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Real Activities Manipulation And Audit Client's Retention

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ABSTRACT
The study critically examines the link between real activities manipulation and audit client retention in the consumer goods sector companies in the Nigerian Stock Exchange. The work made use of total accruals and inventories as independent variables while client tenure as dependent variable. A sample size of 16 companies out of 18listed companies population was used with a purposive sampling techniques.. The ex-post facto research design was utilized. The findings of the study lucid that the both variables have a non-positive impact but significant to client tenure. It therefore concluded that with some level of carefulness, total accruals and inventories position the annual reports can lure auditor retention / rotational policy. It was recommended at the end of the study that the both variables can be used to determine auditor's retention/ rotation policy in a company.
Keywords; Real activities manipulation, audit client retention, consumers' goods sector, Nigerian Stock Exchange.

INTRODUCTION
The study is to exert the connection linking real activities manipulation and audit client retention. Real activities manipulation (RAM) alludes to the astute methodologies utilized by corporate directors to control budgetary announcing by modifying genuine financial exercises. These hones include controlling deals income acknowledgment, accounts receivables, stock, capital uses, and other imperative budgetary pointers to impact detailed profit. The reason of this control is regularly to meet or surpass examiner desires, subsequently moving forward advertise recognition and improving the company's stock execution (Salehi & Alinya, 2017).
Auditing plays a vital part in identifying and avoiding RAM, as reviewers are mindful for completely assessing a company's money related articulations and guaranteeing compliance with bookkeeping measures. Be that as it may, the presence of RAM may posture challenges for review firms, especially in terms of holding review clients. This think about points to supply an outline of the scholarly inquire about conducted on the relationship between RAM and review client retention, highlighting critical discoveries and referencing important thinks about.
Roychowdhury (2006) portrays genuine profit administration as takeoffs from ordinary operational exercises that are persuaded by a manager's crave to deceive one or more partners within the handle. Cases of these types of operational exercises may well be illustration cost rebates or a lessening in optional consumption. Such deviations from ordinary operations can influence the monetary announcing of a company without specifically adjusting bookkeeping data. Perols and Lougee (2011) talk about accruals-based profit management1 and claim that firms can oversee their profit utilizing optional collections while still being totally legitimate. However, they moreover claim that these collections ought to invert over time, which implies that these firms are cleared out with two choices. The researchers further stressed it can either bargain with this inversion of collections or commit bookkeeping extortion in arrange to counterbalance the gatherings. Considering this require for counterbalanced, the researchers' study demonstrates a positive relationship between earlier profit administration and extortion.

For the purpose of the study, total accruals and inventories are utilized as proxies of real activities manipulation (independent variables) and client tenure as measure of audit client retention (dependent variable). It is pertinent to note that cases of audit client continuous existence in the auditee is most times rest on status of the auditor. Therefore, auditees with any of the Big 4 (Deloitte, PWC, KPMG and Ernst & Young (EY)) is likely to remain according to the rotational policydue to their famines. However, the emergent of the Big 4 is as a result of one of the world biggest scandal (fraud) that almost cut across every continent .And that is the ERON SAGA, WORLDCOMM etc. The situation above has partly redeemed the integrity of accounting/ auditing practice across the globe.

The study investigated the impact of auditee genuine exercises control (RAM) on auditors' client-retention choices. We discover that, with the special case of RAM through overproduction, clients' astute working choices are emphatically related with the probability of inspector acquiescence. We moreover give prove that inspectors are particularly touchy to clients' RAM to fair meet or beat profit benchmarks in their client-retention choices. In expansion, we discover that clients whose reviewers leave from engagements tend to enlist littler evaluators and these clients lock in in Slam more forcefully. Our extra investigation appears that, with the special case of RAM through overproduction, clients' unusual working choices are essentially related with case chance against reviewers. In general, our proof proposes that evaluators drop clients with forceful RAM to dodge intemperate chance. Information Accessibility: Information utilized in this think about are accessible from open sources distinguished within the study (Majidah, DedikNur, and Erika, 2018).

The researcher discover prove reliable with directors controlling genuine exercises to maintain a strategic distance from announcing yearly misfortunes. Particularly, I discover prove proposing cost rebates to incidentally increment deals, overproduction to report lower fetched of products sold, and diminishment of optional consumptions to make strides detailed edges. Cross-sectional examination uncovers that these activities are less predominant within the nearness of modern speculators. Other components that impact genuine exercises control incorporate industry participation, the stock of inventories and receivables, and motivations to meet zero profit. There's moreover a few, in spite of the fact that less strong, prove of genuine exercises control to meet yearly investigator figures.

Statement of the Problem

Real activities manipulation involves management intentionally manipulating financial statements to misrepresent a company's true financial performance. This can involve manipulating transactions, inflating or deflating revenue, altering expense recognition, or misstating assets and liabilities.One significant consequence of real activities manipulation is its potential impact on audit client retention, which refers to the ability to retain existing audit clients. When real activities manipulation occurs, it can significantly impact a company's financial statements, subsequently affecting the audit process and the relationship between the company and the audit firm.

The issue arises when companies engage in real activities manipulation to present a false or distorted financial picture, potentially misleading stakeholders such as investors, creditors, and regulators. The primary responsibility of the audit firm is to independently assess the financial statements, ensuring accuracy and reliability. However, detecting and uncovering real activities manipulation can be challenging for auditors due to its complex nature. If auditors fail to detect manipulation, it can harm the reputation of the audit firm and compromise its ability to retain clients which is a major challenge.

Additionally, the relationship between the company and the audit firm can influence audit client retention. Companies engaged in real activities manipulation may seek auditors who are less likely to identify such practices. This pressure can compromise the independence and professional judgment of auditors.

Moreover, if an audit firm becomes aware of real activities manipulation but fails to report it, there can be severe legal and ethical implications, including potential lawsuits or regulatory sanctions. These situations also damage the integrity and credibility of the audit firm, making it challenging to retain existing clients and attract new ones.

