Chief Executive Officer (CEO) Financial Expertise and Financial Reporting Quality

Obehioye Usiomon Akogo[1] and Osariemen Mayowa Imonitie[2]

[1&2]*Department of Accounting, Faculty of Management Sciences, University of Benin*
Email: ehioshioobehioye@gmail.com

Abstract
The aim of this paper is to examine the association between CEO financial expertise and financial reporting quality, using the qualitative features of International Accounting Standard Board (IASB) as a measure of financial reporting quality. The research design utilised was the panel design. The population and sample consisted of firms listed in the financial sector on the floor of the Nigerian Stock Exchange (NSE). The paper covered the period 2012-2018, given that Nigeria adoption of the International Financial Reporting Standard (IFRS) in 2012. Data was sourced manually from firms' annual reports and analysed using the panel regression method after descriptive and diagnostic tests such as the Correlation, Hausman test and normality test. The findings from the study revealed that CEO financial expertise have a positive and significant relationship with financial reporting quality. This implies that CEOs with the requisite knowledge in financial can contribute to the quality of the reporting process due to their understanding of the metrics. The paper recommended that CEOs requirement for equipment should include some knowledge of finance and even if no knowledge at the time should undergo some crash training courses to bring them up to speed.

Keywords: CEO Financial Expertise, Financial Reporting Quality

1.0 Introduction

A long debate over the years has existed in literature regarding the link between the expertise of a Chief Executive Officer (CEO) and the financial reporting quality of the organisation. The argument is premised on the notion that when a new CEO is appointed, there is the existence of a change in the management style due to the fact that most newly appointed CEOs are not constrained to carry out their duties in the same fashion as their predecessors and this therefore gives room for innovation which could bring about an enhancement in the reporting quality of the firm (Brockman, Campbell, Lee, & Salas, 2018).

Financial reporting quality over the years has lacked well developed theories or frameworks due to its complex nature. This ranges from not enough relevant information, irrelevant information as well as information communicated ineffectively, this is within the preview of the CEO who is the leader in the organisation. The trend of financial reporting assesses the quality of information using quantifiable procedures that refers to earnings quality as consisting of financial reporting attributes, information communicated ineffectively (leading investors to make poor decisions), and increasing uncertainty leading to higher cost of capital for organisations (Barth, Landsman, & Lang, 2008; Barth, Beaver, &

Landsman, 2001; Dechow, Ge, & Schrand, 2010; Mohammady, 2011). Also, the concept of quality financial reports is a wider, multidimensional concept as opposed to earnings quality inferred from financial reports or the mixture of market and accounting based features (Krishnan & Parsons, 2008; Burgstahler, Hail, & Leuz, 2006).

In addressing these issues, the International Accounting Standard Board (IASB) explicitly mentioned the construction of an all-encompassing measure that will take all facets of decision usefulness into consideration, this all-encompassing measure is referred to as the conceptual framework (IASB, 2010). The conceptual framework provides a qualitative base for which the characteristics of information present in the financial report that should be included in the index. This indicates that the usefulness of financial statements is dependent on the qualitative features (enhancing and fundamental) of information which enhances the decision usefulness of financial reports. Information must be faithfully represented what it ought to represent and relevant for it to be useful (IASB, 2010). Enhancing attributes consist of timeliness, verifiability, comparability and understandability complement the fundamental attributes of and ascertains which information is useful and which is not (IASB, 2010). These attributes range from their experience, financial expertise, tenure and knowledge (Shope, 2016). These ensure that the issues of irrelevant information appearing in financial statements and ineffective communication of information in financial reports are addressed. There have been paucity of research that have investigated the relationship between peculiar CEO attributes (financial expertise) and financial reporting quality with emphasis on the IASB framework. The justification of using the qualitative features of the IASB framework is that the qualitative features provide useful information and identifies the types of information which will be useful to most users of the financial information in making decisions. The measure is applicable equally to all financial information included in the financial reports as well as those provided via other ways.

