



The Effect of Managerial Opportunistic Behavior on Audit Report and Fees

Dr. Pakinam Seif Eldeen Youssef
Lecturer of Accounting Faculty of
Business Administration and
International Practices AlHayah
University
Paky_seif@yahoo.com

Dr. Noha Gamal Mostafa Mohammed
Lecturer of Accounting Faculty of
Business and Economics Badr
University in Cairo
noha.gamal.sherit@gmail.com

Faculty of Commerce Scientific Journal
Faculty of Commerce, Assiut University
Vol. 84, June 2025

APA Citation:

Youssef, Pakinam Seif Eldeen & Mohammed, Noha Gamal Mostafa (2025). The Effect of Managerial Opportunistic Behavior on Audit Report and Fees. *Faculty of Commerce Scientific Journal*, Faculty of Commerce, Assiut University, 84, 383-420.

Website: <https://sjcf.journals.ekb.eg/>

The Effect of Managerial Opportunistic Behavior on Audit Report and Fees

Dr. Pakinam Seif Eldeen Youssef, Dr. Noha Gamal Mostafa Mohammed

Abstract:

The study aims to determine the effect of managerial opportunistic behavior (which is measured by the manager's ability to engage in real earnings management activities (REM)) on audit fees and the type of issued audit report. The study examines real earnings management practices, including sales manipulation, over- production, and discretionary expenditure reduction, and their impact on audit fees and audit report.

A field study is conducted where the study sample consists of 200 auditors, with questionnaires disseminated to auditors working in Accountability State Authority or auditing firms in Egypt. Responses were collected from 130 auditors, resulting in a response rate of 65%, which is considered appropriate for reflecting the chosen research population.

The study concluded that there is a significant positive effect of managerial opportunistic behaviour specifically real earnings management activities on audit fees and the type of issued audit report.

Keywords: Managerial opportunistic behaviour, Real Earnings Management, Audit fees, Audit Report, Agency Theory.

تأثير السلوك الانتهازي للإدارة على تقرير وأتعاب عملية المراجعة

د. نهى جمال مصطفى محمد
مدرس المحاسبة بكلية الإدارة والعلوم
المالية والاقتصادية - جامعة بدر بالقاهرة
noha.gamal.sherit@gmail.com

د. باكينام سيف الدين يوسف
مدرس المحاسبة بكلية إدارة الأعمال
والمعاملات الدولية - جامعة الحياة
Paky_seif@yahoo.com

المستخلص:

تهدف الدراسة إلى تحديد أثر السلوك الانتهازي للإدارة (والتي تم قياسها من خلال انخراط الإدارة في ممارسات إدارة الأرباح الحقيقية (REM)، على أتعاب عملية المراجعة ونوع تقرير المراجعة الصادر. وتتناول الدراسة ممارسات إدارة الأرباح الحقيقية، بما في ذلك التلاعب بالمبيعات، والإفراط في الإنتاج، وخفض النفقات التقديرية، وتأثيرها على أتعاب المراجعة وتقرير المراجعة.

تم إجراء دراسة ميدانية شملت عينة من ٢٠٠ مراجع، حيث تم توزيع الاستبيانات على المراجعين العاملين في الجهاز المركزي للمحاسبات ومكاتب المراجعة بجمهورية مصر العربية. تم جمع الردود من ١٣٠ مراجع، مما أسفر عن معدل استجابة قدره ٦٥٪، وهو ما يعد مناسباً لتمثيل مجتمع البحث المحدد.

أظهرت الدراسة تأثيراً إيجابياً معنوياً للسلوك الانتهازي الإداري، وبالتحديد إدارة الأرباح الحقيقية، على كلا من أتعاب عملية المراجعة وجودة تقرير المراجعة الصادر.

الكلمات المفتاحية: السلوك الانتهازي الإداري، إدارة الأرباح الحقيقية، أتعاب عملية المراجعة، تقرير المراجعة، نظرية الوكالة.

1. Introduction:

The growing number of corporate frauds involving accounting irregularities undermines the concept of "true and fair" accounting information. According to the agency theory, managers' opportunistic distortion of accounting information to meet earnings targets has negatively impacted accounting decisions and disclosures in financial reporting (Chang, 2015).

Managerial opportunism results in the manipulation of earnings for personal gain (Boubakri, Ghalieb and Boyer, 2011). Auditing serves as a control tool, reducing or eliminating managers' opportunistic behaviors such as earnings management. As a result, it ensures a fair level of financial statement dependability. Using financial information, an unqualified audit opinion may be utilized as a promise and assurance for numerous stakeholders. A modified audit opinion, on the other hand, may indicate a piece of negative information. The auditor's report is the end outcome of the accountant's investigation. Auditors must first gather and assess audit evidence. Second, they should declare if the audited financial statements are in line with the financial reporting structure. This view is included in the audit report, which is distributed to the company's financial reporting users (Imen and Anis, 2020).

Real earnings management activities (REM) are considered a result of managerial opportunistic behavior which is enacted through operating – investing or financing activities, the current study focuses on operating activities which is considered the most enacted activities in the organizations that could be easily aligned with the organization's normal activities.

Under some economic conditions, certain real manipulation methods, like price reductions and reductions in discretionary expenditures, may be optimum. However, if managers engaged more

vigorously than normal in this domain due to economic conditions to meet or exceed a profit objective, they therefore manipulated their earnings through genuine actions (Roychowdhury S., 2006).

The initial REM operational activity is sales manipulation; overseeing sales demonstrates managers' efforts to enhance their sales performance throughout the year. By providing limited price discounts or adaptable financing terms (Roychowdhury S., 2006 ,Ge and Kim, 2014b, Ge and Kim, 2014a, Cohen D., et al, 2008).

The second REM operational activity is overproduction; industrial organization managers may produce more goods than necessary to exceed required revenues. Consequently, fixed overhead costs are allocated across a greater number of units at elevated output levels, thereby reducing fixed unit costs. This leads to reduced COGS and improved operational margins recorded by the firm (Roychowdhury S., 2006). The cost of sold items is shown in the income statement as COGS, while unsold goods are recorded in the balance sheet as inventory (Ge and Kim, 2014b). Production costs are determined by the aggregate of COGS and inventory (Md Nasir N., *et al.*, 2018).

The third REM operational activity is the reduction of discretionary expenditures, which encompass advertising, marketing, general and administrative costs, in addition to research and development (R&D) spending. (Luo B., 2019). Discretionary expenditures are generally settled in cash by enterprises. Minimizing such expenses decreases cash outflows and positively influences anomalous cash flows in the present time (Chouaibi J., et al, 2019).