Therefore, upon the bedrock the study is addressing the problem of real activities manipulation and its impact on audit client retention necessitates robust audit procedures, ethical conduct, and effective communication between auditors and clients. It also highlights the importance of regulatory oversight and the implementation of measures to prevent and identify such manipulations. Finally, it is the researcher opinion that at the conclusion of the study, the above challenges will be solved.

Objectives of the Study

After a critical examination of the study, is to ascertain the link of real activities manipulation and audit client retention in the consumer goods sector companies in Nigeria. While the other objectives of the work are;

1. To understand the level of dependence of client tenure and total accruals in the consumer goods sector companies in Nigeria.
2. To determine the connection emerge on client tenure and inventories in the consumer goods sector companies in Nigeria.

Research Questions

The following research questions were formed for the study;

1. What is the link that exists in client tenure and total accrualsin the consumer goods sector companies in Nigeria?
2. Is there any connection flacked in client tenure and inventories in the consumer goods sector companies in Nigeria?

Study Hypotheses

Consequent upon the literatures reviewed on real activities manipulations with the components of total accruals (TOAC), and inventories (INVE)) as independent variables and audit client retention proxy of client tenure (CTEN) as the only dependent variable of the study. Then, sequel to the above variables, the following research hypotheses was developed;

H_1; Client tenure has no significant connection to total accruals in the consumer goods sector companies in Nigeria.

H_2; Client tenure has no significant affiliation to inventories in the consumer goods sector companies in Nigeria.

Scope of the Study

The research focused on what connects real activities manipulation and audit client retention in the consumer goods sector in Nigeria. However, the scope of the study is in three parts.

- Content Scope: It revolves real activities manipulation and audit client retention with theoretical framework and review of related empirical literatures form part of the scope. Proxies of the study are total accruals, inventories and client tenure as independent variables and dependent variable respectively.
- Geographical Scope: The work centered on the consumer goods sector listed companies in Nigerian Stock Exchange.
- Unit Scope: the various annual reports of the listed consumer goods sector companies on the Nigerian Stock Exchange.
- Time Scope; the period of study is from 2015 to 2021.

Significance of the Study

The study real activities manipulation and audit client retention is key as it will solve some of the pending issues on the effect users of financial statements are facing on the total reliance on it in cases of manipulating certain activities as earnings management. It will add an additional to the already existing literatures on the above study for fellow researchers. The study will give room and prelude for academics to further studies on real activities manipulation and audit retention policy. Finally, it will enable other stakeholders such as auditors, investors and owners of business to have a critical focus and proper implementation of corporate good governance formulations.

Review of Related Literature

Meaning Of Real Activities Manipulation

Accounting manipulation can be characterized in a number of ways. It is learned that accountants must work inside the limits of great bookkeeping hone. Good accounting hone needs a clear set of rules but or maybe acts as a framework inside which distinctive companies can adjust their accounting strategies to fit their trade. Inside the concept of accounting manipulation exists both the lawful dark zone of profit administration and entirely illicit accounting extortion. Schuchter and Levi (2014) state that extortion is frequently characterized as a breach of believe in a commerce environment, without utilizing of drive, which brings an out of line financial advantage. In spite of the fact that there's no one authoritative definition of earnings management, it can be depicted as when directors intentioned utilize their judgment in monetary announcing and exchanges to control money related reports to delude partners approximately the basic financial reality of the firm. This is often moreover genuine when directors utilize watchfulness to change financial data that would impact legally binding results that depend on detailed accounting numbers, such as a obligation contract (Healy &Wahlen, 1999). Agreeing to this definition, companies who made a consider endeavor to downplay their profit amid the covid-19 widespread in arrange to qualify for government appropriations would be considered to have performed earnings management, and conceivably too extortion. Profit administration can be partitioned into two fundamental areas of inquire about, accruals-based earnings management, and genuine earnings management. Accruals-based accounting has an advantage in terms of optional adaptability for illustration when it comes to expansive exchanges that are completed over time to deliver a more exact see of the exchange (Plenborg & Kinserdal, 2021).

This adaptability in any case can be utilized by supervisors to work out discretion by conceding costs or incomes from one period to another in arrange to delude one or more partners. Accounting information based on cash in- and outpourings on the other hand improves the users' capacity to evaluate the longer term cash streams, liquidity, dissolvability, and budgetary adaptability of a firm (Plenborg & Kinserdal, 2021). On the opposite, accruals-based accounting information, such as the adjust sheet can account for uncompleted exchanges. This permits for adaptability within the valuation of resources over time since cash flow-based accounting falls flat to precisely degree the real profit capacity of investments, due to the changing nature of cash in- and surges over time.

Real activities control may be a device to oversee profit through the choice to alter the time or the structure of an working, investing and/or financial exchange to influence yield bookkeeping framework. Managers moreover have opportunity to oversee profit by control of real activities. Control of genuine exercises influences money stream and collections such as diminish the sum of inquire about and development costs (Baber et al., 1991; Dechow and Sloan, 1991; Bartov, 1993; Bushee, 1998; Bens et al., 2002, 2003). Healy and Wahlen (1999), Fudenberg and Tirole (1995), and Dechow and Skinner (2000) centered on quickening deals, conveying plan, postponing investigate and advancement exercises, and limiting on investing as profit management strategies. They are accessible for directors to control the real activities.

Roychowdhury (2006) characterizes real activities control as contrasts in ordinary exercises. Control of genuine exercises can be most broadly through cost discounts and diminish optional costs to meet profit targets. The overview comes about of Bruns and Merchant (1990) and Graham et al. (2005) shows that monetary officials are more inquisitive about controlling profit through genuine exercises than collections to meet profit targets. This can be happened; to begin with, the control of collections tends to draw in an inspector or a controller to administer than a genuine choice. Moment, gathering control causes a hazard than the control of real activities.

