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FINANCIAL REPORTING QUALITY AND SHARE EARNINGS IN LISTED OIL AND GAS COMPANIES IN NIGERIA

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Abstract

This study examined the effect of financial reporting quality on share earnings in the oil and gas sector with a view to determine the investment propensity in Nigeria. Secondary data collected through the fact book of ten listed oil and gas industries were extensively used through the strata analysis. Descriptive statistic was employed in this study to describe the characteristics of the sample, and to test the validity of normal distribution. Descriptive statistics results include the mean, the median, the maximum value, the minimum value, and the standard deviation of each variable. With the aid of STATA 14.0, this study employed multiple regression analysis to test the hypotheses of the research. Multiple regression analysis is used to determine the effect of each independent variable on the dependent variable in each empirical model through applying Panel Least Squares (PLS) and Estimated Generalized least squares (EGLS) regression. The study finds that financial reporting quality has a negative but significant effect on EPS in listed oil and gas companies in Nigeria and as such, the study concludes that the study provides evidence that financial reporting quality has a positive and significant impact on Earnings per share in the oil and gas industry in Nigeria. Based on the findings of the study, recommends that enhancement of Financial Reporting Quality: Oil and

gas firms in Nigeria should be adopted and that more detailed financial information is necessary to investors. Also, that companies should avoid engaging in earnings management and accounting conservatism that would affect the financial performance of companies therefore hindering the earnings per share of investors.

Keywords: Amortization, EPS, Financial Reporting, Net profit, Oil and gas

1. Introduction

Generally, financial reports are produced by listed companies in compliance with necessary standards prescribed by the International Financial Reporting Standards (IFRS) for the purpose of disclosing the economic, social, and financial performance of entities in line with the established goals and objectives. Vital information to stakeholders of the entity with specific expectation in a defined accounting period are the prima facie focus of investors subscribing to the share of public entities. According to Muhibudeen and Abdulrahman (2020), the quality of the financial report of an entity depends on the quality of the information presented in the financial statements. Users of financial reports basically the managers, directors and the prospective investors are interested in the value of each shares from time to time so as to know how much a share will earn and as such the amount invested and the related earnings could be determined successfully (Saliu & Adetoso, 2018). Financial reports are prepared by companies to provide users with information about the entity's financial position, performance, and changes in equity (Obara & Nengih, 2017). To ensure transparency and credibility in the decision-making process by management and other users of accounting reports, financial statements are often prepared according to international standards, professional ethics, code of ethics, and corporate governance (Saliu & Adetoso, 2018). For any financial report to achieve its set out objectives of providing information on the financial position and performance of an entity, the information presented in such report must be of high quality.

Financial Reporting Quality is concerned with the extent to which the reported financial information provides relevant and reliable information about the company's economic performance and its financial position to assist stakeholders, especially the providers of capital, to make rational investment, credit and similar resource allocation decisions. Therefore, Financial Reporting Quality plays an important role in improving the firm's Performance and the financial health of the economy as related to the motivating factors which among others is the earnings per share of the entities where shareholders subscribed. The importance of financial reporting quality stems from the crucial role that it plays for the interest of all parties conducting with the enterprise and the economy as a whole. Financial reporting quality helps to reduce the cost of capital by reducing the information asymmetry (Houcine, 2017) between senior and small investors as high quality of information presented in financial statements reduces the risk of loss for small investors (Gomariz & Ballesta, 2014). Furthermore, financial reporting quality provides accurate information to the company's board of directors which can allow them to monitor the activities of managers and reduce their managerial incentives from engaging in value-destroying projects which unadventurously affects the EPS of investors (Ahmed & Duellman, 2007). Obviously, high financial reporting quality decreases the authority and power of managers in making decisions that serve only their own interests and

direct them to make efficient and appropriate investment decisions and as such, financial reporting quality plays an important role in reducing the risk of unknown as this type of risk arises and increases in the business environment when managers, shareholders, suppliers, investors, creditors, and other parties dealing with the firm are unable to assess the business risks or expected returns, which invariably results to lack of information that helps them to do so. Therefore, high financial reporting quality allows market agents to gain a full understanding of all operations and activities of companies by decreasing the vagueness surrounding certain events.