Literature Review

CEO Financial Expertise

Financial expertise of the Chief Executive Officer (CEO) refers to the financial background and experience of CEOs. According to Baatwah, Salleh and Ahmad (2015), a CEO is a financial expert that has accounting qualifications or has previously held a position related to financial reporting such as CFO, senior accountant or controller. In the work done by Custodio and Metzger (2014), it is seen that CEO's with financial expertise are better able to raise funds externally, which alludes that they have better access to capital markets. They are also seen to hold less cash and more debt, that is, they pursue more aggressive financial policies. Such CEO's are actively involved with the firm's financial policies. CEO's that are financial experts are interested in the accounting and auditing departments, and pay close attention to them. They will be able to quickly and easily observe and correct irregularities caused by other executives.

Previous studies show that the financial expertise of CEOs improve the quality of the financial reporting process (Badolato, Donelson, & Ege, 2014). Similarly, using finance-related working experience and qualifications as proxies of financial expertise, Aier, Comprix, Gunlock and Lee (2005), find that the financial expertise of chief financial officers negatively impacts earnings restatements. With regard to CEOs, the financial expertise is also important because CEOs have legal duties to prepare true and fair financial statements. While the literature documents that the financial expertise of CEOs affects financial policies (Custódio & Metzger, 2014), it is reasonable to expect that it also affects accounting practices such as earnings management.

Following Aier et al. (2005), three proxies of financial expertise were established as follows: (i) Role experience of CEOs (ROLE), where ROLE equals to 1 if the number of years a CEO works as a chief executive officer is less than the corresponding industry-year mean, zero otherwise; (ii) Working experience of CEOs as a chief financial officer (CFO), where CFO equals to 1 if a CEO does not have working experience as a chief financial officer, zero otherwise; and (iii) Advanced finance-related certification: a Master of Business Administration (MBA) or a chartered professional accountant qualification (CPA) (CERT), where CERT equals to 1 if a CEO does not have a MBA or a CPA equivalent, zero otherwise. The rationale to use these above proxies is that CEOs may have different ways to gain financial expertise. CEOs may study an advanced finance-related certification. CEOs may also gain financial expertise if they have working experience as a chief financial officer because the chief financial officer position is directly responsible for the preparation of financial statements. Similarly, the role experience helps CEOs to accumulate financial expertise because CEOs have legal duties to prepare financial statements and may be involved with financial strategies and policies.

CEOs are responsible for checking the activities of management on behalf of shareholders. There is therefore the need for shareholders to ascertain that members of the board are educated individuals that would not allow their investment to be wasted. Business firms formed and managed by educated managers have the tendency to perform better than companies that are placed in the hands of uneducated managers. Various studies on board characteristics are mute on the educational background of Chief executive officers (CEOs).

Corporate Governance

Over the years, Corporate Governance (CG) had been seen as a tool for ensuring corporate survival. This is because the confidence stakeholders have in business usually suffers each time a corporate entity collapse. In Nigeria, for instance according to Uwuigbe (2013), most of the corporate entity that collapsed are attributed to failure in corporate governance practices. Sanusi (former CBN governor) stated that the collapse of banks in Nigeria in the early 1990s and thereafter are as a result of inappropriate corporate governance practices such as insider-related credit abuses, poor risk appreciation and internal control system failure. In the year 2000 in other to regain public confidence the Securities and Exchange Commission (SEC) set up a committee whose duty was to articulate a code of best practice for public companies in Nigeria.

According to Abdulazeez, Ndibe and Mercy (2016), the Security and Exchange Commission (SEC) in 2003 rolled out a code of best practice, which were reviewed further in 2018 on corporate governance for companies quoted on the stock exchange market. Similarly, the Central Bank of Nigeria in 2006 established a similar corporate governance code to address the practices in Nigeria banks. The high-profile corporate scandal involving Cadbury

Nigeria Limited reiterated the need for strict compliance to corporate governance codes and policies. Security and Exchange Commission (SEC) according to Uwuigbe (2013) express concern on issues arising from Cadbury's annual report and accounts for 2005. Uwuigbe (2013) concern was particularly in the area of inadequate disclosure, non-compliance with corporate governance code and obtaining loans for the payments of dividends to shareholders, contrary to SEC regulations. SEC went forward and reprimanded and penalized Akintola Williams, Deloitte (AWD), the external auditor of the company and the Union Registrars Ltd for violating Investments and Securities Act of 1999 provisions. Since then corporate governance practice has been a focus in Nigeria.

