



THE EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON FIRM CONTINUITY: THE MEDIATING ROLE OF EARNINGS MANAGEMENT – AN EMPIRICAL STUDY ON THE IRAQ STOCK EXCHANGE

Lect. Mustafa Mohammed Hussein 1

Mustafa.moha20@uosamarra.edu.iq

College of Administration and Economics Samarra University

Dr. Mustafa Saeed Hasan 2

mustafa.sae20@uosamarra.edu.iq

College of Administration and Economics Samarra University

Article history:		Abstract:
Received: 28 th November 2025	The research aimed to test the impact of the audit committee's characteristics on the company's continuity, and the extent of the role played by earnings management when mediated by it. It examined the annual financial reports of a sample of 10 commercial banks listed on the Iraq Stock Exchange, and used the regression method to determine the direct relationship and structural equations to determine the indirect path. It concluded that mediating earnings management does not increase the independent effect on the dependent.	
Accepted: 26 th December 2025		

Keywords: Audit Committee Characteristics, Firm Continuity, Earnings Management

1- INTRODUCTION

The global economic environment has witnessed numerous accounting scandals at the beginning of this century, just as several crises have hit the global economy and brought down several companies, such as Enron, HealthSouth, Parmalat and Tyco. The absence of credibility in the financial reporting and the endeavor of the management and accountants in managing earnings and manipulation of the financial data were the main sources of these bankruptcies. Consequently, users of accounting information particularly investors required establishment of special committees that would oversee the accounting practice, enhance the use of financial statements, prevent earnings manipulation and assess the going concern of a business.

The going concern assumption is assumed to be one of the primary assumptions upon which the accounting theory is founded, and many accounting principles and practices have been constructed based on this assumption and have been created (AL-Taie& Ali, 2022)

The going concern assumption that was summed up by (Donald Kieso et al., 2018) is that, the accounting entity is established to continue with its business, it is neither planned nor anticipated to be liquidated in the nearest future. According to the theory of the efficient market, earnings management can potentially affect the survival of a company through misreporting of available financial information in the short-run. This theory will suppose that the price of the stock will be provided in the publicly available information and then the price will move back to the actual one when such practices, which threaten the existence of the company, are announced (Fanibuyan& Paseda, 2024).

An accounting policies and procedures which alter the reported earnings to achieve a given goal is a decision adopted by the management according to the definition of management, which, in most cases, deceives investors in terms of how well the company may be characterized as a going concern (Scott, 2015). Despite researchers differentiating between two types of earnings management, bad earnings management, an attempt to conceal the true performance of the business and to mislead the investors (Parfet, 2000), and good earnings management, an attempt to stabilize the reported financial performance by using acceptable accounting options (Doupnick,2008), both types of earnings management are unethical and violate the principle of professional ethics (Jabouri, 2019).

The efforts of opportunistic earnings management result in a financial reporting that does not provide the true image of a company performance that deny the investors the confidence. In contrast, the financial reports become more accurate in the situations when the opportunistic managerial behavior is prohibited by the efficient audit committees (Habbash et al., 2013). The Audit Committee is one of the key operational units of the company, as the financial reports and disclosures are monitored (Tuovila, 2020). The company required minimum number of audit committee should be three individuals one of whom is also an independent commissioner of the firm and also a chairman of the audit



committee. The independent member should not be family members or any other relationship with the founders (Nelwan& Tansuria, 2019).

Iraq Stock Exchange has not been left out in the global economic environment and practices that have influenced it and as a result, transparency in the financial reporting has been compromised especially in the banking sector. This is particularly considering the volatility of the regulatory and governance frameworks, the rulings that transact business in the developing and the third-world nations relative to the developed ones (Khalaf, 2024). This scenario exposes the need to scrutinize the nature of audit committees as one of the most significant systems of corporate governance that can lead to a higher quality of financial information and less opportunistic behaviours such as earnings management that would lead to the distress experienced by banks and their survival in face of the financial pressures they experience. Judging by the above, the research problem can be stated as follows: Does the effect of the audit committee characteristics on firm continuity escalate with the mediation of the earnings management? The primary question is further broken down into a number of sub-questions:

1. Do audit committee characteristics have a direct effect on firm continuity?
2. Do audit committee characteristics influence earnings management practices?
3. Does earnings management mediate the relationship between audit committee characteristics and firm continuity?