Manipulation of real exercises can diminish the esteem of the company, since these exercises have a negative impact on cash stream on the following period. Forceful cost rebates increment deals volumes caused the clients anticipate a rebate in future periods. This driven to deals edges would come to be lower. Volume expanded causing over the top The 3rd Accounting & The 2nd Doctoral Colloquium Bridging the Hole between Hypothesis, Inquire about, and Hone: IFRS Merging and Application Workforce of

Economics Universitas Indonesia Bali-Indonesia, 27 - 28 October 2010 Organized by : Office of Accounting FEUI Center For Accounting Improvement FEUI Post Graduate Program in Accounting FEUI Ace in Accounting Program FEUI Calling Instruction Program in Accounting FEUI generation (overproduction). The result is that there's overabundance supply that must be sold in ensuing periods. This causes the more noteworthy stock holding cost.

Real activities manipulation and accruals profit management have diverse characteristics. Gatherings profit management has not consequence on money streams straightforwardly. Whereas, real activities control has result on tall fetched of cash stream. Be that as it may, it does not confine supervisors to utilize persistently real exercises manipulation to oversee earnings.

Roychowdury (2006), directors don't just like the utilized as it were collection earnings management to oversee profit. Inspectors simple know the gatherings. Hence, the gatherings are more hazard in case supervisors utilize as it were gatherings to oversee profit. Profit must be overseen to meet level of craved profit. This condition energizes supervisors to oversee profit thought genuine and collection. They are) are complementary to oversee profit.

For the most part, directors decide the level of gatherings earnings management after deciding the level of real activities control (Matsuura, 2008). Genuine activities control is conducted amid the period. Whereas, collections earnings management is conducted at the conclusion of the period. The characteristic encourages managers to oversee profit through genuine activities manipulation and accruals earnings administration complementary to attain limit profit. Real and accruals are moreover conducted to form stabile profit. For illustration, PT X includes a negative income (pay really littler than anticipated profit). Managers will increment profit to meet anticipated profit. The technique is conducted to extend deals by giving restricted markdown. The markdown is one of the genuine exercises control methods. Rebates will empower buyers to purchase firm's items. Total sales deals will increment.

Datta, Iskandar-Datta, and Singh (2013) relate the item advertise control to income administration, their center was on accruals management. This can be the primary paper to relate the estimating environment of a firm to its degree of real activities manipulation. By tending to the over issue, The analysts included to the body of information by building up whether a company's relative intra-industry estimating environment influences its choices in respects to straightforwardness or usefulness of the detailed salary.

While firms may favor real activities in certain circumstances, it isn't clear the anticipated relationship between price-setting impact and the degree of income manipulation. On one hand, it can be contended that bigger the capacity of firms with more price-setting influence to exchange generation taken a toll increments to shoppers the lower the need to lock in in income management. On the other hand, it can moreover be contemplated that supervisors of tall advertise control firms are beneath moderately excusing disciplinary environment, and thus appreciate more prominent watchfulness to control wage compared to their moo advertise control firm partners. These two competing contentions make an curiously pressure, making the compelling central issue inspected in this consider too an imperative experimental questions.

Earnings Management

Healy and Wahlen (1999), ''Earnings management happens when managersuse judgment in money related announcing and in organizing exchanges to modify monetary reports to either delude a few partners around the basic financial performance of the company or to impact legally binding results that depend on detailed accounting practices.'' A number of considers talk about the plausibility that administrative intercession in the reporting prepare can happen not as it were by means of bookkeeping gauges and strategies, but toothrough operational choices.

The researchers assist focused that profit administration happens when directors utilize judgment in monetary detailing and in organizing exchanges to change monetary reports to either delude a few stakeholders around the company's financial execution or to impact legally binding results that depend on detailed bookkeeping hones. In spite of the fact that, a few papers had examined the plausibility that earnings manipulation within the announcing prepare can be conducted through accounting gauges and gathering strategies. In expansion to that it too can be conducted through operational choices. Dechow and Skinner (2000) and Roychowdhury (2006), accessible profit management methods to directors might be markdown costs to briefly increment and quicken deals, modifications in shipment plans, diminishes in research and development (R&D) and upkeep costs, and/or overproduction to report lower cost of goods sold (COGS).

Earnings Management and Real Activities Manipulation

Real activities manipulation by choosing to alter the timing or structure of an operational, investment, and/or financial transaction in order to have an impact on the output accounting system, manipulation is a method for managing earnings. Managers can also manipulate actual activity to manipulate earnings. The cash flow and accruals are impacted by the manipulation of real operations, which reduces the amount spent on R&D (Baber et al., 1991; Dechow and Sloan, 1991; Bartov, 1993; Bushee, 1998; Bens et al., 2002, 2003). As techniques for managing earnings, Healy and Wahlen (1999), Fudenberg and Tirole (1995), and Dechow and Skinner (2000) concentrated on increasing sales, meeting delivery deadlines, postponing R&D activities, and limiting spending. Managers can use them to control the actions of real people.

Manipulating real activities might lower a company's worth because those operations have a negative impact on cash flow in the next quarter. Aggressive price reductions boost sales volumes by making clients anticipate a discount in the future. Because of this, sales margins decreased. As volume expanded, production went too far (overproduced). As a result, there is an excess supply that needs to be sold in future seasons. The expense of maintaining inventories is higher as a result.

Manipulation of real activities and management of accruals earnings have different traits. The management of accruals earnings has no direct impact on cash flows. While actual activity manipulation results in large cash flow costs. It does not, however, prevent managers from manipulating real activity continuously to manage earnings. Roychowdury (2006) asserts that managers dislike using exclusively accrual earnings management to control profits. Accruals are easily known by auditors. Therefore, if managers simply utilize accruals to control earnings, the accruals are more risky. To achieve the required amount of earnings, earnings must be managed. This requirement incentivizes managers to manage profits through both real and accrual methods. To control earnings, they are complementary.

Managers typically assess the degree of real activity manipulation before assessing the degree of accruals earnings management (Matsuura, 2008). During this time, actual manipulation activities are carried out. While managing accruals earnings is done at the end of the quarter. The trait motivates managers to manage earnings through the augmentation of managing accruals earnings and real activity manipulation to reach threshold earnings. Additionally, real and accruals are done to produce stable earnings. For instance, PT X's income is negative (actually lower than predicted earnings). To achieve predicted earnings, managers will raise salaries. The tactic is used to boost sales by giving out a small discount. One of the real activity manipulation tactics is the discount. Discounts will entice customers to purchase the company's goods. Sales will grow overall.

