



## **Audit Committee Member Tenure and Earnings Management**

**Mike Braswell**

*Department of Accounting and Business Law, The College of Charleston*

---

### **A B S T R A C T**

Regulators and academics have increased their focus on audit committee composition, indicating an acknowledgement of the potential importance of audit committee monitoring efforts on earnings quality by minimizing the opportunistic earnings management practices. I extend prior corporate governance research on the influence audit committees may have on earnings management by exploring whether the duration of service on a specific audit committee (i.e., audit committee tenure) affects companies' use of GAAP-based or real earnings management techniques.

The results of my analysis suggest that audit committee members develop firm-specific knowledge about financial reporting issues, which limits the degree to which management relies upon accruals to influence earnings. I also test whether audit committee tenure is associated with firms' use of real earnings management since such techniques reflect routine business decisions that may not be as easily detectable by audit committees. I find that longer audit committee tenure is somewhat effective in reducing management's tendency to defer or minimize discretionary expenses to artificially inflate earnings. Taken together, these results may benefit regulators and boards of directors who seek to improve the effectiveness of audit committee financial reporting oversight and risk assessment responsibilities.

©2018 IRABF All rights reserved.

---

*Keywords:* Audit, Earnings Management, Audit Committee, Real Earnings Management

*JEL classification:* G00, G39, M41, M42

---