Following the observation of opportunistic behavior, auditors may need to perform further audit work to ensure assurance over significant alterations in clients' transactions. For instance, in response to an unforeseen fluctuation in manufacturing prices, an auditor may undertake

additional audit procedures for inventory management. Moreover, an unusual decline in R&D expenditures is expected to result in increased examination of intangible asset audits. The auditors are expected to allocate more hours to the audit of fixed assets following the observation of atypical gains in asset sales. Moreover, to the extent that any of these anomalous behaviors identified elevate the perceived likelihood of going concern, the measures associated with this perspective similarly augment the current fees. (Greiner A., et al, 2013).

Auditors must exercise due professional care in implementing the appropriate analytical procedures to identify REM activities. In instances of significant doubt, auditors should scrutinize management's strategies to address such activities and obtain essential and reasonable audit evidence to either confirm or refute concerns regarding the organization's viability. Furthermore, auditors should request a written report from management detailing its plans and procedures. If auditors issue an unqualified audit report despite identifying REM activities, they may face substantial litigation risk (Alhadab M., 2017, p. 410), as the auditors' report is the only method by which users can ascertain that the firm's true economic reality is accurately reflected in the financial statements (Sani A., et al., 2018).

The purpose of the current paper is to determine whether observing opportunistic behavior (focusing on real earnings management activities) may affect audit fees and audit report or not. The current paper is divided into 4 sections, introduction, literature review and hypotheses development, field study and conclusion.

2. Literature Review and Hypothesis Development:

2.1. Opportunistic Behavior and Earnings Management:

Manager's opportunistic behavior is considered the main reason for engaging in earnings manipulation as real earnings management. Real

earnings management occurs when managers engage in activities that deviate from the initial best practice to boost reported earnings. (Gunny k., 2005) or when they deviate from regular operations to trick stakeholders into thinking financial reporting objectives have been achieved (Roychowdhury S., 2006).

Managers may employ REM to hide the "real" results and actions of their organizations while increasing earnings to a certain level (Enomoto M., et al, 2012).

REM's main privilege is that it is less likely to be discovered by auditors or regulators, and it can easily achieve the desired profit (Darmawan I., et al, 2019). In other words, REM is considered more opaque to external users which makes it has prevalence over AEM (Huang X., et al, 2020).

However, not all managers or companies engage in REM, as Certain traits are necessary to assume the risk of managing earnings through REM.

2.1.1.Characteristics of Managers and Organizations that Could Take the Risk of Managing Earnings Through REM:

2.1.1.1 Managers' Characteristics:

Compared to accruals, managers are far more willing to manage their earnings via REM. Top management undoubtedly plays an important role in the implementation of an organization's strategic decisions. The top management team (TMT) consists of all managers at or above the vice president level (Qi B. et al., 2018,). CEOs are often regarded as the most powerful people in any firm. They make corporate choices such as the release of financial information, the composition of the board of directors, and so on, and they are ultimately responsible for the company's success. Because the CEO is in charge of the organization's success, there is a higher chance of earnings management.

The following are some management characteristics that will be discussed:

1. Gender, age, education level, and financial job experience.
2. Managerial ability, and
3. Compensation depending on earnings, tenure, and the presence of a co- CEO.

First: Age, Gender, Educational level, and Financial Job Experience:

The Upper Echelons Theory (UET) posits that the cognitions, attitudes, and expectations of senior management significantly impact a company's actions and performance (Huang and Sun, 2017). Qi B. et al. (2018) indicated that due to the challenges in quantifying the psychological framework of executives (including cognitions, beliefs, and expectations), UET theory proposed that observable demographic characteristics (such as age, gender, employment history, and education) serve as a reasonable proxy for the underlying psychological differences.

According to Qi B., et al. (2018), these demographic factors encompass both innate personal qualities like gender and age and learned characteristics like work experience and educational level. Senior executives approaching retirement tend to avoid risky actions that could compromise their established characteristics, which in turn makes them less likely to engage in AEM or REM. Female executives or CEOs are also more loyal to their organizations and less likely to engage in REM. Highly educated managers are less likely to engage in REM because they are fully aware of the impact on the organization's performance.

Finally, although managers with extensive financial work experience are completely aware of the implications of REM, they are also strongly involved in REM practices since they have the most knowledge with their firm and are fully aware of the opaqueness of REM activities to outside regulatory bodies. To summarize, young, male, less

educated, and with the most financial job experience CEOs are the most likely to engage in REM activities.

Second: Managerial ability:

The ability of top management to maximize the benefits of earnings management is largely influenced by their cognitions, beliefs, and expectations. This ability is largely derived from their industry knowledge, which includes the sector, business strategy, and technology awareness. However, two opposing opinions exist in this regard: (Huang and Sun, 2017)

Firstly, more competent CEOs or managers are less likely to engage in REM, since they can achieve optimal results with existing resources without resorting to earnings management practices, and also, they are fully aware of its consequences on the firm performance.

Second, more capable CEOs or managers are more likely to be engaged with REM because they are able to align REM into their regular business activities.

From the researchers' perspectives, managers recognize that failing to meet earnings targets incurs more detrimental effects on their organizations than engaging in earnings management. Consequently, the latter viewpoint is substantiated, as managers optimize their performance when they lack alternative means to achieve target earnings, thereby participating in real earnings management (REM) more adeptly, treating it as an integral aspect of their operations rather than mere earnings manipulation.

The second opinion also was supported by Huang and Sun (2017) and Chou and Chan (2018) where they reached the same conclusion. They found that REM is positively connected with CEOs who have the highest levels of experience, expertise, or competence.

Third: Earnings Based Compensation, Tenure and CEO Duality:

Other significant factors influencing CEOs or managers' decisions to participate in REM activities include earnings-based remuneration, tenure, and CEO duality. In a scenario where CEO remuneration is closely correlated with the company's stock price, CEOs may possess considerable incentives to distort stated earnings or influence the timing of information dissemination to further their own interests. Consequently, CEOs may be anticipated to engage in REM to optimize their wealth.

In terms of the CEO's tenure, a tenured CEO is more likely to improve the organization's performance through effective management and earn a higher salary as a result of the accumulation of sufficient business knowledge and experience over the course of their years of service. In other words, the longer the CEO's tenure, the less likely they are to engage in the REM. Roychowdhury S. (2006), Chi W., et al. (2011), and Chou and Chan (2018) concluded that CEOs engage in more REM activities to increase their short-term earnings as their tenures extend.

The final critical factor that could potentially increase the probability of REM activities is CEO duality, which is the act of serving as both a board chair member and CEO. This practice has the potential to increase CEO entrenchment, which in turn reduces the flow of information to the board of directors and, as a result, the board's ability to monitor managers (Chou and Chan, 2018). When the CEO holds the position of both board chair and CEO chair (CEO duality), a conflict of interest arises, and the organization's power would be concentrated in the hands of a single individual, which is likely to increase engagement in the REM (Naciti V., 2019, Al-Haddad and Whittington, 2019).