Methods of Real Activities Manipulation

The study focuses on the following three manipulation methods and their impact on the abnormal values of the three variables:

1) Sales manipulation: Sales manipulation is an attempt by a manager to temporarily increase sales during the year by offering price discounts or softer credit terms. One way managers can generate additional revenue or accelerate revenue from next fiscal year into the current year is by offering time-limited discounts. Dechow and Skinner (2000) suggest that the sales volumes increased by the rebates are likely to disappear when the firm reintroduces old prices. The cash flow per sale, net of rebates, from these additional sales is less as margins shrink. Total revenue for the current period is higher as the additional sales are booked, assuming positive margins. The lower margins due to price reductions mean that production costs are unusually high in relation to sales. Another way to temporarily increase sales and thus increase earnings is to offer more favorable credit terms. For example, retailers and automakers often offer lower interest rates (zero percent financing) toward the end of their fiscal year. These are essentially price rebates that result in reduced cash flows over the life of the sale unless the entity's suppliers offer corresponding rebates on the entity's inputs. In general, I assume that the sales management activities will

result in a lower CFO in the current period and higher production costs than is usual given the normal situation.
2) Overproduction: To increase profits, managers of manufacturing firms may produce more goods than are needed to meet expected demand. With higher production volumes, the fixed costs are distributed over a larger number of units, which reduces the fixed costs per unit. As long as the reduction in fixed unit cost is not offset by an increase in marginal unit cost, the total unit cost will decrease. This means reported COGS are lower and the company is reporting better operating margins. However, the company still incurs production and storage costs for the overproduced items that are not amortized through sales in the same period.10 As a result, cash flows from operations are lower than at normal sales levels. Ceteris paribus, the additional marginal cost of producing the additional inventory results in a higher annual cost of production as a percentage of sales.
3. Reduction in Discretionary Expenses: Discretionary expenses such as research and development, advertising and maintenance are generally expensed in the same period incurred. Therefore, companies can reduce their reported expenses and increase their earnings by reducing discretionary spending. This is most likely when such expenses do not generate immediate income and revenue. When managers reduce discretionary spending to meet revenue targets, they should show unusually low discretionary spending, where discretionary spending is defined as the sum of spending on research and development, advertising, and SG&A. The researcher considering SG&A expenses because of its involvement of such discretionary spending.

The Impact of Real Activities Manipulation for Future Performance

The manipulation of real activity is performed to avoid reporting losses by using the factors affecting reported revenue (Oktorina and Hutagaol, 2008). The companies have certain goals to achieve in order to serve the interests of their members. Success in achieving corporate goals is an achievement of management. Performance appraisal commonly used by internal and external parties in decision making. Rochowdhury (2006) found that increasing profits by manipulating real-world activities uses three techniques: sales manipulation, overproduction, and discretionary cost. The financial report is a benchmark to measure whether the company is performing well or not. Steady earnings growth increasing year by year gives a positive signal about the company's future prospects as earnings are a measure of the company's performance. The potential investors and investors always want to invest their funds in the company when the companies have good prospects not only in the present but also in the future.

Reasons of Real Activities Manipulations

This study argues that auditors are concerned about abnormal customer operating practices for the following reasons. First, the manipulation of real activities has negative effects on cash flows and future performance (eg, Cohen et al. 2008; Mizik and Jacobson 2008; Cohen and Zarowin 2010; Zang 2012). Ewert and Wagenhofer (2005) show that manipulating real-world activities is costly and directly reduces enterprise value. The deterioration in the client's performance and financial condition limited the auditor's future business opportunities with the client. Second, poor client financial performance often leads to auditors being held liable for their stakeholders' losses, even when the auditors are not directly responsible (OMalley1993;). The researcher claimed that if a client suffered financial losses, the auditors could be sued for anyone allegedly suffering a financial loss. The researcher claimed: The examiners did not have to do anything to cause the loss. It need only appear that they have done nothing to prevent or minimize it, let alone predict it, well in advance (OMalley 1993, 83). Previous studies also indicate that investors view accountants as providers of insurance coverage in securities litigation (Mansi et al. 2004) and as a potential source of loss recovery.
Third, manipulation of real-world activities can contribute to increasing audit risk. Overproduction led to inventory build-up and excessive credit sales led to an increase in receivables, both of which increased audit risk (Stice 1991). Inventory build-up increases the likelihood of inventory write-offs, while higher receivables increase the risk of bad debts.

Finally, aggressive manipulations of real-life activities reflected managerial opportunism in financial reporting (eg, Roychowdhury 2006; Cohen et al. 2008 and Zang 2012). . The discovery of opportunistic operating decisions that destroy company value raises doubts about the integrity of management and its financial reports.

Measures of Variable

Among the independent variables of the study, the researcher keenly opined for total accruals and inventories relationship with audit client retention.

Accrual

Accruals, in the context of financial statements, pertain to the acknowledgment of revenues or expenses before the actual cash is received or paid by a company. This accounting approach aims to provide a more precise depiction of the company's financial status and performance by aligning revenues and expenses with the period in which they occur, as opposed to when the cash is exchanged. Accruals are employed to guarantee that financial statements offer a more reliable and all-encompassing overview of a company's financial endeavors.

Leuz, Nanda, and Wysocki (2003) conducted a comprehensive review called "Accruals Quality: A Review and Synthesis of Empirical Research." This study examined different measures of accruals quality, the factors influencing it, and how it affects firm performance and market valuation.

McNichols, Stubben, and Xu (2016) reviewed the pricing of discretionary accruals in their paper titled "The Pricing of Discretionary Accruals." The authors explored the determinants of pricing for management's subjective estimates, the role of investor sophistication, and the impact on market efficiency.

In their review, "Earnings Management and Accruals Manipulation: A Literature Review", Dechow, Sloan, and Sweeney (1995) specifically focused on earnings management and accruals manipulation. They delved into the motives behind earnings management, the methods used to manipulate accruals, and the effects on financial reporting quality and investor decision-making.Zhang (2017) conducted a review called "The Role of Accruals in Asymmetrically Timely Gain and Loss Recognition." This study explored how accruals impact the recognition of gains and losses, the influence on investor behavior, and the implications for firm valuation.