The work is also relevant because it examines one of the most critical frames of corporate governance, which the character of an audit committee and how it facilitates the survival of the business, especially in the underdeveloped countries, especially in Iraq, which is defined by the absence of the appropriate regulatory and governance frameworks. Additionally, the study gives a clue of the mediating variables of earnings management as predictor of credibility of financial reporting and investor confidence that is further manifested in terms of continuity of the firm.

The proposed research aims to study the value of the audit committee attributes in the survival of the firms mediated by the earnings management within the sample of the Iraqi banks. It is also directed to highlighting the nature of audit committee characteristics in reducing the earnings management practice and enhancing credibility of financial reporting that leads to the fortification of investor confidence and firm survival.

The second part of the research is a review of the existing literature and the formulation of the hypotheses, and the third part is the research methodology. The fourth segment is the descriptive analysis of the variables and the fifth segment hypothesizes testing and discussion of the results.

2- LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The paper is based on the theory of agency that is one of the most important concepts of the corporate governance and earnings management. According to this theory, controlling the manner in which the organization is managed and the role that was the most significant in the agency theory is that the audit committees become highly active in making the organization more oversight friendly Amara et al. (2025).

This gives managers more confidential information than the other stakeholders thus creating information asymmetry Al-Sultani, (2015) and are more likely to exploit the information asymmetry to hide the actual company performances in order to get rewarded more and enhance their position Healy et al. (1998). The strong audit committee will protect the interest of the stakeholders because they will have confidence of the integrity of the financial reporting, internal controls and the identification of the risk management. The ratios imply the efficiency of the audit committee taking into consideration its efficiency in controlling the audited management and fighting against the associated earnings management practices Alhumoudi (2024).

It has it that the audit committee should consist of a minimum of three, as provided by Sarbanes Oxford Act (2002). The resource dependence theory suggests that the bigger the audit committee, the bigger the chances are that it will be more competent and skillful and consequently more efficient in controlling the management, performance, and sustainability of the management (Al-Ansi, 2022). The bigger audit committee will be more efficient in controlling the management, enhancing the performance and the number of meetings that may later lead to reduction in the incidences of errors and fraud. Nevertheless, when the audit committee has become too big, it might be compromised due to the diffusion of responsibilities Altin (2024).

A number of researches have been conducted to determine the links that existed between the scale of the audit committee and different corporate performance levels including the performance of the firm, firm value or firm continuity and have revealed conflicting evidence. In this connection, indicatively, (Ozcan 2021; Salim 2019; Jwailies and Hamada 2021) have determined that the size of an audit committee and performance of a firm are positively related, meaning the larger the size of the audit committee, the better its performance is. Mahrous and Mousa (2025) research, on the other hand, did not investigate the statistically significant influence of the size of the audit committee on the firm value. Such inconsistent outcomes have made us develop the following hypothesis:

H1: There is a significant positive effect of audit committee size on firm continuity.



One of the key elements of financial reporting of a company and determining its adherence to principles and standards that have been prepared is the audit committee meetings (Al-Jalahma, 2022).

Increased rate of meeting is in compliance with the agency theory as the operations of the management will undergo close observation after the meetings, increased discussions will be held, and financial reports will be amended and revised in due time, which will deter the so-called opportunistic actions and enhance the performance of the company Ali (2025).

In the study proposed above, we observe that there is a body of research that proved that the frequency of the audit committee meetings does have an effect on the performance and survival of the firms including (Al-Ansi, 2022; Abraham et al. 2024). The hypothesis, in this regard, may be formulated as follows:

H2: There is a significant effect of audit committee meeting frequency on firm continuity.