In conclusion, CEOs are more likely to engage in REM when their compensation is closely linked to earnings, their tenure in the organization is shorter, and they have held both the position of board chair and CEO (i.e., CEO duality).

Nuanpradit S. (2019) concurred with Chou and Chan (2018) that the probability of REM activities was elevated by CEO duality and early-serviced CEOs.

Regarding CEO tenure, the researchers agreed with (Roychowdhury S., 2006) solely; CEOs with longer tenures are more likely to engage in REM because they have more experience with the organization and its activities, are more likely to align REM with the normal activities of the organization and have an incentive to maximize their wealth before ending their service. In contrast, CEOs with shorter tenures have less experience with the business and are more likely to be afraid of losing their position if they engage in unethical practices such as real earnings management.

2.1.1.2 Organization's characteristics

The likelihood of REM engagement is not solely attributed to the characteristics of managers; rather, the characteristics of the organization are equally significant and must be comprehended by regulators to identify REM activities. Organizational attributes that are examined include:

1. **Organizational type**, whether manufacturing or merchandising,
2. **Organizations with debt covenants**;
3. **Organizations with expansion potential**;
4. **Organizations with increased stock inventories**; and
5. **Organizations with large credit sales**.

The characteristics of these organizations were summarized by Roychowdhury S. (2006), who concluded that manufacturing and merchandising companies can offer price reductions (which is considered one of the REM activities) to increase sales. However, overproduction (one of the REM) is restricted to organizations in the manufacturing industry. As a consequence, manufacturing industries experience an increase in anomalous production costs due to questionable firm-years. Suspicious firms that have debt restrictions that render losses unattractive have a greater incentive to engage in real activity manipulation than suspect firm-years that lack such covenants.

The stock market imposes a more severe penalty on organizations with growth potential if they fail to meet income objectives; as a result, these organizations have a greater incentive to participate in REM. Additionally, when an organization has a lengthy inventory history, it is easier to implement excess output to cover fixed inventory expenses and is more likely to remain undetected.

In a similar vein, an organization that has substantial credit sales to dealers may find it simpler to engage in channel stuffing, which entails sending products to dealers before the transaction is officially recognized and recording receivables. The organization may need to offer dealers additional price reductions in order to offset any increased inventory holding expenses. (Roychowdhury S., 2006)

In 2006, Roychowdhury S. added Future buyer potential and the organization's ability to pay suppliers on time were in risk if its financial performance fell below a predetermined threshold, like zero. The extent of real activity manipulation at the start of the year should therefore positively vary with the current liabilities, as higher levels of outstanding commercial debt and other short-term liabilities lead to harsher credit conditions and other terms for suppliers, as well as a negative reaction from suppliers.

Organizations that satisfy the following criteria: disclose small income (satisfy and only exceed analyst earnings projections), have an irregular operating activity, and have increased net operating assets above the sales ratio (NOA) are suspected of employing some earnings management practices such as real earnings management to prevent loss reporting (Taylor and Xu, 2010).

According to the researchers, managers who are male, young, less educated, and have a lot of financial work experience—as well as managers who are more capable and whose pay is based on their earnings—and CEOs who have held both board chair and CEO chair (CEO duality) are the traits that are most likely to have led to higher real earnings management activities.

For organizations that are most likely to engage in real earnings management activities are manufacturing organizations, organizations that have high debt covenants, higher liabilities to suppliers, higher stock of inventory, and significant credit sales, so, in order to improve the likelihood of real earnings management detection, regulators must have a thorough understanding of these traits and revise them frequently.

2.2. Managerial Opportunism and Audit Fees:

Any supplementary amount of audit fees imposed in a specific relationship between an audit firm and its client is defined as the unusual level of auditing fees.

The client's size, complexity, and risks are often factors of audit fees. Additional fees may be ascribed to (Greiner A., et al, 2013):

1. Compensating auditors for additional effort required to finalize the audit.
2. Compensating auditors for increased risk, as well as for greater work, may provide a favorable pricing impact.

Upon suspicion or discovery of earnings manipulation (opportunistic behavior) actions, auditors are likely to respond by decreasing acceptable detection risk (a diminished tolerance for the failure of auditing methods to identify substantial misstatements) and augmenting business risk. These risks encompass audit-related litigations that can be mitigated by enhanced measures. Auditors may reduce the acceptable audit risk in reaction to heightened perceived business risk, offering additional safeguards against the potential of issuing an inaccurate opinion due to a corresponding increase in underlying risk. Consequently, the auditor expends additional work and increases expenses due to heightened risk. (Greiner A., et al, 2017).

Earnings manipulation due to opportunistic behaviors is enacted through two channels accruals earnings management (AEM) or real earnings management (REM). Real earnings management exerts a more significant influence on audit fees than accruals earnings management; thus, organizations should recognize that transitioning from AEM to REM may increase compliance expenses, particularly in countries with stringent legislative frameworks. (Choi A., et al, 2021) The magnitude of irregular audit fees is regarded as a reaction to the presence of real earnings management activities. Notably, anomalous discretionary expenditures, atypical manufacturing costs, and the overall amount of real earnings management exhibit a strong correlation with elevated audit fees. Supplementary audit expenses incurred by audit firms lead to increased audit processes, hence enhancing the efficacy and efficiency of their client's operational systems and complicating the ability of managers to manipulate reported results. (Alhadab M., 2017)

REM positively influences audit fees overall. Furthermore, it was determined that real earnings management (REM) resulting from heightened production costs and reduced discretionary spending positively influences audit fees, but real earnings management stemming

from increased sales had no effect on audit fees. (Ghanbari A., et al, 2014,). Enhanced audit efforts involve the investment of more resources by auditors to identify REM. (Paredes P., 2017)

The researchers concur with prior literature that real earnings management activities initiated by the organization as a result of managerial opportunistic behavior are significantly associated with increased audit fees. This is attributed to the allocation of additional resources and the implementation of more extensive audit procedures by auditors to identify REM activities.

Furthermore, elevated audit fees reflect a perception of greater business risk within the organization. Consequently, increased audit fees resulting from real earnings management serve as an indicator that the auditor has exercised due professional care to mitigate business and audit risk and to ensure the integrity of financial statements. Consequently, REM's presence without elevated audit fees signifies diminished effort and reduced processes undertaken by the auditor to perform a fair and accurate audit.

