Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.9, No.23, 2018

Earnings Management and Financial Performance of Listed Non Financial Firms in Nairobi County, Kenya

Ndung'u Maureen Wangui
Department of Accounting and Finance, Kenyatta University, PO box 43844-00100, Nairobi, Kenya

Dr. Eddy Simiyu
Chairman: Department of Accounting and Finance; School of Business, Kenyatta University
, P.O. Box 43844-00100, Nairobi, Kenya

Abstract
Earnings management practices have taken center stage in most businesses; today, most firms have adopted various practices to enhance financial performance. Even though these practices have in some instances been used for wrong reasons that have led to business failures, the practices are still embraced by most firms to boost performance. It is in this light that this study sought to determine the effect of earnings management practices on financial performance of firms in Nairobi. The specific objectives of the study were to determine the effect of revenue management, expense management and assets and liability management on financial performance of non-financial firms listed with NSE in Nairobi. The study was anchored on: signaling theory which enable firms to send signals to stakeholders on financial health, performance and future prospects; agency theory which explains the relationship between principles and agents and; institutional theory which looks at how firms interact with environment. This study is useful to the management and shareholders of firms in Kenya, Institute of Certified Public Accountants of Kenya [ICPAK]. Using descriptive and inferential research designs, the study sampled 164 senior managers drawn from accounts departments in 41 non-financial firms listed with NSE in Nairobi using stratified sampling procedures with 80 responding to questionnaires. Data analysis was done by use of SPSS version 21.0. Both descriptive and inferential analyses were done. The study found that revenue management enhanced financial performance of firms and that the firms undertook various revenue management practices among them revenue timing, revenue projections, shifting of earnings and revenue recognition to enhance financial performance. The study also found that expense management practices promoted financial performance of non financial firms listed with NSE and that good expense management practices involving recognition of expenses, reserves and inventory as well as reduction in discretionary expenditures influenced the firms' performance. The study found assets and liability management by firms does not promote financial performance of firms and that overstating assets and understating liabilities, and concealment of liabilities negatively affected financial performance of firms. However, it was also found that proper inventory management practices, proper management of accrued payable expenses and accounts payable promotes profitability performance of firms. Further, the study found that accounting regulations did not fully mediate in the relationship between earnings management practices and firms' financial performance and that accounting flexibilities allowed firms to engage in inappropriate earnings management. The study recommends that firms need to come up with appropriate rules and guidelines on earnings management practices. It further recommends that ICPAK to develop policies supporting appropriate earnings management practices by firms so as to promote financial performance.

1. INTRODUCTION

One of the objectives of any particular company is profit maximization. Earnings are therefore considered to be a firm's final fiscal yield in any given period (Tabassum, Kaleem & Nazir, 2013). Earnings not only serve as a financial performance checklist for internal users, but also external users. Financial performance is usually communicated to its users through financial reporting; an accounting language used by management to communicate private information regarding the firm's performance to stakeholders. Financial reporting allows financial statements to effectively portray differences in firms' economic positions and performance in a timely and credible manner. To strengthen financial reporting, managers are allowed to exercise judgment in selecting reporting methods and estimates that match the firm's economics; however, this create opportunities for them to manage earnings (Healy & Whalen, 1999). Earnings management is the process by which financial information is manipulated to provide a firm's financial position and performance (Salim, 2012).

The process of preparing financial statements by firms is guided by various policies which have been put in place by various bodies that is; International Financial Reporting Standards [IFRS] in Europe and the GAAP in the United States [US]. These policies provide the basis through which financial information is prepared and reported. The primary objective of the accounting standards is to enable corporations to provide investors and creditors with relevant, reliable and timely information which is in line with the IASB's accounting framework for the preparation and presentation of Financial Statements (Outa, 2011). However, questions are raised as to how the practice of earnings management is continuing to accelerate despite the amount of regulations and standards governing the reporting process (Rani *et al.*, 2013). It has been noted that financial managers tend to window dress their figures in order to increase their compensation and job security, avoid breaching contracts with lenders, reduce regulatory costs or increase regulatory benefits (Healy & Wahlen, 1999).

The practice of earnings management is not only experienced in developed nations, it is also common in the emerging markets. In India, companies have become notorious for practicing earnings management for various reasons such as performance based incentives, personal gain of management and to achieve certain earnings targets. The reasons for growth in this practice include: flexibilities in the Indian regulatory bodies, unclear lines that can differentiate fraud and earning manipulation; weak market competition; information asymmetry; investors' lack of awareness about the accounting concepts among others (Gill *et al*, 2013). India is however not the only country affected, empirical evidence has shown that earnings patterns of non-financial companies in Singapore display earnings management behavior to meet thresholds: to avoid reporting losses and/or to avoid reporting negative earnings growth, whereas both financial and non-financial companies in Thailand exhibit earnings management behavior (Charoenwong & Jiraporn, 2009 as quoted in Manzalawy & Rwegasira, 2013). It has also been noted that many firms in the Egyptian Stock Exchange engage in various earnings management practices to influence their stock prices (Manzalawy & Rwegasira, 2013).