According to the agency theory, the conflict of interest between the principal and the agent was the greatest factor among the earnings management. The management possesses more information than the shareholders, and the information asymmetry will allow the management to manipulate information to control the quality of financial reporting by the earnings management practices undermining the quality of financial reporting Supriyaningsih& Fuad (2016). The principles of corporate governance have been channelled towards the magnitude of the audit committee. The Sarbanes-Oxley Act stipulates that the audit committee should be composed of three or more members with their control not being ignored in the decision making. The larger the size of the audit committee, the more the management of financial reporting, the higher the quality of earnings and has a tremendous positive influence on the investor confidence Musa, et al. (2022). It has been observed that some of the studies mediate discrimination in earnings management practice such as (Xie et al. 2003; Zgarni and Halioui 2016). According to this, the hypothesis can be developed as the following:

H3: There is a significant effect of audit committee size on earnings management.

At least once an annual meeting should be taken by the audit committee. The meetings may be as many as the specialization of the company and the complexity of its operations allow. Empirical results reveal that quality of financial reporting is positively correlated with the frequency of audit committee meeting as the frequency will restrict the earnings management method. Increase in the number of meetings enhances the management activities to be in control and monitored in a timely manner, which decreases earnings management Puwanenthiren, 2018; Perdana, 2023; Inaam, 2016). The hypothesis may be formulated in the following manner in this connection:

H4: There is a significant effect of the number of audit committee meetings on earnings management.

Most of the companies who engage in earnings management give distorted financial statements not representing their performance. Such unfinished information diminishes effectiveness of valuation of companies. The massive application of the earnings management, in its turn, questions the competence and the applicability of the financial performance to the detriment of evaluating the viability of the company Burlacu, et al. (2024). The stocks in a company are overvalued and this is a typical lead up to an earnings management before the crash of a stock market. Although the problem of earnings manipulation in the long-term operations performance and company survival is a controversial issue, most researchers assume it is quite toxic because it assists managers to gain personal advantages at the expense of Adamczyk, & Franek. (2022) shareholders. Managers can as well manipulate earnings to either present good or bad news about the future of a company to capital markets. This information is utilized during the information telling the investors to either sell, retain or buy shares hence the resulting impact is on the price and the operations of the stock in the stock market. Economic performance in the financial outcomes is a challenge of entity Bui (2023).

Using the discussion above, it may be concluded that the hypothesis is the following:

H5: There is a significant effect of earnings management on firm continuity.

Corporate governance could be considered as an effective instrument to decrease the conflict of interest and value addition to the firm (Supanidja et al., 2016). The principals and the agents are in the conflict of interest because they can have a better access to the internal company information, therefore, the information asymmetry occurs. The ensuing asymmetry enables the agents to engage in the earnings management activities that could adversely affect the firm value and sustainability. Therefore, corporate governance is an effective tool that can assist in reducing a conflict of interest and capture more value in the firm Prieto&& Lee (2022).

H6: Earnings management mediates the relationship between audit committee characteristics and firm continuity.

3- RESEARCH METHODOLOGY

The focus of this paper will be on exploring the possibility of an intervening variable between nature of audit committees and corporate survival (going concern). The paper discusses the annual financial report of the sample of the 10 banks in the list of 2013-2023 of listed banks of Iraq Stock Exchange.

The research follows a deductive approach of constructing the theoretical framework by which the quantitative data is dragged by the manual content analysis of the annual report. The study merely involves the two features of the audit committees, i.e., the size of the audit committee and the number of the audit committee meetings per year. The former characteristic is the number of the committee members which is probably more the characteristic that cannot be



evaluated and in contrast, the number of the meetings the committee meets within the year is the characteristic of the second feature.

The corporate continuity (denoted (Z)) is the dependent variable calculated with the help of Altman Z-Score model of predicting going-concern status. Z-Score can be calculated in the following way:

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 0.999X_5$$

Where:

- x_1 = Working capital / Total assets
- x_2 = Retained earnings / Total assets
- x_3 = Earnings before interest and taxes (EBIT) / Total assets
- x_4 = Market value of equity / Book value of total liabilities
- x_5 = Sales / Total assets
- Z = Continuity (going concern) indicator

Generally, the lower the Z-Score, the high the possibility of the company going bankrupt. The Z-Score of -1.8 indicates that the firm is in financial distress and it has a great likelihood of going into bankruptcy. Z-Score 3.0 to 4.0 on the other hand, falls within safe range; therefore, the tendency of the company to enter into bankruptcy is also low. The gray zone or the unstable one is claimed to be between 1.8-3.0 with the likelihood of the bankruptcy to be medium. Earnings management was measured using the discretionary accruals estimated with the help of the Modified Jones