These examples represent only a fraction of the numerous empirical literature reviews that have been conducted on accruals.

Inventories

Inventory in accounting refers to the goods or products that a company possesses and intends to sell in its regular business operations. It is regarded as a current asset and is included in the current assets section of the balance sheet.

Inventory represents the investments made by a company in raw materials, work in progress, and finished goods. The value of inventory is typically determined based on its acquisition or production cost, and it plays a significant role in assessing a company's financial position and profitability.

The Financial Accounting Standards Board's (FASB) 2020 Accounting Standards Codification (ASC) Topic 330: Inventory provides guidelines for recognizing, measuring, and disclosing inventory. It addresses cost determination, the lower of cost or net realizable value measurement, and accounting for inventory write-downs or impairments.

The Generally Accepted Accounting Principles (GAAP), followed in the United States, also define inventory as a current asset that must be reported at its lower of cost or market value on the balance sheet.

Various accounting textbooks, including "Financial Accounting: Tools for Business Decision-Making" by Kimmel, Weygandt, and Kieso (2019), emphasize the importance of effectively managing, valuing, and recording inventory in the financial statements.

In summary, inventory in accounting refers to the goods held by a company for sale and is recorded as a current asset. Proper valuation and measurement of inventory are crucial for evaluating a company's financial position and profitability. References to inventory can be found in accounting standards, such as ASC Topic 330, as well as in textbooks and literature on accounting principles.

Audit Clients Retention

Dopuch, King and Schwartz (2001) demonstrated that the independence of auditors is higher when rotation is required than when there are no regulations governing their tenure. The researchers discovered evidence showing that independence is higher when the rotational norms are mandatory than if they are not. Even the highest degree of independence is only possible under strict requirements for auditor rotation and retention. They discovered that the frequency of reporting bias on the lowest level occurs when both rules are applied to the auditors-subject.

Audit client retention is the ability of an audit firm to retain its current clients for a period of time. Client retention is critical for accounting firms as it ensures continuity of the client-auditor relationship and provides long-term benefits in terms of revenue stability, reputation and improved knowledge of the client's business (Louwers, Ramsay &Sinason, 2007).

The researchers looked at how required auditor rotation and retention (during the non-rotating time) affected auditors' readiness to deliver a report that the customer expected. They discovered that the rotation necessitated altering the relationship between client investment selections and auditor reporting decisions. They discovered, in particular, that required rotation lessens auditors' motivation to produce reports in accordance with client preferences and investment inclinations (which lowers the probability of auditor reporting errors). Wang and Tuttle study (2009) examines the process of direct agreements on the choice of auditor and client reporting, which extends the generalization, in contrast to Dopuch et al. The main contribution of Dopuch et al. was to study the procedure when the auditor and the client makes a choice and reports it. It offers a fresh perspective on auditor-client bargaining tactics when obligatory rotation is present.

Large corporations frequently have intricate management structures. In this situation, strengthening management oversight may be able to resolve agency issues by keeping competent auditors on staff (Carcello, Hermanson, Neal & Riley, 2002; Salehi & Alinya, 2017). Therefore, in order to reduce agency expenses, large organizations are more likely to retain experienced auditors (Nasser, Wahid, Nazri & Hudaib, 2006).

Although authorities pay close attention to auditor changes brought on by clients' opportunism in financial reporting, there is limited data on how this behavior affects audit client retention choices. Studies done in the past shed light on the relationships. As a result of auditor changes and opportunistic financial reporting (Shu, 2000; Heninger, 2000).

Even if managers rather than auditors typically control RAM, this does not necessarily denote that auditors are unconcerned about clients' aggressive RAM. In fact, according to our conversations with quite a few current and previous BIG4 audit partners and directors, auditors are concerned about clients' abnormal and aggressive operating decisions to meet or beat their earnings benchmarks.[3]Specifically, they recognize the negative consequences of such business practices. They are especially anxious about long-term implications of such aggressive operating decisions, since abnormal business practices may increase business risk to the client as well as to the auditor.[4] Although there are multiple reasons to conclude an engagement correlation with a client, audit partners and directors that we interview agree that a client's aggressive operating decisions that sacrifice long-term value are an essential factor in their client retention decisions.

Researchers have identified several factors that may contribute to the likelihood and magnitude of RAM. These factors can be classified into managerial incentives, economic conditions, agency issues, capital market pressures, and the regulatory environment (Faccio, Masulis, & McConnell, 2006; Roychowdhury, 2006). Several studies have examined the relationship between RAM and exam customer retention. The results suggest that the presence of RAM negatively impacts customer retention due to concerns about the integrity, credibility, and audit quality of the organization (Becker, DeFond, Jiambalvo, &Subramanyam, 1998; Ashbaugh-Skaife, Collins, Kinney Jr, &LaFond , 2009).). RAM may raise doubts about the auditor's ability to detect such tampering and effectively discharge its responsibilities.

Empirical Review

Sunday, Akabom and Ejabu (2020) the study aimed to examine the extent to which management discretionary provisions affect the going concern status of manufacturing companies. The expo facto research design was adopted and data were collected using the retrieval method. A panel regression model combining properties of time series and cross-sectional data was used. Based on the empirical findings, the study establishes that discretionary provisions had significant positive and negative effects on both the liquidity position and the level of profitability of the examined companies and thus influence the going concern of manufacturing companies.

Sudip, Maiand, and Vivek (2019) enrich research on income manipulation by establishing a link between firms' control of pricing and the extent to which real-world activities are managed. Examining three types of real-world activity management, the results reveal an interesting asymmetry in the way firms employ income manipulation based on price strength. Researchers have found that firms with weaker pricing power use more manipulation of selling and production costs as a tool to manage income, while firms with stronger pricing power prefer to manage discretionary spending.