There are however still issues faced with parties internal in a firm and a case in point is the eight chief executives and executive directors of some Nigerian banks were summarily dismissed between August and October, 2009 due to issues related to poor corporate governance practices. This was sequel to the conclusion of audit investigations embarked upon by the Central Bank of Nigeria to determine the soundness of Nigerian banks. The release of these reports led CBN to conclude that the affected banks have acted in manners detrimental to the interest of depositors and creditors. This was at variance to the clean bill of good health earlier given to these banks by regulatory authorities (CBN inclusive) and their so called appointed reputable external auditors (Adegbie, Akintoye, & Ashaolu, 2019).

Effective corporate governance is key ingredient for an organization to achieve its strategic goals. A good corporate governance structure put together controls, policies and regulations that motivate the business in the direction of its goals and objectives, and how to satisfy stakeholder's needs. A good Corporate Governance structure is often the combination of internal mechanism, external mechanism and independent audit. According to Adeoye and Amupitan (2015) the internal mechanisms are the foremost set of controls for any organisation. These controls help to monitor the organisational progress and activities while corrective measures are taken when the organisation goes off track. Internal mechanism in an organisation includes the oversight of management, structure of the board of directors into levels of responsibility, independence internal audits, segregation of control and policy development.

Adeoye and Amupitan (2015) explain external control mechanisms as control that takes place outside the organisation and serve the objectives of the organisation, such as the trade unions, regulators, government and financial institutions. These objectives include legal compliance and debt management. They argue that external mechanism often times are imposed on entities by stakeholders in form of regulatory guidelines or union contracts. For instance, industry associations may suggest guidelines for best practice, while the organization can choose to either follow or ignore the guidelines. The independent audit is part of the overall corporate governance structure an audited financial statement serves a dual purpose (internal and external stakeholders' purpose) at the same time. A company audited financial statement with auditor's report helps shareholders, employees, investors, creditors and regulators determine the financial state of the organization.

In relation to CEOs, the corporate governance code as reviewed shows that the board of directors should at least once or twice a year evaluate formally the performance of the CEO. The evaluation shall be based on a broad range of criteria and include objective criteria, including performance of the business, accomplishment of long-term strategic objectives and development of management succession. Also, key positions and personnel should always be provided for in terms of their succession plan that needs to be updated regularly and the separation of the CEO and Chairman of the board signify that conflicts of interests will be prevented. The various codes of corporate governance by CBN and SEC provides that the relationship between the CEO and auditors should be strictly professional and they are accountable to the board for the performance and activities of the company (Kanyinsola & Akorede, 2019).

The Nigerian Code of Corporate Governance (the "Code") was issued in 2018 by the Financial Reporting Council of Nigeria (the "FRCN") pursuant to Sections 11(c) and 41(c) of the Financial Reporting Council of Nigeria Act, 2011. The issuance of the Code stemmed from the suspension of the National Code of Corporate Governance 2016 (the "2016 Code") by the Federal Government of Nigeria (Kanyinsola & Akorede, 2019).

Going into details, the corporate governance code of 2018 in relation to the chairman and managing directors shows that by virtue of Principle 3.3 of the Code, a person who is appointed as an Executive Director (ED), Chief Executive Officer (CEO) or Managing Director (MD), of a company is barred from also being appointed as the Chairman of that company unless there has been a cool-off period. The cool-off period which was 7 years under the 2016 Code has now been reduced to 3 years (Abdullahi & Kuwata, 2017).

The Code is however silent regarding whether the Chairman may sit on a Board committee, a prohibition that was strongly emphasised in Principle 6.1.9 of the 2016 Code. It may therefore be assumed from this omission that the Chairman of a company may now be appointed to sit on Board committees.