	Min	Max	Mean	Std. Deviation	Variance	Skewness	Kurtosis			
X1	.00	2.00	1.12	.0433	.43298	.187	.653	.241	1.764	.478
x2	-.02	.09	.0197	.00218	.02184	.000	1.27	.241	1.827	.478
M	0.1	1.14	.39	.025	.25	.067	1.5	.241	1.7	.478
Y	.13	1.62	.8247	.03373	.33734	.114	.357	.241	-.364	.478

Model. Table (1)

Measurement of Variables

Type	Variable	Symbol	Measurement Method	Data Source
Independent	Audit Committee Size	X1	Number of members serving on the audit committee	Annual reports
Independent	Audit Committee Meetings	X2	Number of audit committee meetings held during the fiscal year	Annual reports
Mediating	Earnings Management	M	Discretionary accruals measured using the Modified Jones Model	Annual financial statements
Dependent	Corporate Continuity	Y	Altman Z-Score: $Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 0.999X_5$	Annual financial statements

Structural Equation Model

$$M_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \epsilon_{1i}$$

$$Y = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 M + \epsilon_2$$

$$X_1 \rightarrow M \rightarrow Y = \beta_1 \times \alpha_3$$

$$X_2 \rightarrow M \rightarrow Y = \beta_2 \times \alpha_3$$

X1: Audit Committee Size, X2: Audit Committee Meetings

M: Earnings Management, Y: Corporate Continuity (Altman Z-Score)

4- Descriptive Statistics

Table (2) **Descriptive Statistics**

The table (2) gives the descriptive statistics of the study variables that are the size of audit committee (X1), the number of audit committee meetings (X2) as independent variables, and the earnings management (M), and company going concern as dependent variables (Y) as the variables of the study. The sample size will consist of 100 observations and this is large enough in respect to the possibility of conducting subsequent statistical analysis.



The descriptive statistics reveals that the mean of the size audit committee (X1) is 1.12 and standard deviation size audit committee is 0.433 that the homogeneity among the sample firms is not high in the context of the audit committee size. In addition, the skewness (0.653) and kurtosis (1.764) are indicative that there is a slight positive skew and the values lie within the acceptable limits of statistics and the fact that the distribution is almost normal.

The table of the number of audit meetings (X2) provides the mean of 0.0197 and the mean standard deviation of 0.022 and indicates that the values are very close to the mean. The skewness (1.276) represents a moderate skew right distribution and the kurtosis (1.827) is used to show that the skewness is concentrated around the practicum. The distribution does not however go beyond the acceptable statistic analysis.

Regarding the earnings management variable, the values were between 0.10 and 1.14, with the mean of 0.3973 and a standard deviation of 0.2598 suggesting that the level of earnings management is not high and the dispersion of earnings management is not high across the sample companies. The skew and kurtosis (1.508 and 1.749) indicated that the skewness of the variable was quite positive, yet not near enough to the acceptable statistics values, yet it was close to the normal values. This is the reason why it can be suitable when used in the context of inferential statistical analysis without any other transformation.

Lastly the going concern variable of the company (Y) has a mean of 0.825 and Standard deviation of 0.337 that means the continuity between the firms used to create the sample is reasonably good. The value of skewness (0.357) and kurtosis (-0.364) are also of the value of pointing out that the skewness of this variable is also normal.

In general, the descriptive statistics indicate that the variables of the study are in good dispersion and normality. The value of skew and Kurtosis are within the range of statistically acceptable values and therefore, suggests that the data can be used as an instrument to accomplish the research objectives and test the hypotheses to be proved as the data falls within the range of statistically acceptable values.

5- Hypotheses Testing and Discussion of Results

This section focuses on testing the research hypotheses and interpreting the results of the regression analysis.