2.3. Managerial Opportunism and Audit Report:

The objective of the audit report is to enhance confidence in the financial statements of the intended users. The auditor is alone accountable for the opinion that accompanies the report. An opinion does not constitute a certificate. (Tsipouridou and Spathis, 2014)

The audit opinion, being the exclusive responsibility of the auditor and entirely within their jurisdiction and control, serves as a direct indicator of audit quality. When a going concern audit opinion is warranted but not disclosed, the auditor issues an erroneous audit opinion, constituting a significant audit failure. (De Fond and Zhang, 2014)

Analyzing the correlation between an auditor's opinion and earnings management is essential in contexts where there is a pronounced inclination to manipulate results, since the auditor's report serves as the medium for conveying their assessment of financial information. (Sharraf and Nassar, 2021)

Organizations receiving a qualified audit report exhibit a heightened level of real income management, evidenced by the utilization of operationally abnormal cash flows stemming from sales manipulation and the reduction of discretionary costs (Alhadab, 2016). Moazedi and Khansalar (2016) concurred with Alhadab (2016) that irregular cash flow from operations adversely impacts audit opinions; specifically, when auditors detect that earnings management (REM) has occurred inside the audited organization, a qualified audit report is provided. In contrast to this judgment, manipulating sales or reducing discretionary costs did not influence the nature of the auditor's opinion. (Abd El Aty A., 2019)

The issuance of a qualified opinion for significantly misstated financial statements and the failure to obtain sufficient acceptable audit evidence are not attributable to irregular product costs resulting from overproduction activities. (Omid A., 2015). It was determined that irregular manufacturing costs led to the issuance of qualified or unfavorable audit findings in financially troubled organizations. (Abd El Aty, 2019).

The researchers concur with the literature indicating that managerial opportunistic behavior specifically Real Earnings Management (REM) leads to the issuance of qualified or adverse audit reports, while dissenting from studies asserting that REM has no impact on the type of audit report issued. From the researchers' perspective, the presence of real earnings management (REM) activities within the audited organization, if unacknowledged in the audit opinion, signifies a decline

in audit quality and constitutes an audit failure, exposing the auditor to significant litigation risk from investors and stakeholders.

Consequently, it is determined that REM activities lead to heightened audit efforts, which subsequently result in elevated audit fees, and the identification of REM activities increases the likelihood of producing qualified or unfavorable audit reports.

The study hypothesis could be concluded:

H₁₁: There is a significant positive effect of real earnings management (REM) activities detection on audit fees and the type of issued audit report.

3.Data and Study Design:

3.1.Sample:

The study sample comprises auditors from auditing firms and the Accountability State Authority.

A judgmental sample, or purposive sampling, is employed in this exploratory study due to the necessity for participants with specific characteristics. This sampling method is appropriate as it falls under Non-Probability Samples, which are instrumental in data collection when the population size is indeterminate. The primary focus in judgmental sampling is the researchers' evaluation and selection of participants who can most effectively provide the requisite information to achieve the study's objectives. (Ayhan, 2011; Kumar, 2018) Judgmental sampling is advantageous for creating something that is familiar only to a limited number of people, as mentioned in the current study. (Kumar, 2018)

The study sample comprises 200 auditors, with questionnaires distributed to auditors employed in state accountability authorities or auditing firms. Responses were obtained from 130 auditors, yielding a response rate of 65%, which is deemed acceptable for representing the

selected study population. The researchers select a judgmental sample based on criteria aligned with the study's objectives, opting for persons who possess relevant expertise and understanding of the issue and have a desire to participate. The researchers select this judgmental sample based on the subsequent criteria:

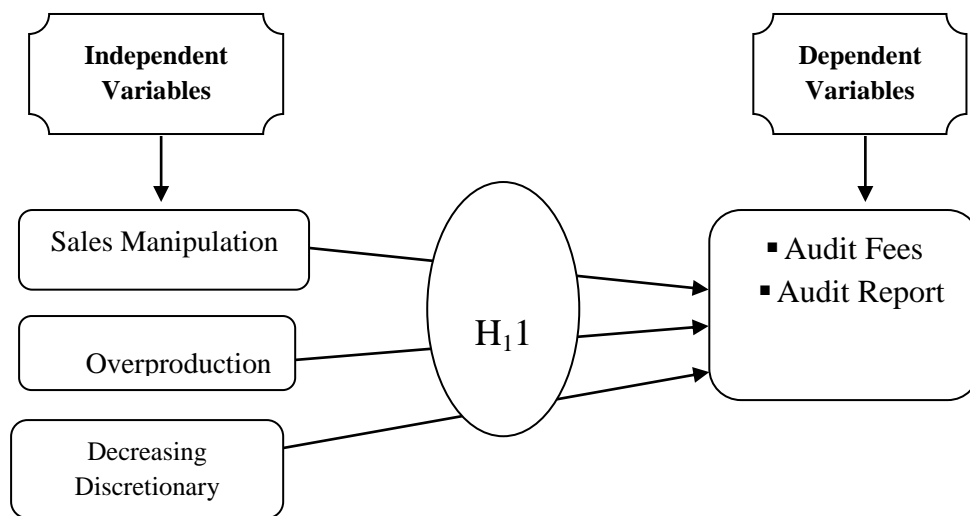
1. The auditors involved in the research must represent auditing businesses of varying sizes (big, medium, and small) based in Greater Cairo, in addition to auditors from the Accountability State Authority across several ministries in the same region.
2. Convergence of the auditors' professional experiences involved in the research.

Prior to disseminating the questionnaire to the research population, it is developed and evaluated on a pilot sample. This enables the researchers to assess the respondents' comprehension of the questions and to integrate their input. Upon confirmation that the questionnaire aligns with the research goals, it is then finalized.

3.2.Variables:

The present study considers Managerial opportunistic behavior as an independent variable, which is subdivided and assessed by real earnings management (REM) operational activities (sales manipulation, overproduction & reducing discretionary expenses, while Audit fees and Audit report serves as the dependent variable.

The relationship between the study independent and dependent variables could be illustrated through the following model:



3.3.Statistical Analysis:

Before executing the statistical analysis, performing a preliminary data analysis is an essential step, as it ensures the accuracy of the future statistical procedures. The subsequent actions were executed during the initial data analysis phase:

1. Performing reliability testing.
2. Determining the statistical techniques to be utilized for data analysis.

3.3.1.Reliability Test:

Reliability refers to the consistency of the questionnaire statements. In other words, if administered to a different sample of same size, the questionnaires are likely to provide findings that are comparable, with a

probability corresponding to the value of the reliability coefficient. Cronbach's Alpha is employed to assess the reliability of surveys.

Cronbach's Alpha is a coefficient that ranges from 0 to 1. The coefficient's value is 0 when the questionnaire data is entirely inconsistent, and one when the data is perfectly consistent. An increase in Cronbach's Alpha signifies enhanced reliability of the data.