Under Principle 4.8 of the Code, it is permissible for the MD of a company to be appointed as a Non-Executive Director (NED) on the Board of another company, provided the said position is not detrimental to the company where he/she is MD or against company policy. Also, the CEO/MD is not to be appointed as a member of the committees responsible for remuneration, audit, nomination and governance (Kanyinsola & Akorede, 2019).

CEO Financial Expertise and Financial Reporting Quality

CEOs are responsible for checking the activities of management on behalf of shareholders. There is therefore the need for shareholders to ascertain that members of the board are educated individuals that would not allow their investment to be wasted. It is believed that business firms formed and managed by educated managers have the tendency to perform better than companies that are placed in the hands of uneducated managers. Various studies on board characteristics are of the opinion that the educational background of Chief Executive Officers (CEOs) is strong points to note when conducting appointments. Educational qualification of a CEO is a vital element that aids adequacy in making decision. Various studies have revealed that a positive relationship exist between CEOs qualification and reporting quality.

Ujunwa (2012) finds a positive and significant relationship between directors with PhD and company`s financial performance in Nigeria using data from 122 listed companies on the Nigerian Stock Exchange from 1991 to 2008. Yermack (2006) showed that share price is influenced by director's professional qualification, especially in the area of accounting and finance. Haniffa and Cooke (2002) found a positive relationship between accounting education of board members and disclosure of information. Palia (2000) studied how the educational background of CEO's impacts on the firms they manage. He analysed the performance of CEOs based on the university where they obtained their undergraduate and postgraduate degrees. The results showed that managers with lower quality educational background manage firms in regulated industries and those with higher quality educational backgrounds manage firms in unregulated industries.

Obazee and Amede (2018) investigated the link between CEO attributes and timeliness of financial reporting. The correlational research design was employed in the study, the source of data was secondary and was derived from companies listed in the financial sector of Nigerians Stock Exchange. The result of the study showed that CEO financial expertise has no significant effect on the timeliness of financial reports.

International Accounting Standard Board (IASB) Qualitative Framework

Financial reporting quality is measured using peculiar features of the International Accounting Standard Board (IASB) which include relevance, faithful representation, understandability, comparability and timeliness. These are reviewed briefly below:

Relevance: The Van Beest et al. (2009) significance is operationalized in terms of predictive and confirmatory importance. Predictive value often deals with knowledge regarding the potential of the company to produce projected cash flows. Predictive value is a critical predictor of importance and the essential calculation of predictive value is based on the following criteria; where fair value is used by the firm; where the annual report discloses knowledge on market prospects and risk and the degree to which financial results are forward-looking. This forward-looking article usually applies to managers' prospects for the organization's potential activities.

Where the annual reports of companies provide appropriate feedback to financial statement users pertaining to information on prior dealings, this will aid in validating or changing their prospects. This information is usually and majorly found in the management discussion and analysis section of the annual reports and accounts

Faithful Representation: It also concerns how companies are regulated, and is currently represented as a factor in corporate governance. Good and harmful developments and incidents are often taken into account through deliberation in the annual accounts. Another critical aspect that confirms this consistency is the external auditor's report, which is seen in the annual reports and accounts. In compliance with IASB (2008) "to correctly represent economic phenomena which the knowledge purports to represent, annual reports must be total, neutral and free from material error" (p.23). Faithful representation is essentially calculated in terms of independence from content error, neutrality, verifiability and completeness.

The basic metrics used for faithful representation include an unqualified audit report, neutrality, corporate governance statement, and protection from bias (Van Beest et al., 2009). A financial statement is said to be free of bias because it can accurately clarify expectations and projections during the financial reporting period and even explain the factors for the choice of accounting standards. It is a crucial factor that should be taken into consideration in the consistency of financial statements.