Table (3) Audit Committee Size → Corporate Continuity

R	R ²	F	t (const.)	Beta (Audit Committee Size)	β ₀	Sig.
0.178	0.032	4.233	-3.199	-0.178	-0.22	0.068

The correlation coefficient in the tabular representation demonstrates relatively low interrelation between the size of the audit committee and the going concern of the company. The R-squared value shows that the audit committee size can explain 3.2% of variance of the company going concern as shown by Oltman index. The model is however reported to be non-significant with the F-value being 3.3 and a level of significance more than 5%. This means that the size of the audit committee alone cannot be used to determine going concern of the company hence the size of the audit committee to the going concern of the company is not very important. The negative but small, effect of the size of audit committee on the going concern of the company is shown by the -0.17 value of the regression coefficient. This contradicts the agency theory, which presupposes that the governance systems could enhance the company performance, its going concern through a higher level of supervision of the board of directors and increased transparency. This negative t-value can also justify that the negative effect of the size of the audit committee on the going concern of the company is insignificant.

Table (4) Audit Committee Meetings → Corporate Continuity

R	R ²	F	t (const.)	Beta (Audit Committee Meetings)	β ₀	Sig.
0.12	0.014	1.475	1.19	0.12	1.8	0.23

The correlation coefficient shows that the relationship between the number of meetings of the audit committee and continuity of the company is weakly correlated. The R-squared value reflects only 1% of the variance in company continuity to changes in the number of audit committee meetings in the banks, which the authors of the study have as a sample. In addition, F-value of 4.1 and level of significance of over 5 % indicates that the model is not significant and that the amount of number of meetings of the audit committee does not provide a sufficient amount to estimate the continuity of the company and the overall regression is not significant. In addition, the impact was not statistically significant since the t-value of 1.19 at the significance level of over 5% was less than 5%. This has been in accordance with the study by Bhagat, S., and Bolton, B. (2008) that determined that there was no association between the



performance of stock markets and any of the governance measures. This is justified by other factors such as experience, independence, competence of the members of the committee and their degree of compliance to the principles of governance. This is, nevertheless, going against the study conducted by Al- Alquaymi and Obaid (2025), who conducted a study in a sample of Saudi companies and discovered that the governance can actually affect the improvement in financial performance.

Table (5) Earnings Management Corporate Continuity

R	R ²	F	t (const.)	Beta (Earnings Management)	β ₀	Sig.
0.336	0.11	12	-3.5	-0.336	-0.22	0.01

The correlation coefficient of continuity and earnings management of the company has a moderate value in the table. The coefficient of R-squared reveals that the earnings management is capable of explaining the variance of 11% of the continuity of the company which implies that there are additional factors capable of influencing the continuity of the company. That is natural since continuity is an element that depends on a great number of variables. Concerning the significance of the model, it has been perceived to be significant with F-value of 12 and a significance level of lower than 5%. The regression coefficient shows that the earnings management significantly affects the continuity of the company of -33% and the significance of the model is fixed with t-value of -3.5 and a significance level of lower than 5%. This agrees with the agency theory. Such correlation shows that excess earnings management is a kind of opportunistic behavior of the managers to the disadvantage of the shareholders and it may lead to incompleteness and unsustainable existence of the company, as described by Ghazali, et al. (2015).

Table (6) Audit Committee Size Earnings Management

R	R ²	F	t (const.)	Beta (Audit Committee Size)	β ₀	Sig.
0.125	0.016	1.57	-3.199	-0.125	-0.07	0.21

The correlation coefficient of the table indicates that the association between earnings management and the size of the audit committee is very weak. The R-squared coefficient shows that Audit Committee Size is the variable that accounts almost 2 percent of the variance of earnings management that is occasioned by the increase in the size of audit committee. This advances the notion that the other factors that may influence the earnings management might be the experience and independence of the committee members, as well as the adherence of the procedures in governance. The insignificance of the model is considered to be 1.57 which has a significance level of over 5%. The effect of the size of the audit committee on the earnings management according to regression coefficient is significant (negative -12%), but not significant with the t-value of -19.3 and significant level of 5% . This may be associated with the study by (Xie et al. 2003; Utama and Aisyah 2017; Lin and Huang 2009) that identified the effect of experience and independence on the management practice control and transparency in financial reporting to relate to more experience and independence than the magnitude of audit committee.