In Kenya, the council of the Institute of Certified Public Accountants [ICPAK] adopted the use of the IFRS as the basis for preparation of financial statements. The Kenyan market is considered a developing economy and therefore strives to meet the global standards of business performance. Companies in Kenya are usually operated by observing the companies Act- Cap 486, which requires all limited liability companies to keep proper books of account (Outa, 2011). With the standard of reporting being adopted as that adopted globally, companies were under more pressure to present their financial statements in a manner that would give them a competitive edge. However, according to Outa (2011) there are weak links in the organization of the profession, industry regulators, registrar of companies in Kenya (Custodian of the Company's act), the Constitution and the International Standard Setters." Such weak links in our own accounting profession led to the various accounting malpractices that have been witnessed in the recent past, most recently being the Imperial bank scandal.

Measurement of Financial Performance

In the corporate world, financial performance is what is used to determine the health of an organization. Financial Performance is measured in various ways such as shareholders wealth maximization, profitability and components of financial statements such as sales, total assets and equity. Profitability is the main reason people venture into business. Rarely does one find people in business just for the fun of it. According to Oxford dictionary, profitable refers to that which makes or is likely to make money. A business that is highly profitable has the ability to reward its owners with a huge return on their investment (Yekira & Okeoma, 2013).

Profit is the ultimate goal of any company. All the strategies designed and activities performed thereof are meant to realize this grand objective (Ongore & Kusa, 2013). Profitability is usually measured through the use of profitability ratios which measure the profitability of a firm in relative terms such as return on assets, return on equity and profit margin. Investors tend to invest in companies which have been profitable in previous years. Achieving acceptable financial performance is a must, otherwise the organization's financial standing can alarm creditors and shareholders, impair its ability to fund needed initiatives and perhaps even put its very survival at risk (Yekira & Okeoma, 2013)

Shareholders wealth maximization is also an important aspect in a company. Every company wants to achieve this goal as it is one of the very reasons of a company's existence. Under shareholders wealth maximization, there are two aspects to be considered that is; Economic Value Added and Market Value Added. Under economic value added, these are the benefits that are enjoyed by a company during its operations. In market value added, there is market share. Market share is important because it enables one to know the strength of the organization whether they are leaders or minor players and also if the organization is still holding, gaining or losing share of its target market. Market ratios measure how the firm is performing in terms of the dividends, share earnings and price earnings (Yekira & Okeoma, 2013). Companies are usually in competition to ensure that they enjoy a large share of the market as this improves their profitability. They offer very attractive deals that would appeal to potential customers and also existing customers to take advantage of them.

Earnings Management Practices

Despite the efforts to normalize and regulate accounting internationally, the accounting information succeeds in fulfilling its duties only partially. The most eloquent proof is represented by the numerous financial scandals in the global market (Constantin, 2013).Some of these financial scandals include; Enron Corporation which through its auditors Arthur Andersen produced financial information that did not present a true and fair view of the company. They hid their debt by using Special Purpose Entities to increase capital and improve their ratings (Edelman & Nicholson, 2014). Arthur Andersen was one of the largest accounting firms that was recognized as being trustworthy and reliable until they were involved in financial scandals that led to their fall. Its fall was brought about by the fall of most of their clientele as it was accused of presenting unqualified reports instead of qualified reports (Ferrell, 2014). Another company involved in this practice was Tyco International; which was involved in misappropriation of its assets and which led to losses for the investors and an immense drop in the share prices. Although the share prices did drop, the company was fortunate enough not to suffer the threat of bankruptcy (Kennedy, 2012).

Earnings Management is not only prevalent on a global scale, but it is also present in Asia and other emerging markets. In India, Satyam Computers Services Limited under reported its liabilities, overstated assets, included fictitious loans and cash balances and also overstated income in order to meet analyst expectations (Bhasin, 2013). It is a vice that is not only prevalent in companies but it is also prevalent in the government (Ozkaya, 2014). In 1999, the Turkish government took a stabilization program with the IMF to regularize its public debt. Despite the program working out, a huge liquidity problem hit the market making the government unable to meet their direct liabilities and this led to bail outs by the IMF. The study showed that the accurate/ real public sector debt was actually greater than the announced public sector debt (Ozkaya, 2014).

Within the African continent, in Nigeria for example, there was an outcry for more to be done to regulate the markets as accountants and auditors are pushing more and more beyond the acceptable limits in the accounting profession(Ijeoma, 2014). Further, the continent also experienced its own version of the Enron scandal through the Cadbury PLC saga where the top management of the company was engaged in doctoring of accounts in a bid to cover up certain inadequacies and other unscrupulous deals (Okeoma, 2014). In Kenya, there have been falls and closures of certain entities suspected of engaging in this vice; for instance, Uchumi Supermarket, Mumias Sugar Company and banks such as Dubai Bank, Imperial Bank and most recently Chase bank which was put under receivership. The increasing cases of earnings management practices have led to companies issuing profit warnings. According to the NSE, these profit alerts have been blamed on factors including weak local currency, accounting fraud and increased competition (The East African, 2015).