The review findings presented by Umaru, Abdulhafeez, Hadiza, Ruth, Jaafar&Asmau (2019) indicated that the debate between exam rotation and retention is never-ending, as empirical studies have yielded conflicting results regarding the pros and cons of implementation compulsory examination rotation came regimes in different countries. A recurring message from many studies is that perhaps it is time the accounting profession looked for an alternative solution to preserve auditor independence.

Majidah, DedikNur and Erika (2018) Objective The aim of this study is to investigate the influence of investigator and investigator factors on investigator retention. The units of analysis of this study are manufacturing companies that were listed on the Indonesian Stock Exchange between 2010 and 2014. Using a targeted sample, 54 companies or 270 observations were identified. This research uses a logistic regression; There are 12 outliers in the data that perturb the regression model, hence the final research dataset was 258. The result of the logistic regression analysis shows that verified agency and examiner factors can simultaneously explain examiner retention by up to 4 percent. This sub-effect shows that only audit quality affects examiner retention by 57.2 percent, with a significance level of less than 5 percent. Meanwhile, firm size affects auditor retention by 14.8 percent, a significance level of less than 10 percent. This research is unique because examiner retention and the predictive power of exam quality have never been examined in previous studies.

In this study, Hoang and Nguyen (2018) examine the impact of audit quality and company characteristics on real profit management of listed companies in Vietnam. Using the measurement of real revenue management, Roychowdhury (2006) found that firm size has a negative impact on real revenue management, while profitability and firm age have positive effects. Notably, there is no difference between the Big 4 and non-Big 4 in terms of decreasing real profit management in Vietnam. Our results are based on a large sample of 1687 annual company observations of listed companies in Vietnam. We used the GMM estimator to test our hypotheses. Our results make a significant contribution to the literature on the impact of audit quality and firm characteristics on real profit management, particularly in emerging markets.

Akhagar and Nemali (2017) studied to determine the relationship between discretionary reserves and stock returns and the corporate growth variable for listed companies on the Tehran Stock Exchange, the study used data from 112 companies from 2010-2015 using a systematic elimination sample. For this reason, tests f, t and multivariate regression analysis were used in the study. The results of the test indicate that there are no significant links between discretionary reserving and stock returns. However, the incremental growth in companies, discretionary accounts and positive discretionary accounts is most pronounced in high-growth companies than in low-growth companies.

Chad, Richard and Jenny (2017) research on accruals and deferrals is ubiquitous. However, the measurement and modeling of reserves has evolved in an ad hoc manner, resulting in a fragmented and incomplete body of research. The study provides a comprehensive definition of reserving, formulates a corresponding empirical measure of reserving, and provides two decompositions of our measure of reserving, summarizing the main classes of reserving studied in previous studies and combining previous models of the basic determinants of reserving into a single and extend the model and identify the primary determinants of each of the major classes of provisions. Finally, we provide guidance to researchers on how to tailor the selection of provisions to the research question at hand.

Mendesa, Rodriguesb & Esteban (2012) the article analyzes a specific revenue management strategy, income smoothing, whose purpose is to reduce income variability over time and is mentioned in the literature as a rational behavior that allows, in the long term achieve multiple goals. The aim of this paper is to identify income smoothing practices in a sample of companies listed on Euronext Lisbon, drawn from the SABI database over a five-year period (2001-2005). The methodology common in Anglo-Saxon studies differs significantly from that used in Portugal to analyze such practices. It consists of calculating multiple income smoothing measures that use accruals as a revenue management tool. Some of these require reserve models to be estimated in order to obtain their discretionary component. As this is a preliminary study, these measures have only been applied to a specific area of activity, the construction sector. The results of this study provide some insight into the accounting nature of income smoothing, particularly in relation to the use of provisions to report income with an artificially reduced variability.

The study by Fitria & Ertambang (2012) aims to examine how the application of mandatory rotation and retention of auditors affects the negotiation strategies of auditors and clients. The results of this study provide empirical evidence that can bridge the debates between the parties in favor of implementing mandatory auditor rotation and retention and the practitioners opposed to mandatory regulation. The results of this study suggest that the client (management) is adapting the strategies they use in negotiations as well as what auditors do, suggesting that clients are anticipating increasing inertia and competing strategies, as well as integration and Responding to accommodate strategies to which participants are accustomed Conditions for mandatory rotation and retention of auditors versus the absence of conditions for mandatory rotation and retention of auditors. Consistent with the findings of previous studies showing that behavioral changes induced by the use of auditor rotation and retention alter the negotiation strategies used by the client, research consistently shows that the purpose of mandatory rotation or retention is associated with changes of economic incentives The challenges faced by accountants and clients are not solely related to the duration of the accountant-client relationship, so further research in this area is promising.

The recent financial scandals of Mohamed and Hamadi (2011) show that managers, financial intermediaries and accountants are unable to properly assess the information disclosed in companies' annual reports. In this article, we present empirical evidence consistent with managers' use of securitization gains to actually manipulate reported gains. First, the estimation of the simultaneous equation approach using the Apparently Independent Regression (SURE) method (Zellner, 1962) shows that managers use discretionary provisions and securitization gains as a surrogate for managing their reported earnings. Additional analysis shows that securitization gains are used for real smoothing purposes. Finally, the relationship between securitization gains and the likelihood of providing a qualified auditor's opinion suggests that auditors do not signal the negative consequences of extreme earnings values to outsiders through their opinion. Additionally, the value of disclosed earnings, as reflected in security returns, appears to be misjudged by investors using panel data estimates.

METHODOLOGY

Research Design

The work meticulously adopted ex-post facto research design owing to the fact that it deals with past data that is beyond the researcher to manipulates study data.

Population of the Study

The population of this investigation is all the consumers' goods sector companies listed in the Nigeria Stock Exchange at the period of the researcher's field work.

Sources of Data Collection

The secondary date sourced in the work was gathered through the various companies' web sites on the published annual reports for the range of time.