Table (7) Audit Committee Meeting Earnings Management

R	R ²	F	t (const.)	Beta (Audit Committee Meeting)	β ₀	Sig.
0.08	0.0087	0.74	-0.88	-0.08	-0.07	0.38

The association between the number of meetings of the audit committee and earnings management is quite weak as the correlation coefficient of the table reveals. The coefficient determination of R-squared is close to zero indicating that there may be other factors that influence the earnings management that involve experience of the committee members and their independency and compliance with the governance procedures. In addition, the whole model is not important because the f-value as demonstrated in the table below is not significant with level of 5% . The regression coefficient shows that the audit committee meetings have a significant degree of negative influence on the earnings management at -8%. Nevertheless, this impact is very weak, and it cannot be generalized because it is represented by t-value of -0.88 with greater significance value than 1%. This observation confirms some of the prior research works that have shown that the frequency of auditing committee meetings does not indicate the effectiveness with which the audit of the management is performed, or the removal of earnings management. This is to say that the opportunistic attitude of management is conditionable to more institutional and cultural processes and not just the number of meetings of the audit committee Yaramah& Dianingsih (2024).

Results of testing indirect influence hypotheses:

To test this hypothesis, structural equations were used for the purpose of path analysis and determining the direct and indirect impact between the characteristics of the audit committee on the value of the company when earnings management is mediated, by adopting the (AMOS Ver.21) program using the Maximum Likelihood Estimates method.

Table (8) Quality indicators of the direct and indirect path analysis model

Indicator	Standard (Criterion) Value	Calculated Value
Chi-square significance (χ ²) (P-value)	> 0.05	0.0000



Goodness of Fit Index (GFI)	< 0.90	1.0000
Root Mean Square Residual (RMR)	> 0.06	0.0000
Comparative Fit Index (CFI)	< 0.90	1.0000

It is noted from Table (8) that the calculated value for both the probability value of the chi-squared (X2) value and the RMR (Residual Mean Square Index) is 0.00, which achieves the required standard value. It is also noted that the calculated value of the Quality of Fit Index (GFI) and the Comparative Fit Index (CFI) is 1, which achieves the standard value that requires a minimum of 0.90. Accordingly, the quality of the adopted path analysis model and the reliability of its results are judged.

Table (8) Mediation of Earning management

Variables			Dir Path Coefficient	Ind Path Coefficient	Total Path Coefficient
X1	M	Y			
Audit Committee Size	Earning Management	Corporate Continuity	-0.223	0.009	-0.194

The entire trend depicts a negligible effect of the size of the audit committee on the going concern of the company. This effect is primarily because of the direct trajectory, the indirect trajectory through earnings management was trivial and insignificantly lower and statistically significant, and did not alter the direction of the overall relationship substantially or to a significant degree.

Table (9) Mediation of Earning management

Such indicate Earning	Variables			Dir Path Coefficient	Ind Path Coefficient	Total Path Coefficient	results that the
	X2	M	Y				
Audit Committee Meeting	Earning Management	Corporate Continuity	0.091	-0.001	0.090		

management is not mediation of audit committee communications and business continuity rates as the totality of direct and indirect paths are in no way significant. Besides, the overall implication of audit meeting counts on business continuity is incredibly low, which suggests that the number of meetings can not necessarily be the indicator of the real influence of oversight effectiveness on business continuity. This is in resonance to the agency theory which establishes the world of form and the reality of effectiveness of the structures of governance.

The outcomes can be reconciled with the findings in the literature that the nature of audit committee attributes such as size or frequency of meetings are not always translated into meaningful and strong effects on the behavior or quality of management or are not always indicative of improved corporate performance.

Indicatively, studies have indicated that researches have found that the nature of audit committees, size and frequency of meetings are not statistically significant in certain environments indicating that the quantitative aspect of the governance process does not imply controlling the behavior of the management or the financial performance. It has also been shown with a range of results that have been inconsistent and heterogeneous on the relationship between audit committee characteristics and earnings management and resolved that the committee may or may not be functioning depending on a number of cases Zadeh, et al. (2023) which is a sign of the complexity of the governance, control, and management relationships within companies. This observation justifies our intuition that the overall effect of the size of the audit committee on corporate sustainability is more qualitative in terms of governance and control mechanisms ahead of the levels of quantitative and frequency, and that the mediation of earnings management does not imply a material effect of such a manner.