Share earnings can be regarded as an opportunity available to maximize share unit utilities under compensation and debt covenant. Friedman (1994), stand for the argument of stock price appreciation trends to motivate investors engaging in share subscription which necessitate earning management in order to achieve optimal market share. More specifically, Healy (1985) examines how bonus schemes affect the choices of accounting policy. He argues that the managers tend to maximize their bonuses through opportunistic earnings management. When earnings fall within an expected range, managers will choose accounting policies to raise the reported earnings up to the upper bound stipulated by the covenant to maximize their bonuses available to investors. However, when earnings are above the upper bound or below the under bound, managers tend to choose accounting policies that could defer earnings into the future to maximize their bonus in the long run. The intensity of earnings management keeps submerging into the affairs of firms so far as their performance and future economic values are concerned. Prior to the adoption of the International Financial Reporting Standards (IFRS) in 2012, and its subsequent implementation, the Companies and Allied Matters Act (CAMA), 2020 as amended, the Security and Exchange Commission (SEC), and the Statement of Accounting Standard (SAS) issued by the then National Accounting Standards Board (NASB), were the legal and regulatory frameworks that provides guidance for the preparation and presentation of financial statement of corporate entities in Nigeria. CAMA, 2020 prescribed the format and content of company financial statements, disclosure requirements and auditing. Specifically, oil and gas companies in Nigeria are required to prepare their financial report in compliance with SAS 14: Accounting for Petroleum Industry (upstream Activities), and SAS 17: accounting for Petroleum Industry (Downstream Activities). However, following the development and issuance of IFRS 6: Accounting for Exploration and evaluation of Mineral Resources, oil and gas entities can now account for their exploration and evaluation cost according to the guidance provided by IFRS 6. In Nigeria, the contributions of the oil and gas sector to the development, growth and stability of the economy cannot be over-emphasized and this has attracted many investors to this sector of economy in Nigeria. Like every other entity, the preparation and presentation of the financial reports of oil and gas companies in Nigeria are governed by accounting rules stated in the Generally Accepted Accounting Practice (GAAP) and International Financial Reporting Standards (Obara & Nengih, 2017). The information in such financial reports is expected to meet the requirements of relevancy, reliability, timeliness and faithfully representing the financial position and performance of the entity at any particular point in time, but more often than not the earnings per share of many

oil and gas companies are not providing adequate earnings on share per share basis which necessitate inquisition into this study at any rate. Over the years, the corporate environment in Nigeria has been inundated with several cases of financial scandals resulting from low financial reporting quality, and as such, leading to the collapse of several companies, especially in the oil and gas industry. Like in most developing economies, where accounting disclosures are more likely induced by managerial incentives rather than regulatory influence, the failure of some of these entities, such as, African Petroleum, Oceanic Bank and Cadbury PLC were due largely to manipulative accounting and inadequate disclosures (Hasan & Omar, 2015). Today, in spite of the implementation of reforms, the extent to which, financial reporting quality drives performance of companies in the oil and gas sector in Nigeria especially on the earnings per share reports has remained an issue of great concern to investors and other stakeholders (Macgregor & Ibanichuka, 2021).

1. Theoretical Framework

Financial reporting is an accounting process that communicates the financial data of an organization relating to a specific period to its external and internal stakeholders. It involves the recording of financial information according to relevant accounting standards (Saliu & Adetoso, 2018). Gholami et al. (2021), defined financial reporting as the reporting of financial statements and other information disclosed by a business unit to third parties such as shareholders, creditors, customers, governmental organizations, senior company management, and the general public. Financial reporting is generally considered as the final result of accounting and operational reports of a business entity. Financial reports are usually prepared by companies to provide a wide-range of users with useful information relating to their financial position, financial performance, and changes in equity (Obara & Nengih, 2017). It comprises of various important statements, such as the statement of financial position, statement of comprehensive income, statement of cashflow, statement of changes in equity, and notes to the account.