Understandability: This illustrates the extent of interpretation of company financial statistics. Understanding is one of the improvement of qualitative qualities that can improve as information is readily available and simply and properly categorized. Annual reviews and business accounts can be structured in such a manner that customers can appreciate what their needs is. This variable is typically calculated using five elements, which are: 1) the interpretation of such details in the tables and graphs; 2) the financial document must be free of technical jargon; 3) the use of unknown terminology; 4) the disclosure of information in the notes to the account; and 5) an appropriate arrangement of information in the annual report.

Comparability: Comparability is calculated on the basis of six elements that systematically assess accounting processes and policies, with the following elements: Note on modifications in accounting policy, corrections on the basis of prior accounting year statistics to assist in the successful implementation of improvements in accounting policies or revisions in accounting estimates, reports on revisions in accounting estimates and decisions describing the effects of the review, Comparison of the current accounting year with the preceding accounting year, presentation of the financial ratio and index in the annual report and comparison of the facts contained in the report with other organisations.

Timeliness: This is a vital principle that improves the consistency of the commodity. Timeliness means that intelligence must be made available to decision-makers before it loses its control and impact. Timeliness is similar in measuring the consistency of the reporting, which is accomplished by determining the time between the end of the year and the date of issue of the auditor's report. That is the number of days it took for the auditor to sign the report after the close of the financial year (Van Beest, et al., 2009). The technical basis of the International Accounting Standard Board (IASB, 2010) is based on the principle of timeliness.

Agency Theory

Jensen and Meckling (1976) report that the presence of a separation between ownership and management in most companies allow administrators not to assume the financial burdens of their decisions. The separation of ownership and control of a company appears as a triggering factor for the problem of agency. In cases where there are controlling stockholders and less liquid secondary markets, Bratton and Mccahery (1999) suggest that the use of internal management control mechanisms as an alternative for the protection of minority stockholders. The CEO is a valid option in this regard. For La Porta, Lopez-De-Silanes, Shleifer and Vishny (2000), investor protection is crucial because in many countries expropriation of minority stockholders and creditors by controlling stockholders is extensive.

Going further, Bushman and Smith (2001) show that financial reports serve as a control mechanism through which investors and stockholders can monitor the actions of the CEO. The authors also claim that accounting plays an important role in contracts established with CEOs because it provides variables for defining the basis of their benefit plans (incentives). "Agency conflict is exacerbated by the problem of information asymmetry" (Lopes, 2008, p.182). According to the author, accounting can contribute to a company's corporate governance mechanisms by ensuring the financial information remitted by the CEO is useful information to decision makers and therefore reducing information asymmetry and the impact of agency conflicts (Hotlz & Neto, 2014).

Disclosures by way of financial reporting and regulation help to mitigate the agency problem as it requires that management of corporations report both mandatory and voluntary information for the benefit of shareholders and other interest parties. By and large, since CEOs have first-hand information about operations of a business, they are duty bound by the agency theory to report as appropriate to the owners of the business (Echobu, Okika & Mailafia, 2017). This study therefore adopts the agency theory.

Methodology

The study adopted the panel research design. The research design was used when a group is sampled or panel of variables are sampled and then some variables are measured at time t and in-between time known as intervals 2012-2018. The justification for choosing this research design is due to the fact that it combines cross sectional data and longitudinal data. The population of this study consists of all companies quoted on the floor of the Nigerian stock market. However, the study is based on all the fifty seven (57) companies in the financial sector of the Nigerian Stock Exchange (NSE) as at 31st December, 2018. The study used the entire fifty seven (57) companies in the financial sector from 2012-2018. The reason is to have a thorough and robust analysis of the relationship between CEO attributes and financial reporting quality of companies quoted in the financial sector of the Nigerian Stock Exchange (NSE).

Data Analysis and Model Specification

The method of data analysis that would be used for this study is regression analysis. This method will enable the researcher access the impact or effect of the independent variables on the dependent variable. Therefore, the multi-variate regression analysis will be employed in this study. More so, other diagnostic tests that would be conducted on the data that would be gathered in the study include multicollinearity, heteroskedasticisity and autocorrelation tests. Ordinary Least Squares (OLS) regression analysis was employed, in line with some important assumptions that must be satisfied before utilizing the OLS regression in which the dependent variable was regressed on the independent variables. For this paper, the following multiple regression model was specified.