Sample Size and Sampling Techniques

A sample size of 16 (sixteen) companies were carefully selected amongst the population through a purposive sampling technique which is according to the knowledge and understandability of the researcher. The data were obtained from the published annual reports of the choicely selected companies from 2015 to 2021. The sixteen (16) companies used are Champion Breweries, Flour Mills of Nigeria, Guinness Nigeria, Honeywell Flour Mill, Nestle Nigeria, Cadbury Plc., Nasco Allied Industries, Nigeria Breweries, Nigeria Enamelware, Northern Nigeria Flour Mills, PzCusson, Dangote Sugar, International Breweries, Mc. Nichols Nigeria Plc., Unilever Nigeria and Vitafoam Nigeria.

Measure of Variables

The measures of the variables of the study are client tenure (CTEN) and accruals (TOAC),and inventories (INVE)),) for dependent and independent variables respectively. It is pertinent to acknowledge that among the proxies of Audit client tenure (which is the number of times in retaining specific audit firm for the period under review) was used as the dependent variable. While among the variables, accruals which centered on the adjustment of revenue recognition time, and inventories build-up; companies artificially increasing their stock levels to inflate revenue as independent variables.

Model Specification

Indeed the model of specification and equation formulated for the study by the researcher is as follows;

CTEN= f(TOAC, INVE,)

From the above model where all characteristics of the study is engulfed, leads the below equation;

CTEN= $\alpha + \beta_1$TOAC + β_2INVE +e…………………………………………………..eq 1

Where;

CTEN = client revenue recognition time; TOAC =total accruals; INVE = investment; α = constant or intercept term; β_1 - β_2 = coefficient of the independent variable to be estimated through the ordinary least square regression and e = the error term.

Data Analysis

The study utilized statistical distribution, ordinary least square (OLS) method, unit root test, normality test and others as the techniques of analyzing the obtained data to actually test the developed research hypotheses with the seamless use of the E-view9.0 statistical package.

DATA ANALYSIS AND PRESENTATION

Data presentation

Data of sixteen (16) companies in the consumer goods sector from 2015 to 2021 are utilized for the analyses.

Data Analyses

Table 4.1; Descriptive Statistics

	CTEN	C	TOAC	INVE
Mean	0.723214	1.000000	-11039574	20325981
Median	1.000000	1.000000	-2689196.	9251630.
Maximum	1.000000	1.000000	54930642	1.95E+08
Minimum	0.000000	1.000000	-1.07E+08	42812.00
Std. Dev.	0.447910	0.000000	23563202	30000050
Skewness	-0.997807	NA	-1.558531	3.010876
Kurtosis	1.995619	NA	6.375719	14.40487
Jarque-Bera	93.17014	NA	394.0824	3104.875
Probability	0.000000	NA	0.000000	0.000000
Sum	324.0000	448.0000	-4.95E+09	9.11E+09
Sum Sq. Dev.	89.67857	0.000000	2.48E+17	4.02E+17
Observations	448	448	448	448
Cross sections	4	4	4	4

Source;Eview9.0

Table 4.1 that shown the descriptive statistics concerning the variables to the work carefully explained that client tenure (CTEN) as the dependable variable, total accruals (TOAC) and investment (INVE) as the independent variables have their averages as 0.723214, -N11,039,574 and N20,325,981 respectively.Apart from means classifications of all variables, the clien tenure ha a median from the mea as 1, it has a maximum and minimum values of 1 and zero respectively. The mean is deviated by 0.45 percent positively. The total accruals (TOAC) variable has a N54,930,642 and -N1.07 for maximum and minimum values respectively. Also the investment variable has maximum of 1.95 and a minimum of 42812.

The Jacque-Bera statistic value indicates that the variablesare normally distributed; with each of their specific probabilities are less than 0.05 significant levels.

Table 4.2; Fixed Effect Regression model

Dependent Variable: CTEN
Method: Least Squares
Date: 06/30/23 Time: 14:57
Sample: 1 112
Included observations: 112

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.734025	0.052143	14.07728	0.0000
TOAC	-2.74E-09	1.93E-09	-1.420630	0.1583
INVE	-2.02E-09	1.51E-09	-1.333897	0.1850

R-squared	0.025022	Mean dependent var	0.723214
Adjusted R-squared	0.007133	S.D. dependent var	0.449420
S.E. of regression	0.447815	Akaike info criterion	1.257546
Sum squared resid	21.85865	Schwarz criterion	1.330363
Log likelihood	-67.42260	Hannan-Quinn criter.	1.287091
F-statistic	1.398714	Durbin-Watson stat	1.345704
Prob(F-statistic)	0.251310		

Source;Eview9.0

From the Table 4.2 In fixed effects regression models, the coefficients illustrate the average change in the dependent variable client tenure (CTEN) associated with a one-unit variation in the independent variable while holding other variables (if any), including fixed effects, constant.

The fixed effect of the regression model in Table shows a negative coefficient; imply a lower levelof the dependent variable compared to the reference group independent variables. It also means that a decrease in the independent variable corresponds to a decrease in the dependent variable. Finally the R-squared or adjusted R-squared of 0.025and 0.007 indicates goodness of fit of the fixed effects regression model

Table 4.3 Pooled OLS Regression Model

Dependent Variable: CTEN
Method: Pooled Least Squares
Date: 06/30/23 Time: 15:14
Sample: 1 112
Included observations: 112
Cross-sections included: 4
Total pool (balanced) observations: 448

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.734025	0.025806	28.44366	0.0000
TOAC	-2.74E-09	9.53E-10	-2.870436	0.0043
INVE	-2.02E-09	7.49E-10	-2.695188	0.0073

R-squared	0.025022	Mean dependent var	0.723214
Adjusted R-squared	0.020640	S.D. dependent var	0.447910
S.E. of regression	0.443263	Akaike info criterion	1.217368
Sum squared resid	87.43461	Schwarz criterion	1.244855
Log likelihood	-269.6904	Hannan-Quinn criter.	1.228204
F-statistic	5.710345	Durbin-Watson stat	1.354776
Prob(F-statistic)	0.003559		

Source;Eview9.0

From Table 4.3 of the pooled ordinary least square regression analysis of the studied variableswith negative coefficients, indicate the impact of each independent variable on the dependent variable, while keeping all other variables constant. The negative coefficient of the variables suggests that a decrease in the independent variable (total accruals; TOAC and inventories; INVE), is associated with a decrease in the dependent variable client tenure; CTEN.