Information about the assets, liabilities, and equity of firms are reported in the statement of financial position. Revenue, expenses, and net income/(loss) of the business for a fiscal period are reported in the statement of comprehensive income, while information about cashflow is reported in the statement of cashflow. Financial reporting is a continual process, with periodic deliverables throughout the fiscal year. Annual financial reporting happens at the end of a company's fiscal year, while interim financial reporting covers periods less than one year, typically, monthly or quarterly presentation goes a long way to determine the investment potentials of both existing and would investors. In oil and gas companies, all sizes engage in some form of financial reporting, whether for compliance with outside regulatory agencies or industry customs or for internal management decision-making. Listed public companies must comply with stringent financial reporting obligations issued by the Securities and Exchange Commission.

2.1 Objectives of Financial Reporting

According to the International Accounting Standard Board (IASB), the objective of financial reporting is to provide information about the financial position, performance, and changes in the financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial reporting provides information to the management of an organization which is used for the purpose of planning, analysis, benchmarking, and decision making. For instance, the statement of comprehensive income and the statement of financial position provide information that can be used to evaluate the performance of an organization for an accounting period. Information about the organization's profitability and liquidity. Leverage can be obtained through the analysis of financial reports.

Financial reporting also provides information to investors, promoters, debt providers, and creditors which is useful in making rational and prudent decisions regarding investment and provisions of credit to an organization. Debt providers and investors need information that will help them assess the ability of a business organization to generate adequate returns to meet its short-term and long-term financial liabilities. Such information is often provided in the financial report of the organization. Information provided in the financial report is also useful to shareholders and the public at large in the case of listed companies because it can be used to evaluate the performance of management as regard to how diligent and ethical, they are in discharging their fiduciary duties and responsibilities to enhance share earnings

2.2 Financial Reporting Quality

Financial Reporting Quality is a broad concept as it is responsible for delivering both financial and non-financial information faithfully to a firm's stakeholders to help them in making sound decisions. Therefore, there is no general consensus among researchers on a certain definition of financial reporting quality. The term financial reporting quality refers to the accuracy with which financial reports disclose the information related to the company's operations and its ability to estimate expected cash flows (Biddle et al., 2009). Tang et al. (2008) and Robinson & Muter (2004) refer to financial reporting quality as the extent to which the financial statements of a company provide real and fair information about the company's economic performance and financial position. Consistently, Bushman et al., (2004) refer to financial reporting quality as the credibility of the accounting information presented in financial reports by providing information free from distortion and to be prepared in the light of a set of legal, monitoring, professional, and technical standards to achieve the purpose of their use. Therefore, it is concluded that financial reporting quality can be defined as the degree to which financial reports represent faithfully all financial and non-financial information related to the interests of the firm's stakeholders to assist them in making rational investing, and financing decisions by evaluating accurately the firm's operations, financial position, and its financial performance in addition to estimating the expected cash flow under the accounting standards and regulatory requirements.

2.3 Share Earnings

Guidry et al. (1999), and Defond and Jiambalvo (1994) adopt the view of contractual motivation that earnings management can be regarded as an opportunistic behavior to maximize personal utilities under compensation and debt covenant. Friedman (1994), stand for the argument of stock price motivation that managers engaged in earning management in order to mislead the market. More specifically, Healy (1985) examines how bonus schemes affect the choices of accounting policy. He argues that the managers tend to maximize their bonuses through opportunistic earnings management. When earnings fall within an expected range, managers will choose accounting policies to raise the reported earnings up to the upper bound stipulated by the covenant to maximize their bonuses. However, when earnings are above the upper bound or below the under bound, managers tend to choose accounting policies that could defer earnings into the future to maximize their bonus in the long run. The intensity of earnings management keeps submerging into the affairs of firms so far as their performance and future economic values are concerned.

2.4 Oil and Gas Operation in Nigeria

The beginning of oil and gas operation in Nigeria dates back to 1956 when crude oil was first discovered in commercial quantity by the SHELL Group in Oloibiri Community of Bayelsa State, and ever since the sector had remained critical in the economic development of the country. However, it was not until the early 1990s when local oil and gas companies began to make in-road into the industry, the multinational oil companies enjoyed dominance in the sector. Local participation in the industry was enhanced by several factors such as the implementation of the Nigerian Content Directive issued by the Nigerian National Petroleum Corporation (NNPC), and the later promulgation of the Nigerian Oil and Gas Industry Content Development (NOGIC) Act in 2010. The Act emphasized the patronage of local companies and resources in the award of oil licenses, contracts, and projects. The operations of oil and gas entities in Nigeria are usually classified as either upstream, midstream, or downstream (Institute of Chartered Accountants of Nigeria (ICAN), 2014). Upstream activities deal with issues relating to the initial phase of oil and gas production such as exploration, drilling, and extraction of crude oil and natural gas from within the earth's crust to the surface. (Erhomosele & Rahim, 2021). Midstream sector activities involved the storage and transportation of extracted oil and gas via pipelines, ships, trucks, or trains to the refineries for further processing.