$FRQ = \beta_0 + \beta_1\ CEOFE + \varepsilon$

Where;

FRQ = Financial Reporting Quality

CEOFE = CEO financial expertise

β_0= intercept

ε = error term

Apriori expectation = $\beta 1 > 0$

Operationalisation of Variables

Table 1: Measurement of Dependent and Independent variable

Variables	Proxy	Measurement	Source	Apriori sign
Financial reporting quality	FRQ	Based on the IASB disclosure index (see appendix at the end)		
CEO Financial Expertise	CEOFE	This is measured as the knowledge of the CEO based on professional qualification. If knowledgeable in Accounting/Finance and related fields we score 1 and 0 otherwise	(Ujunwa, 2012)	+

Table 1: Descriptive Statistics

	FRQ	CEOFE
Mean	87.18570	0.948424
Median	80.97313	1.000000
Maximum	129.9294	1.000000
Minimum	71.77815	0.000000
Std. Dev.	13.41585	0.221487
Skewness	1.262764	-4.055030
Kurtosis	3.175602	17.44327
Jarque-Bera	93.19940	3989.959
Probability	0.000000	0.000000
Sum	30427.81	331.0000
Sum Sq. Dev.	62634.80	17.07163
Observations	349	349

Table 4.1 presents results of the descriptive statistics. The mean financial reporting quality is 87.18570, with a maximum value of 129.9294 and a minimum value of 71.77815. The mean value of the CEO expertise is 0.948424 revealing that about 95% of the CEOs have financial expertise (which indicates that they are knowledgeable in finance or accounting related fields) as this means a significant relationship with financial reporting quality, with a maximum value of 1.000000 and a minimum value of 0.000000. The Jarque-Bera values are relatively large with significant probability values and indicative of the fact that the variables do not follow the normal Gaussian distribution.

Covariance Analysis: Ordinary
Date: 12/15/19 Time: 00:12
Sample: 2012 2018
Included observations: 349
Balanced sample (listwise missing value deletion)

Correlation Probability	FRQ	CEOFE
FRQ	1.000000 -----	
CEOFE	-0.012075 0.8222	1.000000 -----

The results of the correlation analysis are presented in Table 4.2. The correlation coefficient between CEO financial expertise and financial reporting quality is 0.8222. The correlation coefficients show mixed results of both positive and negative values. The highest value is below the benchmark of

0.80 and indicative of the absence of the problem of multicollinearity among the explanatory variables. The low values of the coefficient of correlation show weak relationship between the variables. The result of the correlation analysis is further strengthened by the result of the variance inflation factor test.

Variance Inflation Factors
Date: 12/15/19 Time: 00:31
Sample: 1 350
Included observations: 349

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	26.12207	178.4201	NA
CEOFE	3.387566	21.94454	1.131810

The variance inflation factor quantifies the severity of multicollinearity in regression analysis. The centered VIF of all the variables are not substantially different from 1.0. The centered VIF of financial expertise is 1.311810. The centered VIF of the variable are well below the benchmark of 10.0 beyond which there is the problem of multicollinearity.

Table 2: Regression Analysis

Variable	***Pooled Effect***	***Fixed Effect***	***Random Effect***
CONSTANT	16.21548	23.37662	22.70322
	(0.0000)	(0.0000)	(0.0000)
	2.570039	9.494002	3.247375
CEOFE	(0.0106)	(0.0000)	(0,0023)
R-SQUARED	0.539937	0.943079	0.241615
ADJ-R-SQUARED	0.531866	0.932395	0.228310
F-STATISTIC	66.89603	88.26387	18.15874
Prob(F-statistic)	(0.0000)	(0.0000)	(0.0000)
HAUSMAN TEST		0.0364	
OBSERVATION	349	349	349

The choice between the fixed and random effect model is predicated upon the outcome of the Hausman test. The decision rule for the Hausman test is that if the probability value of the Chi-square statistic is less than or equal to the 0.05 benchmark, the fixed effect model is preferred.