The Cronbach's Alpha scale has a minimum value of 0.7, with values beyond 0.7 indicating a robust level of data stability. Cronbach, L. (1951). Values beyond 0.6 are also deemed acceptable (Griethuijsen V., et al., 2015; Taber K., 2018). Table (1) presents the outcomes of the reliability test for the study's variables.

Table (1): Reliability Test

Variables		Reliability <i>Cronbach's Alpha</i>
▪ Managerial opportunistic behavior (REM)	Decreasing Discretionary Expenses (DDE)	0.848
	Sales Manipulation (SM)	0.645
	Overproduction (OVE)	0.613
▪ Audit fees and Audit Report (AQ)		0.752

Table (1) indicates that the reliability levels of all variables are above the threshold of 0.60, hence confirming the stability of the survey data. Consequently, it is determined if the data correctly reflects the examined population and is suitable for future statistical analysis. It is important to note that question 4 has been eliminated from the overproduction section, question 5 has been excluded from the Audit fees and Audit report section, as they were incongruent with the other questions representing the variables.

3.3.2. Demographic Data Analysis:

Table (2): Demographic data analysis

Variables	Items	Frequencies	Proportion (%)
Educational Level	Bachelor	81	45.8
	Diploma	14	7.9
	Master	47	26.5
	Doctor of Philosophy	35	19.8
Employer	Accountability State Authority	48	27.1
	Auditing Office	129	72.9
The affiliation of the audit company with external auditing firms	There is no partnership or representation with the outside	117	66.1
	The office is a branch of an external audit office	26	14.7
	The office is representative of an external audit office	34	19.2
Years of Experience	5 – 10 years	76	42.9
	10 – 15 years	48	27.1
	15 years and more	53	29.9
Professional Certificates	CMA	10	5.6
	CPA	21	11.9
	Other	146	82.5

According to the preceding table:

1. The sample distribution by educational level is as follows:
The majority of the sample comprises applicants with a Bachelor's degree, accounting for 45.8 percent.
2. The distribution of the sample by employer:

The bulk of responders comprise personnel from auditing offices, accounting for 72.9%, while the remainder, 27.1%, is employed at the Accountability State Authority.

3. The sample distribution based on the link between the audit office and external audit offices:

The bulk of responses, at 66.1%, consists of personnel in auditing offices without external partnerships or representation.

4. The distribution of the sample based on Years of Experience:
The bulk of replies comprise auditors with five to 10 years of expertise.
5. The sample distribution about Professional credentials: A predominant 82.5% of respondents own credentials other than CMA or CPA, such as IFRS.

3.3.3. Descriptive Statistics:

Descriptive statistics for variables are computed by calculating the mean, median, and standard deviation for each variable; these statistics are utilized to ascertain the prevailing opinion trend within the study sample. To validate the prevailing opinion trend of the study sample, the One-Sample Wilcoxon Signed Rank test is employed, as seen in Table (3).

Table (3): Descriptive Statistics and Wilcoxon Signed Rank test

Variables	Descriptive Statistics			Wilcoxon-test	
	Mean	Median	SD	Statistic	p-value
Decreasing Discretionary Expenses (DDE)	3.41	3.67	0.953	9367.0	0.000
Sales Manipulation (SM)	3.75	4	0.792	12064.5	0.000
Overproduction (OVE)	3.69	4	0.839	9663.0	0.000
Audit fees and Audit Report	3.68	3.80	0.709	12545.5	0.000

Table (3) indicates that the overall tendency for all variables is to Agree, with both the Mean and median above 3. Furthermore, the Wilcoxon Signed Rank test validated that the median for each variable surpasses 3, while the p-value is below the significance threshold of 5% ($p\text{-value} = 0.000 < \alpha = 0.05$), indicating a confidence level of 99%.

The preceding table indicates that the overall trend for the variables of sales manipulation, discretionary expenses, and overproduction surpasses the mean and median levels of 3, with a standard deviation ranging from 0.792 to 0.9 and a p-value of less than 5%. This suggests that respondents concur that these three variables represent the most prevalent real earnings management activities undertaken within organizations which are considered indicators of managerial opportunistic behavior, corroborating the conclusions of prior studies (Roychowdhury s., 2006, Cohen D., et al, 2008 , Ge and Kim, 2014) .

Ultimately, it is observed that the overall trend for the variable audit fees and audit report surpasses the mean and median levels of 3, with a standard deviation of 0.709 and a p-value below 5%. This suggests that respondents concur that the indicators of audit quality (audit fees and the type of audit report) are influenced by real earnings management, corroborating findings from prior studies (Greiner A., et al, 2017, Choi A., et al, 2021)

3.3.4. Correlation:

Table (4): Correlation between Real Earnings Management (REM) activities and Audit fees and Audit Report.

Variables		DDE	SM	OVE	Af & Ar
Decreasing Discretionary Expenses (DDE)	Corr.	1			
	p-value				
Sales Manipulation (SM)	Corr.	0.496	1		
	p-value	0.000			
Overproduction (OVE)	Corr.	0.393	0.425	1	
	p-value	0.000	0.000		
Audit fees and Audit report (Af & Ar)	Corr.	0.376	0.453	0.373	1
	p-value	0.000	0.000	0.000	

The Spearman correlation test is employed to ascertain the causal relationship between independent and dependent variables, as well as to evaluate the interrelationship among independent variables to identify the presence of multicollinearity issues.

The correlation among the independent variables (Decreasing Discretionary Expenses, Sales Manipulation, and Overproduction) varied from 39.3% to 49.6%, failing to achieve 70%; hence, the issue of multicollinearity is absent in the current study.

Table (4) convey:

There is a statistically significant positive relationship between Indicators of Audit Quality variable and Decreasing discretionary expenses, sales manipulation and overproduction, which means that the existence of the above real earnings management activities result in increasing the procedures of conducting the audit which is considered an indicator of increased quality of audit, the highest effect on Audit Quality factors comes from sales manipulation activities, this relationship is significant whereas p-value less than significance level at 5% ($p\text{-value} = 0.000 < \alpha = 0.05$), where the existence of REM activities resulted in changing audit fees and the type of issued audit report, increased audit fees is highly affected by the presence of REM activities where auditors would increase audit procedures to increase REM detection which in turn increase audit fees, in addition the presence of REM activities result in changing audit opinion from unqualified to qualified or adverse opinion which in turn enhance audit quality.

3.3.5. Multiple Linear Regression:

This section provides a statistical analysis to evaluate the study hypothesis: "There is a significant positive effect of REM activities detection on audit fees and the type of issued audit report." Multiple Linear Regression Analysis is employed to assess the effect of Real Earnings Management activities (independent variables) on Audit Fees and the Type of Issued Audit Report (dependent variable). Table (5) presents regression coefficients, standard error (S.E.), t-test results,

collinearity assessed using variance inflation factor (VIF), correlation coefficient (r), coefficient of determination (r^2), and F-test statistics.