2.6 SAS 14: Accounting in the Petroleum Industry-Upstream Activities

This standard was first issued in 1993 by the National Accounting Standard Board (NASB) to enhance the comparability of financial statements prepared by companies operating in the upstream sector of the petroleum industry in Nigeria (Barde, 2011). The standard basically deals with accounting and reporting for upstream activities which involve the acquisition of a mineral interest in properties, exploration (including prospecting), development, and production of crude oil and gas.

2.7 SAS 17: Accounting in the Petroleum Industry-Downstream Activities

The downstream sector of the Nigerian oil and gas comprises oil and gas activities such as storage, transportation, marketing, and distribution of refined products from crude oil and liquified gas. SAS 17: Accounting in the Petroleum Industry-Downstream Activities was issued by the NASB to provide guidance on accounting practices and reporting formats to be followed by companies operating in the sector. In the process of crude refining, catalysts are added to the crude in order to speed up the cracking process. Catalysts are expensed as consumed and accounted for as an inventory and recorded at the lower of cost or net realizable value (PwC 2011). NG-GAAP requires catalysts to be separated into short-life (lasts less than a year) and long-life catalysts (lasts a year or over). The costs of short-life catalysts are expensed in the year in which they are incurred while the costs of long-life catalysts are capitalized and written off over the life of the refinery. Furthermore, IFRS provides that costs of major overhauls of refineries can be capitalized if the useful life of the Property, Plant, and Equipment (PPE) gets extended or its productive capacity is increased. SAS 17 requires the costs of turn-around maintenance to be capitalized and amortized over the expected period before the next turn-around maintenance. Costs of spare parts and servicing equipment apart from major spare parts and standby equipment are usually carried as inventory under IFRS and recognized in the profit or loss as consumed. Major spare parts and equipment qualify as PP&E when an entity expects to use them during more than one period. SAS 17 requires standby equipment and spare parts to be capitalized as part of PP&E and depreciated over the expected useful life of similar equipment in use. The costs of refining petroleum products and installation of petrochemical plants, and equipment should be capitalized and depreciated on a straight-line basis over the useful life of the asset.

2.8 Earnings Per Share (EPS)

Earnings Per Share (EPS) is the ratio between the revenue generated (Net Income) and the number of outstanding shares. EPS is used to indicate the extent to which the company's profitability is reflected in its shares (Amyulianthy & Ritonga, 2016). EPS is the measure that shows the profits obtained by investors or shareholders per share. To analyze shares, the investor often focuses on the EPS. The higher value of EPS of course is a great source of motivation to shareholders because this will mean greater profit provided to shareholders. And the higher the profit achieved by the company; the value of the company will increase which in turn will be reflected in the company's stock value. To achieve higher EPS, oil and gas companies must consider longer-term strategic factors such as the growth of future sales and cash flow, industry growth potential, the company's competitive position, and technological changes, which all impact value.