6- CONCLUSIONS

This was a study to examine whether the audit committee qualities of continuity of the company (size of the audit committee, meeting number of the audit committee) are mediated by earnings management. The study consisted of the estimation of the annual financial reports of a sample of 10 of the Iraq stock exchange listed banks of the period 2013-2023 and used content analysis as a manual to obtain the values that reflected the measurement of the variables. The findings indicated that there is a high negative correlation between earnings management and continuity of the companies and that the earnings management does not include the audit committee characteristics and company continuity. The other factors that are more predominant and may explain such findings are the experience of members of the audit committee and their conformity to the principles of governance and their independence as well. Moreover, the relationship between the members of the audit committee and the board of directors would affect the transparency of financial statements and reduce opportunistic action, thus improving the performance and survival of the company. The paper recommends the need to further investigate these factors to expand the sample of the study to cover more industries particularly in developing countries.

REFERENCES

1. Abraham, R., El Charani, H., & Tao, Z. (2024). The impact of audit oversight quality on the financial performance of US firms: A subjective assessment. *Journal of Risk and Financial Management*, 17(4), 151.
2. Adamczyk, A., & Franek, S. (2022). The Impact of Earnings Management on the Value of Companies—The Role of Ownership Structure. *Journal of Banking and Financial Economics*, 2(18), 60-71.
3. Al-Ansi, A. A. (2022). The Moderating Effect of Audit Quality on the Impact of Audit Committee Characteristics and Performance: Evidence from Saudi Financial Companies. *IUG Journal of Economics and Business Studies*, 30(4).
4. Alhumoudi, H. (2024). The impact of audit committee characteristics on financial reporting quality: Evidence from Saudi Arabia. *International Journal of Professional Business Review: Int. J. Prof. Bus. Rev.*, 9(5), 5.
5. Ali, S. T., Othman, A., Sakhil, A. D., & Hasan, H. F. (2025). Audit committee busyness and meetings as determinants of earnings management and firm performance: Evidence from an emerging market. *International Journal of Academic Research in Business and Social Sciences*, 15(10), 1580–1600. <https://doi.org/10.6007/IJARBS/v15-i10/26836>.
6. Al-Jalahma, A. (2022). Impact of audit committee characteristics on firm performance: Evidence from Bahrain. *Problems and Perspectives in Management*, 20(1), 247.
7. Altin, M. (2024). Audit committee characteristics and firm performance: a cross-country meta-analysis. *Management Decision*, 62(5), 1687-1719.
8. Al-Zaimoor, N., Desoky, A., & Al-Fadhel, H. (2024). The impact of audit committee features on firm performance—empirical evidence from GCC countries. *Polish Journal of Management Studies*, 29.
9. Amara, N., Bourouis, S., Alshdaifat, S. M., Bouzgarrou, H., & Al Amosh, H. (2025). The impact of audit quality and female audit committee characteristics on earnings management: Evidence from the UK. *Journal of Risk and Financial Management*, 18(3), 136.
10. Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of corporate finance*, 14(3), 257-273.
11. Bui, T. H. (2024). Past, present, and future of earnings management research. *Cogent Business & Management*, 11(1), 2300517.
12. Burlacu, G., Robu, I. B., & Munteanu, I. (2024). Exploring the influence of earnings management on the value relevance of financial statements: Evidence from the Bucharest Stock Exchange. *International Journal of Financial Studies*, 12(3), 72.
13. Douppnik, T. (2008) Influence of Culture on Earnings Management: A
14. Ghazali, A. W., Shafie, N. A., & Sanusi, Z. M. (2015). Earnings management: An analysis of opportunistic behaviour, monitoring mechanism and financial distress. *Procedia economics and finance*, 28, 190-201.
15. Habbash, M., Sindezingue, C., & Salama, A. (2013). The effect of audit committee characteristics on earnings management: Evidence from the United Kingdom. *International Journal of Disclosure and Governance*, 10(1), 13-38.
16. Healy, P. M., Wahlen, J. M., Miller, G., Noe, C., Petroni, K., & Salamon, J. (1998). A review of the earnings management literature and its implications for standard setting. *Accounting Horizons*, 13, 365–383.
17. Inaam, Z., & Khamoussi, H. (2016). Audit committee effectiveness, audit quality and earnings management: a meta-analysis. *International Journal of Law and Management*, 58(2), 179-196.



