

# **The Effect of Earnings Management Practices in the Relationship between Audit Quality and Company Value: Empirical Evidences from Jordanian Public Shareholding Service Companies**

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## **Abstract**

The current study aims to investigate the direct relationship between audit quality, earnings management practices and company value, as well as the mediating effect of earnings management practices in the relationship between audit quality and company value. It provides empirical evidences from Jordanian public shareholding service companies, where the study population included all service companies listed on the Amman stock exchange during the period (2012 – 2019), totaling 47 companies, and the study sample included 43 companies from the population whose data were available during the period. The study concluded that there is a positive direct relationship between the audit firm's specialization and earnings management practices, while both the audit firm's size and the audit firm's turnover do not have. The company value positively affected by the audit firm's size and the audit firm's specialization, whereas the audit firm's turnover has a negative but not statistically significant effect on the company value. Moreover, the company value negatively affected by earnings management practices, and at the same time, earnings management practices mediate the relationship between both the audit firm's size and the audit firm's specialization, and the company value. Finally, the study recommended prospective researchers to investigate the determinants of earnings management practices that work on increasing the company value.

**Keywords:** Audit quality, earnings quality, earnings management, firm value, service companies.