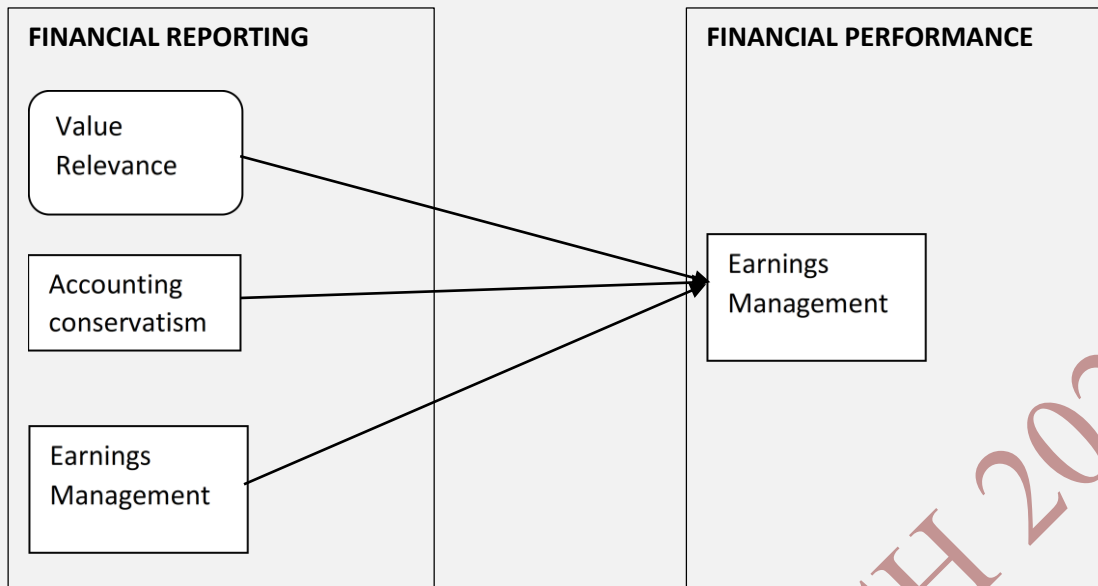
2.9 Signaling Theory

Signaling theory indicates that asymmetric information between a company and its investors causes adverse selection. To avoid this situation, information that provides a signal to the market are disclosed voluntarily by companies (Watt & Zimmerman, 1986). Size, profitability, and growth are factors that affect the decision to disclose voluntary information to avoid

adverse selection. Firms with higher profitability will have the tendency of disclosing more information to the market to boost investors' confidence and prevent undervaluation of their shares. For large companies with larger information asymmetry, it is expected that more information be disclosed for mitigation purposes. Signaling theory helps to describe the behavior of two parties (individuals or organizations) where each party has access to different information. Typically, one party, the sender, must choose when and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal. In accounting, signaling theory is used to predict the behavior pattern of communication with managers. This theory is also used to assess any information communicated to shareholders by management. Managers of oil and gas companies seek to communicate private information which contains good news so as to increase the wealth of shareholders. In the oil and gas sector, investors usually analyzed information communicated by managers of companies to determine whether it is good news or bad news. If the information is good news, investors will respond by investing more in the stock of the company, and conversely, if the information is bad news, investors will revise down and immediately sell their shares because the company's performance is less than expected (Ambarwati, 2008). According to signaling theory, oil and gas companies with higher disclosures have greater tendencies of achieving higher performance (ROA, ROE, and EPS) and are entitled to a higher valuation from investors (Bandi, 2009). Basically, signaling theory suggests the existence of a positive relationship between performance and disclosures. Oil and gas firms with higher performance tend to provide more information to be more attractive to investors. This theory is adopted in this study because it can be used to explain the relationship between financial reporting quality and firm performance of listed oil and gas companies. Rathnayake, et al., (2021) investigated the impact of Financial Reporting Quality on Firm Performance in listed companies in Sri Lanka. The study used a quantitative approach. Secondary data was obtained from listed companies published annual financial statements over six years (2013-2018). The sample consists of 30 listed companies in Sri Lanka from all sectors except Bank, finance, and insurance sector. Thus, the number of observations summed up to 180 in total. Stratified Random sampling method was used to select the sample and the hypothesis was tested by random effect model using STATA. Results of the study showed significant relationship for the tested three models where Return of Assets, Return on Equity, and Market to Book Ratio were regressed against Financial Reporting Quality and control variables. However, the relationship between Financial Reporting Quality and individual financial performance indicators were insignificant. Despite the theoretical arguments and empirical findings on the impact of financial reporting quality on financial performance, the study in the Sri Lankan context showed no relationship.

2.10 Conceptual Framework

The framework for this study as shown in figure 2.1 depicts the relationship between the independent variable, financial reporting quality proxied by value relevance, accounting conservatism and earning management and the dependent variable, performance proxied by EPS.