18. Jwailes, A. R., & Hamada, R. (2021). *The effect of audit committee characteristics (committee size committee independence, committee gender diversity, committee frequency of meetings on Jordanian firm performance*. *IJRDO-Journal of Business Management*, 7 (10), 14-32.
19. Khalaf, Sadiq To'mma. (2024). Banking Reform in Iraq: Analysis of Reality and Evaluation of Paths and Reform Options. College of Administration & Economics, Vol.(49) \No. 145.
20. Management and Good Corporate Governance. *Corporate Ownership and Control* 13: 609–15.
21. Musa, A., Latif, R. A., & Majid, J. A. (2022). Effect of Audit Committee Characteristics on Real Earnings Management through Abnormal Cash Flow. *Asian Journal of Economics, Business and Accounting*, 22(6), 76-87.
22. Nelwan, M. L., & Tansuria, B. I. (2019). Audit committee characteristics and earnings management practices. *Journal of Economics, Business & Accountancy Ventura*, 22(1), 85-97.
23. Note, "**Abacus**", Vol.44 No.3.
24. Oluwaseyi Fanibuyan and Oluseun Paseda*. Impact of Asymmetric Information on the Variability of Stock Returns in Nigeria. *Ann Rev Resear*. 2024; 10(4): 555791. DOI: [10.19080/ARR.2024.10.555791](https://doi.org/10.19080/ARR.2024.10.555791).
25. Özcan, A. (2021). Audit committee and firm value: an empirical investigation. *Muhasebe Bilim Dünyası Dergisi*, 23(2), 204-221.
26. Parfet, W.(2000) Accounting Subjectivity and Earnings Management: A preparer perspective, "**Accounting Horizons**", Vol.14, No.4.
27. Perdana, A., Umaimah, U., & Aufa, M. (2023). Audit Committee Effectiveness on Earnings Management. *Innovation Research Journal*, 4(2), 66-75.
28. Puwanenthiren, P. (2018). Audit committee characteristics and earnings management: is there link?.
29. **Salim, A. A. A.** (2019). *The impact of audit committee characteristics on business performance: An empirical study of Saudi joint-stock companies*. **Journal of Accounting Studies and Research**, 2019(2), 291–342. <https://doi.org/10.21608/jecrj.2019.445557> [EKB Journals](#)
30. Scott W. (2015) "**Financial Accounting Theory**, 7th Ed., Prentice Hall, Toronto.
31. Subanidja, Steph, Aiaz Rajasa, Eduardus Suharto, and Jalu Atmanto. 2016. The Determinants of Firm Value: The Role of Earnings
32. Supriyaningsih, S., & Fuad, F. (2016). The influence of audit committee characteristics on real earnings management. *Jurnal Akuntansi dan Auditing*, 13(1), 61–79.
33. Tulcanaza-Prieto, A. B., & Lee, Y. (2022). Real earnings management, firm value, and corporate governance: Evidence from the Korean market. *International Journal of Financial Studies*, 10(1), 19.
34. Tuovila, A. (2020). *Audit Committee: Definition, How They are Used, and Purpose*.
35. Utama, S., & Aisyah, S. (2017). The effect of audit committee characteristics on earnings management: Evidence from Indonesia. *Jurnal Akuntansi dan Auditing Indonesia*, 21(2), 120–132. <https://jim.usk.ac.id/EKA/article/view/10674>.
36. Yaramah, W., & Dianingsih, A. F. (2024). The Effect of Audit Committee Term of Office, Audit Committee Meetings, Institutional Ownership and Company Age on Earnings Management. *International Journal of Digital Entrepreneurship and Business*, 5(2), 35-68.
37. Zadeh, F. N., Askarany, D., Shirzad, A., & Faghani, M. (2023). Audit committee features and earnings management. *Heliyon*, 9(10).