The result of the fixed effect model shows that the adjusted R-squared is 0.932395 which signifies that about 93% of the systematic cross-sectional variation in the dependent variable of financial reporting quality is accounted for by the independent variable of CEO financial expertise. The F-statistic of 88.26387 and the associated probability value of 0.0000 are significant and imply that the model coefficients improved the fit of the regression model.

Hypothesis: There Is No Significant Relationship Between CEO Financial Expertise And Financial Reporting Quality.

Financial expertise in the current study simply refers to the knowledge of accounting and finance acquired as an academic discipline or at the level of professional qualification. The mean financial expertise in the descriptive statistics presented in Table 1 is 0.948424 which indicates that about 95% of the CEOs under investigation are financial experts. The result is not unexpected because the sector under consideration is the financial sector of the Nigerian economy. It will be surprising if non-financial experts dominate CEO positions in the Nigerian financial sector. The robust t-value of 9.494002 and the probability value of $P<0.05$ is beyond the likelihood of chance. The result shows that there exists a statistically significant relationship between CEO financial expertise and financial reporting quality at the 5% level. Accountants and other allied finance discipline speak the language of business which is within the domain of quality reporting. Therefore, the significant relationship is expected. The result could not sustain the null hypothesis of no significant relationship between CEO financial expertise and financial reporting quality. Hence, we rejected the null hypothesis and accepted the alternate.

Discussion of Findings

The financial expertise of the CEO was found to exert a significant influence on the quality of the financial statements of CEOs under consideration. The result of a probability value of $0.0000<0.05$ is beyond the likelihood of chance and implies that increase in the financial knowledge of the CEO will increase financial reporting quality. The result is statistically significant at the 5% level. Yermack (2006) showed that share price is influenced by director’s professional qualification, especially in the area of accounting and finance. Haniffa and Cooke (2002) found a positive relationship between accounting education of board members and disclosure of information and by extension financial reporting quality.

Conclusion and Recommendations

From the result of the analysis, the conclusion is drawn in relation to the relationship that exists between the independent and dependent variables. The financial acumen of the CEO goes a long way to ensuring the reporting process is detailed and accurate, it being in a similar field makes it easier for the CEO to make the financial process is up to the required standard and free from misstatements. CEOs should be encouraged to acquire more knowledge in the finance and accounting or be a requirement for appointment to the role. This implies that when CEOs are educated in finance, the accuracy and reliability of the financial reporting process is ensured. This is in line with the studies reviewed who found out that an educated CEO has a positive impact on the success of a company thereby resulting in an acceptable financial quality report.

References

Abdulazeez, D. A., Ndibe, L., & Mercy, A. M. (2016). Corporate governance and financial performance of listed deposit money banks in Nigeria. *Journal of Accounting and Marketing, 5*(1), 153-160.

Abdullahi, B. A., & Kuwata, G. (2017). Corporate governance as a mechanism for measuring financial performance of banks in Nigeria. *Journal of Finance, Accounting and Management, 8*(1), 1-19.Adegbie, F. F., Akintoye, I. R., & Ashaolu, A. O. (2019). Corporate governance and financial stability of Nigeria quoted deposit money banks. *International Journal of Business and Management Review*, *7*(5), 38-60.

Adeoye, A., & Amupitan, M. D. (2015). Corporate governance in the Nigerian banking sector: Issues and challenges. *European Journal of Accounting Auditing and Finance Research, 3*(5), 64-89.

Aier, J. K., Comprix, J., Gunlock, M. T., & Lee, D. (2005). The Financial Expertise of CFOs and Accounting Restatements. *Accounting Horizons*, *19*(3), 123-135.

Baatwah, S. R., Salleh, Z., & Ahmad, N. (2015). CEO characteristics and audit report timeliness: Do CEO tenure and financial expertise matter? *Managerial Auditing Journal*, *30*(8/9), 998.

Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics, 58*(2-3), 208-230.