Source: Author's Design, 2023

Where:

FRQ = Financial Reporting Quality (Independent Variable)

VR = Value Relevance

AC= Accounting Conservatism

EM= Earnings Management

FP = Firm Performance (Dependent Variable)

EPS = Earnings Per Share

This study is anchored on the Signaling Theory. The theory depicts that asymmetric information between a company and its investor causes adverse selection. To avoid this situation, information which provide signal to the market are disclosed voluntarily by companies (Watt & Zimmerman, 1986). Firms with higher profitability will have the tendency of disclosing more information to the market to boost investor's confidence, and prevent undervaluation of their shares. For large companies with larger information asymmetry, it is expected that more information be disclosed to mitigate the problem of information asymmetry. Signaling theory helps to describe the behavior of two parties (individuals or organizations) where each party have access to different information. This model used is one of the most common mathematical models used for measuring Discretionary Accruals (DA) which is an adverse indicator for financial reporting quality as applied in previous studies such as Abd-Elnaby et al., (2021) and Enakirerhi et al., (2020). According to the model, the absolute value of DA is calculated by first estimating the total accruals which is the difference between net income and the net cash flow from operating activities.

$$TACC_{it} = NI_{it} - CFO_{it} \text{-----(1)}$$

Secondly, to estimate the parameters, β_1 , β_2 , and β_3 for each industry in each year, a cross-sectional Ordinary Least Square (OLS) regression will be carried out as follows:

$$TACC_{it} / A_{it-1} = \beta_1 (1 / A_{it-1}) + \beta_2(\Delta REV_{it} - \Delta AR_{it} / A_{it-1}) + \beta_3 (PPE_{it} / A_{it-1}) + e_{it} \text{-----(2)}$$

All variables in the above model were divided by the total assets of the company at the beginning of the period so as to eliminate the effect of size difference among firms.

Thirdly, is to calculate the Non-Discretionary Accruals (Non-DA) by using the parameters as estimated in equation (2) above.

$$Non-DA_{it} = \beta_1 (1 / A_{it-1}) + \beta_2 (\Delta REV_{it} - \Delta AR_{it} / A_{it-1}) + \beta_3 (PPE_{it} / A_{it-1}) \text{-----(3)}$$

Fourthly, is to estimate the DA as the difference between Total Accruals and Non-DA.

$$DA_{it} = TACC_{it} / A_{it-1} - Non-DA_{it} \text{-----(4)}$$

Where:

TACC_{it} = Total Accruals of firm i in year t,

CFO_{it} = Cash flow from operating activities of firm i in year t,

NI_{it} = Net Income After Tax of firm i in year t,

A_{it-1} = Total Assets of firm i in year t-1,

Δ REV_{it} = Sales Revenues of firm i in year t less sales revenue in year t-1,

Δ AR_{it} = Net Account Receivables of firm i in year t, less Net Account Receivable of firm i in year t-1,

PPE_{it} = Gross value of Property, Plants and Equipment of firm i in year t,

Non-DA_{it} = Non-Discretionary Accruals of firm i in year t,

DA_{it} = Discretionary Accruals of firm i in year t, and

e_{it} = Error Term.

4. Data Analysis and Results

Descriptive statistic was employed in this study to describe the characteristics of the sample, and to test the validity of normal distribution. Descriptive statistics results include the mean, the median, the maximum value, the minimum value, and the standard deviation of each variable.

Diagnosics Statistics

Before conducting the regression analysis, diagnostic tests were carried out on all empirical models in order to assess the validity of the models used in the current research and to ensure that the results are not biased. These tests include the model specification test, normality test, multicollinearity test, heteroscedasticity test, Hausman specification test, and the Breusch-Pagan Lagrange multiplier test for Random Effects.

Regression Analysis

With the aid of STATA 14.0, this study employed multiple regression analysis to test the hypotheses of the research. Multiple regression analysis is used to determine the effect of each independent variable on the dependent variable in each empirical model through applying Panel Least Squares (PLS) and Estimated Generalized least squares (EGLS) regression.