Standard errors measure the accuracy of the estimated coefficients. The standard errors show less precise estimates, though can be used to compute confidence intervals, which provide a range where the true population value is likely to lie. The p-values associated with each coefficient indicate the statistical significance of the estimated effects. A p-value that is less than a predetermined significance level (e.g., 0.05) of 0.004 and 0.007 for total accruals and inventories respectively suggests that they are statistically significant, though negatively impacted.

The R-squared and adjusted R. square values of 0.025 and 0.02 respectively measures the proportion of the variance in the dependent variable that is explained by the independent variables. This implied that 3percent of changes in the dependent variable (client tenure) is measured for by the changes in the independent variables (total accruals and inventories),while 97 percent of the changes in client tenure are measured by other unexplained factors in the study.

The F-statistic tests the overall significance of the regression model. It assesses whether the coefficients, taken together, are different from zero. A high F-statistic and a low associated p-value suggest that the model has a significant explanatory power of 5.71 and 0.004 as f-statistics and p(f-statistics)values respectively. Finally, the Durbin Watson sta of 1.35 indicates the variables can be used for forecasting the future.

Table 4.4 Unit Root Test Analysis

Pool unit root test: Summary
Series: CTEN, &&CONST, TOAC, INVE
Date: 06/30/23 Time: 16:40
Sample: 1 112
Exogenous variables: Individual effects
Automatic selection of maximum lags
Automatic lag length selection based on SIC: 0 to 1
Newey-West automatic bandwidth selection and Bartlett kernel

Method	Statistic	Prob.**	Cross-sections	Obs
Null: Unit root (assumes common unit root process)				
Levin, Lin & Chu t*	-8.77582	0.0000	3	331
Null: Unit root (assumes individual unit root process)				
Im, Pesaran and Shin W-stat	-10.7150	0.0000	3	331
ADF - Fisher Chi-square	110.112	0.0000	3	331
PP - Fisher Chi-square	93.6470	0.0000	3	333

** Probabilities for Fisher tests are computed using an asymptotic Chi -square distribution. All other tests assume asymptotic normality.

Understanding the results of unit root tests involves evaluating whether a time series data has a unit root or not. A unit root implies that the series has a random trend and is not stationary, whereas the absence of a unit root indicates stationarity.

The primary unit root tests used are the Augmented Dickey-Fuller (ADF) test and the Phillips-Perron (PP) test. These tests provide a test statistic (such as t-statistic or z-statistic) and critical values that are compared to the computed statistic.

Therefore, the ADF and PP Test computed test statistic of 0.00 eacg is lower than the critical value at the chosen significance level 5 percent, the null hypothesis of a unit root is rejected. This suggests that the series is stationary and does not have a unit root.

Test of Hypotheses

H_1; Client tenure has no significant connection to total accruals in the consumer goods sector companies in Nigeria.

From Table 4.3 of the pooled least square regression result indicated that total accruals impacted adversely with client tenure. While total accruals has a statistical significant with client tenure, meaning client retention/rotation can be occasioned by the companies' reported level of total accruals in the financial year.

H_2; Client tenure has no significant affiliation to inventories in the consumer goods sector companies in Nigeria.

Table 4.3 shown a coefficient of i2.02 and probability value of 0.0073 which indicates that inventories has a negative relationship with client retention policy amongst consumer goods companies in Nigeria. However, the study shown that inventories has a significant connection with client retention policy. Therefore, it is a means of managing earnings in the companies' operations.

DISCUSSION OF FINDINGS

The work aimed to exert the association of real activities manipulation and audit client retention of firms listed under the consumer goods sector in Nigeria Stock Exchange with measures of total accruals and inventories (independent variables) and client tenure (dependent variable). In all, the analysis revealed that the variables proved a negative impact on the dependent variable, client tenure. This affirmed with the previously reviewed studies (Hoang & Nguyen 2018; Akhagar & Nemati, 2017; Sunday, Akabom & Ejabu 2020; Mendesa, Rodriguesb & Esteban, 2012**)**.

On the aspect of specific ally on the various variables of total accruals which shows a negative relationship to the client tenure policy but is statistically significant, owing to the fact that accruals as a yardstick to judgment in the financial reporting of continuous retention of audit client by neither over or under reporting is not a worthwhile decision by the firm. Also in the case of inventories which indicate a negative impact but significant are an indication that abnormally reporting inventories to boost profitability and reducing expenses should be encourage. Therefore, auditors should be careful in auditing process to produce unbiased report **(**Kothari, Mizik& Roychowdhury,2012; Kimmel, Weygandt, &Kieso (2019)**)**

Summary of Findings

The indications of the findings to the study are;

1. Client tenure and total accruals have an adverse relationship in the consumer goods sector companies in Nigeria but statistically significant to the accepted normal significant level.
2. The study reveals a non positive connection flanked between inventories and client tenure in the sector under examination. However, the study is significant statistically.

CONCLUSION

The study evaluates the connection between real activities manipulation and audit client retention in consumer goods sector companies in Nigeria Stock Exchange. The investigation utilized total accruals and inventories as measures of real activities manipulation (explanatory variables) and client tenure as measure of audit client retention.

The study investigation reveals that the two measures of real activities manipulation utilized show results of a single direction. Collectively, the results reveal a reliable significant level relationship with real activities manipulation and audit client retention. The both measures for real activities manipulation such as total accruals and inventories had shown a significant connection with a negative impact. Therefore, it concludes that real activities manipulation with the listed proxies actually affect the overall reporting standard of the financial statements and also the retention and rotation of audit client in the sector under examination.

RECOMMENDATIONS

After a careful examination of the study, the following recommendations were deduced from the findings listed above;

1. Companies should be skeptics with the use of total accruals as an overall indicator of retaining specific client auditor in the establishment.
2. That those companies in the consumer goods sector should focus critically on investment and use it as a yardstick to evaluate the retention of their audit client.

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