Table (5): Regression Model between Real Earnings Management (REM) activities and Audit Fees and The Type of Issued Audit Report

Variables	Coefficients		t-test		VIF	r	r^2	F-test	
	Value	S.E.	t	p-value				F	p-value
Constant	1.586	0.265	5.988	0.000	-----	0.524	0.275	21.838	0.000
DDE	0.078	0.054	1.440	0.152	1.252				
SM	0.320	0.066	4.828	0.000	1.302				
OVE	0.170	0.060	2.847	0.005	1.194				

The Regression Model is:

$$AQ = a + b_1DDE + b_2SM + b_3OVE$$

$$AQ = 1.586 + 0.078DDE + 0.320SM + 0.170OVE$$

Table (5) demonstrates that:

1. There is no statistically significant effect of Decreasing Discretionary Expenses (DDE) on Audit Fees and the Type of Issued Audit Report (AQ), as the p-value of the t-test exceeds the significance levels of 5% and 10% ($p\text{-value} = 0.152 > \alpha = 0.05$). This outcome is unexpected and contradicts conclusions drawn in the literature, which posits that an unanticipated reduction in discretionary expenses would necessitate expanded audit procedures to ascertain whether this decline is consistent with the organization's standard operations or indicative of genuine earnings management. Consequently, if the auditor fails to identify the decrease in discretionary expenses, it could adversely

impact audit quality (Greiner A., et al, 2013). This aligns with the conclusions drawn by Abd El Aty A. (2019), which indicate that a reduction in discretionary expenses does not influence audit opinions. From the researchers' perspective, this is likely due to the impact of discretionary expenses is likely to manifest more significantly in the long term than in the short term, as a decrease in discretionary expenses may enhance an organization's profitability by increasing cash flow in the short term.

2. There is a statistically significant effect of Sales Manipulation (SM) on Audit Fees and the Type of Issued Audit Report (AQ), as the p-value of the t-test is below the significance threshold of 5% ($p\text{-value} = 0.000 < \alpha = 0.05$). This aligns with the conclusions of prior studies (Abasizade and Zamanpour, 2016, Alhadab, 2016), which indicated that detecting sales manipulation requires greater effort from auditors, thereby elevating audit fees, and that such manipulation heightens the likelihood of receiving a qualified or adverse audit report. Conversely, this contradicts the findings of Ghanbari A. et al. (2014) and Abd El Aty A. (2019), which indicated that sales manipulation does not influence the escalation of audit fees or the type of the issued audit report.
3. There is a statistically significant effect of Overproduction (OVE) on Audit Fees and the Type of Issued Audit Report (AQ), as the p-value of the t-test is below the significance threshold of 5% ($p\text{-value} = 0.005 < \alpha = 0.05$). This aligns with the conclusions drawn by Alhadab (2017) and Abd El Aty A. (2019). This outcome contradicts the findings of Omid A. (2015), which asserted that abnormal production costs arising from overproduction do not influence the nature of the audit opinion issued. Consequently, according to Omid A. (2015), the issuance of an unqualified audit opinion in the presence of REM was not deemed indicative of diminished audit quality.

4. The effect is positive (+), indicating that auditors (participants in the field research) concur that REM activities which is considered an indication of managerial opportunistic behavior positively influence audit fees and the nature of the issued audit report.
5. The regression model is statistically significant, since the p-value of the F-test is below 5% ($p\text{-value} = 0.000 < \alpha = 0.05$).
6. Real earnings management activities have a moderate correlation with audit fees and the type of issued audit report, evidenced by a correlation coefficient of 0.524. Real earnings management activities account for approximately 27.5% of the variations in audit fees and the type of issued audit report, while the remaining 72.5% may result from random error or other unaddressed factors influencing audit fees and the type of issued audit report.

Managerial opportunistic behavior which resulted in real earnings management (REM) necessitates heightened efforts from auditors for detection, which in turn requires additional procedures and leads to increased audit fees (Greiner, et al, 2013). Furthermore, the presence of REM elevates the likelihood of influencing the nature of the issued audit report, with failure to address it regarded as a significant audit error (De Fond and Zhang, 2014)

In conclusion, a considerable beneficial influence of REM activities detection on audit fees and the type of issued audit report has been identified; hence, the study hypothesis is accepted. This outcome aligns with the conclusions drawn in prior work (Abasizade and Zamanpour, 2016, Greiner A. et al, 2017,).

4.Conclusion:

The recognition of managerial opportunistic behavior as real earnings management (REM) is considered a pivotal moment for auditors, prompting them to urge managers to enact changes that may not

be qualitatively necessary or mandated by regulations, as they will perceive management as overly assertive in other activities unrelated to REM following the detection of REM activity.

Real earnings management (REM) may adversely affect the firm's performance, potentially leading to increased long-term expenses for shareholders due to its detrimental impact on future cash flows and the firm's overall worth over time. Thus, Auditors must employ suitable analytical methods to identify REM.

REM activities led to heightened audit efforts and resources, as well as an augmented perception of business risk, which in turn resulted in increased audit fees. Consequently, elevated audit fees associated with REM activities are regarded as a sign of enhanced audit quality, wherein auditors exercise due professional care. Furthermore, REM activities have prompted a shift in the issued audit opinion from unqualified to qualified or adverse. Thus, the issuance of an appropriate audit opinion in the context of REM is viewed as indicative of improved audit quality, reflecting the auditors' diligence in identifying managerial opportunistic behaviors (REM).

References:

- Abasizade, A. and Zamanpour, A. (2016) 'Investigation the effect of real earnings management and accounting earning management on audit fees in the companies listed in Tehran Stock Exchange Ashcan', *International Journal of humanities and Cultural Studies*, (ISSN 2356-5926), pp. 2197–2207. doi: 10.5267/j.msl.2014.9.011.
- Alhadab, M. (2016) 'Auditor report and earnings management: Evidence from ftse 350 companies in the UK', *Risk Governance and Control: Financial Markets and Institutions*, 6(4Continued2), pp. 334–344. doi: 10.22495/rgcv6i4c2art11.
- Alhadab, M. (2017) 'Abnormal audit fees and accrual and real earnings management: evidence from UK', *Journal of Financial Reporting and Accounting*, 16(3), pp. 395–416. doi: 10.1108/JFRA-07-2017-

0050.

