporting is very complex and according to financial Accounting Standard Board (FASB) it aims to provide information those facilities the efficient functions of capital and other markets and assists the efficient allocation of the scare resource in the economy.

2.2.2 Board Meetings.

This had to do with the number of time the Board of Director of a firm officially meets to discuss issues concerning the company. The Board meeting is a medium set up for deliberation on key issues and matters among board members in order to make certain important decision for the progress and growth of any organization. The diligence of Board members is often measured on the Board meeting attendance frequency by each Board member (Ghosh, 2007;Johl, Kaur, Cooper2015; llaboya and Oberetin, 2015). An important increase of corporate Board's monitoring power and effectiveness is the frequency of Board meeting (Litop and Lorsech, 1992). Board meetings helps directors to remain informed and knowledgeable about important developments within the firm and thereby placing them in a better position to timely address emerging critical problems,(Managene and Tauingara, 2008). This therefore means the control over board members individual diligence is internal and subject to the Chairman. However concerning the frequency of board meetings in general it is reported that the fewer the meetings the better performance of the firm as a whole, (Johl etal, 2015).

2.3 Emperical Review.

Zarina (2013) examined the quality of Malaysian interim financial reports and the impact of corporate governance on the quality. The study made use of FRS 134 interring financial reporting compliance with the Bursa Malaysia listing Requirement (BMLR). Corporate Governance was proxy by the frequency of directors meeting, Independence, Financial literacy, Expertise and eternity of directors. The study found out that all corporate governance variables are associated with the quality of interim except independence and corporate governance expertise.

Tilus(2017) Conducted research on the effect of Board composition on the quality of financial reporting among firms listed in Nairobi Securities Exchange. The study made us of Board size, Board Independence, Frequency of Board meeting and audit committee proxy for corporate governance. The research design in the study is the cross sectional and exploratory design with a population size of 46 firms, the study established that Board Size Prances of audit Committees positive and significant effect on quality of fincial report while Board independence and Frequency of board meeting exhibited a negative and significant effect on the quality of financial reporting. Thus the study conclude that increase in board size and presence of audit committee increase the level of financial reporting an Frequency of Board meeting increase the level of Financial reporting quality.

Jouini(2013) made a study on the Determinants of the quality of financial information disclosed by French listed companies. The Study made use of SBF250 for the period of 5 years from 2004 to 2008, sample of 101 companies was used, The result shows that, the size of the Board attendance of members at meeting of the Board the presence of the auditors belonging to the big 4 and the presence have a positive impact on the quality of information disclosed.

Meibo and Lawrence (2018) conducted a research on Board Governance and sustainability Disclosure: A cross –sectional study of Singapore-listed companies. The study made use of 462 companies primarily listed on Singapore Exchange (SGX), the study found out that Board capacity, Board Independence and Board Incentive are associated with quality of sustainability reporting. Board Capacity compress of board size, Board meeting, Board independence-CEO duality and proportion of independent directors.

Mansor,Che, Ahmad and Osman(2013) Examined Corporate Governess and Earnings Management. A study on Malaysian Family and Non-Family Owned Public limited Companies. The study made us of 264 companies involved both Family Owned Company (FOC) and Non- Family Owned Company (NFOC), using regression analysis, it was found out that number of Board meeting is found to be significant negatively related for FOC than NFOC.

Waidi (2017) studied Board composition and financial reporting quality of Deposit Money Banks in Nigeria. The study explode the extent at which the Board composition measured with (Board size, Board meeting, and Board independence) The study used a sample of 15 deposit money Banks listed on the Nigeria Stock Exchange between 2005 and 2016. The data were analyzed using ordinary least square (0LS) regression. It was found out that discretionary accrual as a proxy for Financial reporting quality is positive related to Board size and Board independence but related negatively to Board meeting. It recommends that the Board size of banks in Nigeria should not be too large and must meet regularly to carry out their oversight functions.