Descriptive Statistics

Variables	Observations	Mean	Standard Dev.	Minimum	Maximum
EPS	60	1.5687	5.3676	-20.02	21.75
EM	60	3.8823	0.2555	-0.5384	0.9781
MVE	60	44.4295	64.9644	0.2	279
BMR	60	11.5855	13.5495	-5.0000	53.53
SIZE	60	10.6289	0.7524	8.6819	12.1175
SG	60	0.3916	0.9786	-0.3296	6.8648
DEBT (%)	60	0.4436	0.4301	0.0000	1.8762
OL	60	1.1009	0.5227	0.3091	2.9752

Table 4.1 displays the calculated values for the mean, the standard deviation, the minimum, and the maximum values for each of the research variables for the 10 sampled oil and gas firms during the period of the study from 2015 to 2020. The Table also shows that the study uses 60 firm-year observations for all the variables of the study.

Table 4.1 shows that the mean for Earnings Management (EM) is 3.8823. This is an indication of a high level of earning management in the oil and gas firms in Nigeria. This is supported by a minimum of -0.5384 and a maximum of 0.9781 while the standard deviation of 0.2555. This suggests that there is insignificant variation in earnings management among the sampled firms since the standard deviation is not greater than the mean. This also shows that the level of earnings management across all the firms in the Nigerian oil and gas industry is the same. In addition, Table 4.1 shows that on average the Value Relevance (MVE) of the listed oil and gas firms is 44.4295 with wide variation around the mean supported by the standard deviation of 64.9644. This wide variation was later supported by the minimum and maximum values of 0.2 and 279 respectively of the value relevance. Similarly, the Table also shows that the mean for Accounting Conservatism (BMR) stood at 11.5855 with a standard deviation value of 13.5495 which indicated a wide variation around the mean since the mean is less than the standard deviation. This deviation is supported by the minimum and maximum values of -5 and 53.53 which are widely dispersed.

Results on the Influence of Financial Reporting Quality on EPS

Furthermore, the result of model 3 in which EPS was used as a proxy for firm performance shows an overall R² of 0.2917. This indicates that 29.17% of the variance in oil and gas EPS is caused jointly by earnings management, value relevance, accounting conservatism, firm size, sale growth, leverage, and operating liquidity. The Wald Chi probability of 0.0032 indicates that the model is fit and the explanatory variables have been carefully selected, combined, and perfectly estimated. It is also a validation of the fact that the results are reliable, valid, and generalizable.

The result of the random effect in the first model document that earnings management has a negative and insignificant effect on the EPS of listed oil and gas firms in Nigeria. The negative is at a coefficient value of -0.6316 and a probability value of 0.805. The finding also indicates that 1% increase in earnings management will lead to a 63.16% decrease in firm EPS. The finding is consistent with the findings of Rathnayake et al. (2021). On the other hand, the finding is inconsistent with the findings of Abd-Elnaby (2021), Macgregor and Ibanichuka (2021). The study further documented that value relevance has positive and a significant effect on EPS because the p-value of 0.001 is less than a 0.05 level of significance. The positive effect is revealed by the coefficient value of 0.0372 and significant at 0.001 probability value. The positive coefficient implies that a 1% increase in value relevance would increase EPS by 3.72%. The finding is in line with the finding of Abakasang et al. (2019), Daniel and Macfubara (2018), Ibrahim (2017), and Felix and Rebecca (2018) who found that value relevance positively affects EPS.

5. Conclusion and Recommendations

The study focuses on examining the relationship between financial reporting quality and the share earnings as a proxy of financial performance of listed oil and gas firms in Nigeria. The study employs a quantitative research methodology and utilizes a sample of 10 listed oil and gas firms in Nigeria. The study is motivated by the need to understand the role of financial reporting quality in enhancing the financial performance of oil and gas firms in Nigeria. The study finds that earnings management has a negative but significant effect on EPS in listed oil and gas companies in Nigeria. In conclusion, the study provides evidence that financial reporting quality has a positive and significant impact on Earnings per share in the oil and gas industry in Nigeria. The findings of the study have important implications for oil and gas firms in Nigeria, policymakers, and investors.

Based on the findings of the study, the following recommendations are made: Enhancement of Financial Reporting Quality: Oil and gas firms in Nigeria should enhance their financial reporting quality by adopting International Financial Reporting Standards (IFRS), increasing the frequency of reporting, and providing more detailed financial information to investors. Companies should avoid engaging in earnings management and accounting conservatism that would affect the financial performance of companies.

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