- Al-Haddad, L. and Whittington, M. (2019) 'The impact of corporate governance mechanisms on real and accrual earnings management practices: evidence from Jordan', *Corporate Governance (Bingley)*, 19(6), pp. 1167–1186. doi: 10.1108/CG-05-2018-0183.
- Ayhan H., 2011, 'Non-probability Sampling Survey Methods', *International Encyclopedia of Statistical Science*, 2(14), pp.979-982.
- Boubakri, N., Ghalieb, N. and Boyer, M. M. (2011) 'Managerial Opportunism in Accounting Choice: Evidence from Directors' and Officers' Liability Insurance Purchases', *SSRN Electronic Journal*, (January). doi: 10.2139/ssrn.1109254.
- Chang, C. F. (2015) 'The Impact of Managerial Opportunism on Earnings Reliability', *International Journal of Economics and Finance*, 7(10), pp. 222–234. doi: 10.5539/ijef.v7n10p222.
- Choi, A., Lee, E.Y., Park, S. and Sohn, B.C., 2021. 'The differential effect of accrual-based and real earnings management on audit fees: international evidence. *Accounting and Business Research*, 52(3), pp.1- 37.
- Chou, Y. and Chan, M. (2018) 'The impact of CEO characteristics on real earnings management: Evidence from the US banking industry', *Journal of Applied Finance & Banking*, 8(2), pp. 17–44.
- Cohen, D. A., Dey, A. and Lys, T. Z. (2008) 'Real and Accrual-Based Earnings Management in the Pre- and Post-Sarbanes-Oxley Periods', 83(3), pp. 757–787.
- Darmawan, I. P. E., T, S. and Mardiaty, E. (2019) 'Accrual Earnings Management and Real Earnings Management: Increase or Destroy Firm Value?', *International Journal of Multicultural and Multireligious Understanding*, 6(2), pp. 8–19. doi: 10.18415/ijmmu.v6i2.551.
- DeFond, M. and Zhang, J., 2014. 'A review of archival auditing research. *Journal of accounting and economics*, 58(2-3), pp.275-326.
- Enomoto, M., Kimura, F. and Yamaguchi, T. (2012) 'Accrual-Based and Real Earnings Management: An International Comparison for

- Investor Protection', *Journal of Contemporary Accounting & Economics*, 11(3), pp. 1–38. doi: 10.2139/ssrn.2066797.
- Ge, W. and Kim, J. B. (2014a) 'Boards, takeover protection, and real earnings management', *Review of Quantitative Finance and Accounting*, 43(4), pp. 651–682. doi: 10.1007/s11156-013-0388-2.
- Ge, W. and Kim, J. B. (2014b) 'Real earnings management and the cost of new corporate bonds', *Journal of Business Research*, 67(4), pp. 1–7. doi: 10.1016/j.jbusres.2013.01.021.
- Ghanbari, A., Askarian, H. and Matinfar, M., 2014. 'The effect of real earnings management on audit fees in listed companies in Tehran Stock Exchange. *Management Science Letters*, 4(10), pp.2251-2260.
- Greiner, A. J., Kohlbeck, M. J. and Smith, T. J. (2013) 'Do Auditors Perceive Real Earnings Management as a Business Risk?', *SSRN Electronic Journal*, 33431(561). doi: 10.2139/ssrn.2239959.
- Greiner, A., Kohlbeck, M. J. and Smith, T. J. (2017) 'The relationship between aggressive real earnings management and current and future audit fees', *Auditing*, 36(1), pp. 85–107. doi: 10.2308/ajpt-51516.
- Gunny, K. (2005) What Are the Consequences of Real Earnings Management?, Working Paper. doi: 10.1063/1.1774702.
- Huang, S., Roychowdhury, S. and Sletten, E. (2020) 'Does litigation deter or encourage real earnings management?', *Accounting Review*, 95(3), pp. 1–54. doi: 10.2308/ACCR-52589.
- Huang, X. (Sharon) and Sun, L. (2017) 'Managerial ability and real earnings management', *Advances in Accounting*, 39, pp. 1–14. doi: 10.1016/j.adiac.2017.08.003.
- Imen, F. and Anis, J. (2020) 'The moderating role of audit quality on the relationship between auditor reporting and earnings management: empirical evidence from Tunisia', *EuroMed Journal of Business*. doi: 10.1108/EMJB-03-2020-0024.
- Kumar R., 2018, *Research Methodology: A Step-by-Step Guide for Beginners*, Book.

- Lisic, L., Pevzner, M. and Chi, W. (2011) 'Is Enhanced Audit Quality Associated with Greater Real Earnings Management?', *Accounting Horizons*, 25(2), pp. 315–335. doi: 10.2308/acch-50082.
- Luo, B. (2019) 'Short-term management earnings forecasts and earnings management through real activities manipulation', *Asian Review of Accounting*, 28(1), pp. 110–138. doi: 10.1108/ARA-09-2018-0168.
- Md Nasir, N. A. binti *et al.* (2018) 'Real earnings management and financial statement fraud: evidence from Malaysia', *International Journal of Accounting and Information Management*, 26(4), pp. 508–526. doi: 10.1108/IJAIM-03-2017-0039.
- Moazedi, E., Khansalar, E. , 2016. 'Earnings management and audit opinion'. *International Journal of Economics and Finance*, 8(4), pp.113- 122.
- Naciti, V. (2019) 'Corporate governance and board of directors: The effect of a board composition on firm sustainability performance', *Journal of Cleaner Production*, 237, pp. 1–9. doi: 10.1016/j.jclepro.2019.117727.
- Nuanpradit, S. (2019) 'Real earnings management in Thailand: CEO duality and serviced early years', *Asia-Pacific Journal of Business Administration*, 11(1), pp. 88–108. doi: 10.1108/APJBA-08-2018-0133.
- Omid, A.M., (2015). 'Qualified audit opinion, accounting earnings management and real earnings management: Evidence from Iran'. *Asian Economic and Financial Review*, 5(1), pp.46-57.
- Paredes P., A. A. and Wheatley, C. (2017) 'Real earnings management or —just business!', *Journal of Financial Economic Policy*, 9(3), pp. 268–283.
- Qi, B. et al. (2018) 'The impact of top management team characteristics on the choice of earnings management strategies: Evidence from China', *Accounting Horizons*, 32(1), pp. 143–164. doi: 10.2308/acch-51938.
- Roychowdhury, S. (2006) 'Earnings management through real activities manipulation', *Journal of Accounting and Economics*, 42(3), pp. 335–370. doi: 10.1016/j.jacceco.2006.01.002.