Barth, M., Beaver, W., & Landsman, W. (2001). The relevance of the value relevance literature for financial accounting standard setting: Another view. *Journal of Accounting and Economics, 1*(31), 77-104.

Barth, M., Landsman, W., & Lang, M. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, *46*(3), 467-498.

Brammer, S., Millington, A., & Pavelin, S. (2009). Corporate reputation and women on the board. *British Journal of Management, 20*(1), 17–29.

Bratton, W. W., & Mccahery, J. A. (1999). Comparative corporate governance and the theory of the firm: the case against global cross reference. *Columbia Journal of Transnational Law*, *38(*2), 214-297.

Burgstahler, D., Hail, L., & Leuz, C. (2006). The importance of reporting incentives: Earnings management in European private and public firms. *The Accounting Review*, *81*(5), 983-1016

Bushman, R. M., & Smith.A. J. (2001). Financial accounting information and corporate governance. *Journal of Accounting and Economics*, *31*(1-3), 237-333.

Custódio, C., & Metzger, D. (2014). Financial expert CEOs: CEO′s work experience and firm's financial policies. *Journal of Financial Economics, 114*(1), 125-154.

Dechow, P., Ge, W., & Schrand, C. M. (2010.) Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics, 50*, 344–401.

Echobu, J., Okika, N. P., & Mailafia, L. (2017). Determinants of financial reporting quality: Evidence from listed agriculture and natural resources firms in Nigeria. *International Journal of Scientific Research in Social Sciences & Management Studies, 2*(1), 66-82.

Haniffa, R., & Cooke, T. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *ABACUS, 38*(3), 317-349.

Hotlz, L., & Neto, A. S. (2014). Effects of board of directors' characteristics on the quality of accounting information in Brazil. *R. Cont. Fin. – USP, São Paulo, 25*(66), 255-266

International Accounting Standards Board (2008). Exposure Draft on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information. London: IASB, pp. 1-64.

International Accounting Standards Board (2010). Exposure Draft on an improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information. London.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Kanyinsola, O., & Akorede, A. (2019). The code of corporate governance 2018 – a new dawn for corporate governance in Nigeria? Retrieved from https://www.mondaq.com/Nigeria/CorporateCommercial-Law/779394/The-Code-Of-Corporate-Governance-2018-A-New-Dawn-For-Corporate-Governance-In-Nigeria on 28/02/2020

Krishnan, G. V., & Parson, L. M. (2008). Getting to the bottom line: An exploration of gender and earnings quality. *Journal of Business Ethics, 78*(1), 65–76.

La Porta, R., Lopez-De-Silanes, F., Shleifer, A., &Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics, 58*(1-2), 3-27.

Lopes, A. B. (2008). A teoria dos contratos, governança corporativae contabilidade. In S. Iudícibus, & A. B. Lopes (Coord.). Teoria avançada da contabilidade. (pp. 170-185). São Paulo: Atlas.

Mohammady, A. (2011). Earnings quality constructs and measures. Working Paper. Retrieved from http://ssrn.com/abstract=1678461

Obazee, U., & Amede, F. O. (2018). CEO attributes and timeliness of financial reporting. *Accounting and Taxation Review, 3*(3), 12-23.

Palia, D. (2000). The impact of regulation on CEO labor market. Rand Journal of Economics, 31(1), 165-179.

Shope, M. S. (2016). CEO and CFO gender and the quality of financial reporting. An unpublished thesis submitted to the University of Arizona, USA

Ujunwa, A. (2012). Board characteristics and financial performance of Nigerian quoted firms. Corporate Governance, 12(5), 656 – 674.

Uwuigbe, O. R. (2013). Corporate governance and financial statement fraud among listed firms in Nigeria. (Doctoral Thesis, Covenant University & Obafemi Awolowo University, Nigeria).

Van Beest, F., Braam, G., & Boelens, S. (2009). Quality of financial reporting: Measuring qualitative characteristics. NICE working paper 09-108. Retrieved from https://www.ru.nl/nice/workingpapers

Yermack, D. (2006). Board members and company value. Financial Markets Portfolio Management, 20(1), 33–47.