Mohamed,Collins,Richard, John, Samuel&Tien(2017) Conducted a study on Corporate governance and Dividend Payment policy in UK listed SMEs. The effect of corporate boards Characteristics from 2010-2013. The study was analysed by employing multivariate regression techniques including estimating fixed effect. The result shows that among the board characteristics Board size, the frequency of Board meeting, Chief Executive Duality, Audit committee. Have a significant relationship with the level of dividend payout.

Gap in Literature.

Considering the empirical reviews, it can be seen that no work have been done on Board Meetings and Financial Reporting Quality of Quoted Manufacturing firms in Nigeria. This is the gap that this work comes to fill.

2.4 Objective of the Study.

The purpose of the study is to examine the impact of Board meetings on the financial reporting quality of quoted manufacturing Firms in Nigeria.

2.5 Research Question.

To what extent does Board meeting affect the financial reporting quality of quoted Manufacturing Firms in Nigeria?

2.6 Research Hypothesis.

There is no significant relationship between Board meetings and financial reporting quality of quoted Manufacturing firms in Nigeria

3.0 Methodology

In accomplishing the research objective, the audited annual financial statement of ten selected manufacturing companies quoted in Nigeria stock exchange were used covering the period 2006-2017 . Nevertheless, in analyzing the research hypothesis, the study adopted the use of both descriptive statistics and econometric analysis using the pooled date on the ordinary least square method.

Proxy for financial reporting Quality is the ACCURAL which is calculated using the Jones Model of 1991. Board meetings is Proxied by the number of times they Board had meetings in a year is taken from the annual report of the companies selected.

Model specifications.

BM=f (FRQ).. (1)

LOGBM=β+β1+ LOG FRQ

Where

BM= Board meeting held in year.

FRQ= Financial reporting quality.

β -Intercept

β_1 – Estimation of Coefficient

μ- Error term

4.0Results and Discussion

Dependent Variable: AC
Method: Least Squares
Date: 02/07/19 Time: 12:51
Sample: 1 120
Included observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BM	916255.3	1135257.	0.807091	0.0012
C	5533370.	5473029.	1.011025	0.3141

R-squared	0.355490	Mean dependent var	9786322.
Adjusted R-squared	0.282938	S.D. dependent var	16174729
S.E. of regression	16198473	Akaike info criterion	36.05526
Sum squared resid	3.10E+16	Schwarz criterion	36.10172
Log likelihood	2161.315	F-statistic	0.651396
Durbin-Watson stat	1.715809	Prob(F-statistic)	0.001238

The value for the coefficient for BM (i.e β_1) is 916255.3, while the constant intercept, c is 5533370. The value of 5533370 for c represents financial reporting quality without Board Meeting. The value 916255.3 for β_1 implies that holding all other factors constant, a unit increase in BM (Board Meeting) will lead to 916255.3increases in financial reporting quality. R^2 tells the percentage variation in financial reporting quality explained by number of Board Meetings. By implication, the value of 0.355490 means that about 36% of total variation in financial reporting quality is as a result of changes in the number of Board meetings, while 64% is explained by other factors outside the model. Since the Durbin- Watson statistic is near 2, there is no evidence of first-order autocorrelation.

The esteemed F-value is significant at 1% level (because the p value is zero) we can strongly reject the null hypothesis that there is no significant relationship between Board meetings and financial reporting quality of quoted Manufacturing firms in Nigeria. We therefore conclude that there is significant relationship between the number of Board meetings and financial reporting quality of quoted Manufacturing firms in Nigeria.

5.0 Conclusion and Recommendations.

This study examines the impact of Board meetings on the financial reporting quality of quoted manufacturing firms in Nigeria. The study found out that Board meeting is associated with the quality of financial reporting. Our findings provide evidence for firms policy-makers on how financial reporting quality can be improved through robust Board governance. This suggest that companies can enhance the quality of their financial reports by encouraging director's communication with more board meetings, increasing the representation of independent directors on the board and implementing long term incentives for directors. Hence the following recommendations were made

- Government should through legislation endure that quoted Manufacturing Boards meets regularly as it will improve the quality of their financial report and reduce agency conflicts.

- Quoted Companies should be meant to only the correct information about their financial positions.

- Any member that absent him/her from the meeting more than three times should be dropped as this will be bringing the fir backward.

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