- Sani, A. A., Latif, R. A. and Al-dhamari, R. A. (2018) 'Can Big4 Auditors Mitigate the Real Earnings Management? Evidence from Nigerian Listed Firms', *Asian Journal of Economics, Business and Accounting*, 8(2), pp. 1-10.
- Sharf, N. and Nassar, M.A., 2021. 'The Effect of Audit Quality and Auditor's Opinion on Earnings Management: Evidence from Jordan'. *Jordan Journal of Business Administration*, 17(2) , pp.236-252.
- Taber, K. S. (2018). The use of Cronbach's alpha when developing and reporting research instruments in science education. *Research in Science Education*, 48(6),1273-1296.
- Taylor, G. K. and Xu, R. Z. Z. (2010) 'Consequences of real earnings management on subsequent operating performance', *Research in Accounting Regulation*, 22(2), pp. 128-132. doi: 10.1016/j.racreg.2010.07.008.
- Tsipouridou, M. and Spathis, C. (2014) 'Audit opinion and earnings management: Evidence from Greece', *Accounting Forum*, 38(1), pp. 1-17. doi: 10.1016/j.accfor.2013.09.002.
- Van Griethuijsen, R.A.L.F., van Eijck, M.W., Haste, H. (2015). 'Global Patterns in Students' Views of Science and Interest in Science. *Res Sci Educ* 45, 581-603.
- أحمد عبد العاطي، ٢٠١٩، قياس وتفسير العلاقة بين مستويات إدارة الأرباح ونوع تقرير مراقب الحسابات في إطار ضبط المخاطر (دراسة تطبيقية)، رسالة دكتوراه، جامعة عين شمس.

..... السيد الفاضل /

- 416 -

المفاهيم الأساسية المستخدمة في الدراسة

إدارة الأرباح الحقيقية:

تعرف إدارة الأرباح الحقيقية على أنها التغيير المتعمد من الإدارة في رقم الربح من خلال ممارسات الأنشطة داخل المنشأة سواء كانت متعلقة بعمليات التشغيل أو الأنشطة الاستثمارية ويترتب عليها تدفقات نقدية حالية ومستقبلية مثل:

١. تخفيض سعر البيع.
٢. تقديم تسهيلات ائتمانية.
٣. تأجيل النفقات الاختيارية (مثل البحث والتطوير).
٤. زيادة حجم الإنتاج.
٥. توقيت بيع الأصول الثابتة.

تقرير المراجعة:

تقرير المراجعة هو وثيقة رسمية يتم إعدادها بعد فحص القوائم المالية للشركة، بهدف تقديم رأى مستقل وموضوعي حول مدى دقة وشفافية القوائم المالية ومدى امتثالها للمعايير المحاسبية المقبولة عموماً.

أتعاب المراجعة:

أتعاب المراجعة هي الرسوم المدفوعة لمراقبي الحسابات لإجراء فحص البيانات المالية للشركة وضمان الأمتثال للمعايير واللوائح المحاسبية. تختلف هذه الرسوم عادة بناء على مدى تعقيد عملية المراجعة وحجم المنظمة ومستوى المخاطر المرتبطة بمهمة المراجعة. رسوم المراجعة هي نفقات حرجة للشركات ، لأنها تضمن مصداقية وموثوقية التقارير المالية.

بيانات عامة:

الاسم اختياري)

١. المؤهل العلمي:

بكالوريوس ☐ دبلوم دراسات عليا ☐ ماجستير ☐ دكتوراه ☐

٢. جهة العمل:

مكتب مراجعة ☐
الجهاز المركزي للحسابات ☐

٣. علاقة مكتب المراجعة مع مكاتب المراجعة الخارجية:

- ☐ المكتب فرع لمكتب مراجعة خارجي
☐ المكتب ممثل لمكتب مراجعة خارجي
☐ لا يوجد شراكة او تمثيل مع الخارج

٤. عدد سنوات الخبرة:

- ☐ ٥ - الى اقل من ١٠ سنوات
☐ ١٠ - الى اقل من ١٥ سنة
☐ ١٥ سنة فأكثر

٥-الشهادات المهنية:

- ☐ CPA
☐ CMA
☐ أخرى

من فضلك ضع علامة (✓) في الخامة التي تعبر عن وجهة نظرك:

١. ممارسات إدارة الأرباح الحقيقية في الشركات محل المراجعة:

موافق بشدة (٥)	موافق (٤)	محايد (٣)	غير موافق (٢)	غير موافق بشدة (١)	
					التلاعب بالمبيعات:
					١. تخفيض سعر البيع غير المبرر لفترة محدودة يمثل تلاعب في حجم المبيعات.
					٢. التوسع في تقديم تسهيلات ائتمانية دون مبرر قوى يمثل تلاعب في حجم المبيعات.
					٣. يؤثر التلاعب بالمبيعات عن طريق تخفيض سعر البيع على قابلية القوائم المالية للمقارنة مما يؤثر على عدالة القوائم المالية.

					الإنتاج الزائد عن الحد:
					٤. زيادة الإنتاج عن الحد المقبول بهدف تخفيض التكلفة يؤدي الى زيادة متعمدة في الأرباح.
					٥. يؤثر الإنتاج الزائد عن الحد على قابلية القوائم المالية للمقارنة مما يؤثر على عدالة القوائم المالية.
					٦. وجود خسائر تشغيل كبيرة نتيجة الإنتاج الزائد عن الحد يؤدي الى عدم استمرارية المنشأة في الاجل الطويل.
					تخفيض النفقات الاختيارية:
					٧. يؤدي تأجيل نفقات البحث والتطوير رغم ضرورة إجراءه الى زيادة متعمدة في الأرباح.
					٨. يؤدي تخفيض الإنفاق على الإعلانات رغم ضرورة إجراءه الى زيادة متعمدة في الأرباح.
					٩. التخفيض غير الطبيعي في نفقات التدريب يؤدي الى زيادة متعمدة في الأرباح.

٢. مدى تأثير ممارسات إدارة الأرباح الحقيقية على مؤشرات أتعاب وتقرير المراجعة:

موافق بشدة (٥)	موافق (٤)	محايد (٣)	غير موافق (٢)	غير موافق بشدة (١)	
					١. عدم اكتشاف ممارسات إدارة الأرباح الحقيقية يؤثر على جودة المراجعة.
					٢. المراجعون في مكاتب المراجعة التي تصنف ضمن الأربع مكاتب الرائدة يستطعون اكتشاف ممارسات إدارة الأرباح الحقيقية أكثر من المراجعين في المكاتب الأخرى.
					٣. من المرجح أن يكتشف المراجعون المتخصصون في الصناعة إدارة الأرباح الحقيقية أكثر من المراجعون غير المتخصصون في الصناعة.
					٤. زيادة تكاليف المراجعة دليل على زيادة الإجراءات التحليلية المستخدمة في اكتشاف ممارسات إدارة الأرباح الحقيقية وبالتالي زيادة جودة المراجعة.
					٥. كلما زادت فترة التعامل بين المنشأة ومكتب المراجعة، زادت قدرة المراجع على اكتشاف ممارسات إدارة الأرباح الحقيقية.
					٦. وجود ممارسات لإدارة الأرباح الحقيقية في المنشأة محل المراجعة يؤثر على نوع التقرير الذي يصدره المراجع.