Listed Companies in Kenya

In Kenya, companies that trade in securities are usually listed by the Nairobi Securities Exchange. The Nairobi Securities exchange began operations in the 1920s as Nairobi Stock Exchange; however, it was registered under the societies Act as a voluntary association of stockbrokers in 1954. From then, it continued operations and even at one time extended trading facilities to the East African region. It later changed its name from Nairobi Stock Exchange to Nairobi Securities Exchange on July 6th 2011. This was in line with its strategic plan to evolve into a full service securities exchange that supports trading, clearing and settlement of equities, debt, derivatives and other instruments.(Source: NSE Website, 2016).

Currently, the NSE boasts of sixty four listed companies in Kenya as at the end of 2015. These companies fall under certain business segments/ sectors which were reclassified in 2011. They were divided into ten industry Sectors and three sectors for the debt securities including preference shares. Some of the sectors include; Manufacturing, Agricultural, Insurance, Construction and Allied, Banking, Automobile, Investment, Energy and Petroleum, Commercial and Services, Telecommunication and Technology, Real Estate investment trust. The growth of the NSE has seen it from being a voluntary association to offering its shares and becoming a listed company in 2014.

For the purpose of this study, the research focused on listed non financial firms since financial firms are heavily regulated. Commercial banks in addition to being regulated by the Central Bank of Kenya also adhere to the regulations under BASEL II. Insurance firms also fall under financial firms and also have their share of regulations which are guided by Solvency II which are risk management frameworks.

2. LITERATURE REVIEW

Revenue Management and Financial Performance

Earnings management involves taking advantage of loopholes in accounting policies to falsify books of account. Revenue is an important factor that influences the financial performance of a firm. Firms that make great revenues usually show better performance than firms that make minimal revenues as the margins are much greater. Reported revenue provides a preliminary indication of the success of a firm and it directly affects the earnings reported and the firm's earning power (Mulford, 2002). Revenue management is mostly engaged in by companies that have been making a string of losses and expect future losses to continue (Callen *et al,* 2010). However, that is not to mean that only companies that are making losses engage in revenue management. It is undertaken by firms that value revenues as a measure of market capitalization (Callen *.et al*, 2010). Revenue Management can be in the form of recognizing fictitious revenue and timing of actual transactions (Colby, 2012).

Accountants and finance managers may time transactions in order to influence outcomes in the financial statements. This offers management an opportunity to increase revenues when the operating profit is not satisfactory and to create the desired impression in the accounts (Sanusi, 2013).It involves the recording of revenue in the improper period. Recognizing revenue early, before it is earned, will immediately increase the organization's income using legitimate sales, rather than creating phony sales (Colby, 2012). By increasing income, a firm can portray better performance in terms of increased margins which then translates to higher profitability. In 2002, Xerox Corporations was taken to court for having used a variety of accounting actions and opportunities to exceed Wall Street expectations (Colby, 2012).

Artificial transactions are those transactions that do not exist in entirety. They are often entered into both to influence balance sheet amounts and to shift profits between accounting periods(Colby, 2012). This is achieved by entering into two or more related transactions with an obliging third party, normally a bank. For example, supposing an arrangement is made to sell an asset to a bank then lease that asset back for the rest of its useful life. The sale price under such a 'sale and leaseback' can be pitched above or below the current value of the asset, because the difference can be compensated for by increased or reduced rentals (Sanusi, 2013). They can also refer to creating fake customers and sales and/or using legitimate customers by creating false invoices or increasing quantities and prices (Colby, 2012). A company that was discovered for recording fictitious revenue was Mercury Finance Company. It announced that it had uncovered phony bookkeeping entries including fictitious revenues that resulted in overstatement of its earnings (Mulford, 2002).

Various researchers have studied the area of revenue management in order to identify whether there is a relationship between revenue management and financial performance. Callen *et al*, (2004) studied revenue manipulation and restatements among loss making firms. In their study, revenue manipulation is through accounts receivable in form of unearned revenue and/or premature recognition of genuine transactions. They concluded that the main incentive for revenue management is to achieve high market capitalization and create positive expectations of future growth through sales. Aljifri, (2007) studied earnings management through accruals accounting choices that is timing of expenses and revenue recognition; and accounting method changes. Defond and Park (1997) demonstrated that managers tend to shift earnings between good and bad years in order to even them out. Nelson, Elliott and Tarpley (2002, 2003) provide survey data confirming that income-increasing earnings management involving revenue recognition are common occurrences.

Expense Management

Earnings management can also take the form of expense management. If a firm's value is capitalized using earnings then managers have the incentive to manipulate earnings through expense rather than revenue. This is especially true when managers do not anticipate any future losses and expect the market to value the firm using earnings (Callen *et al*. 2004). Expenses are usually an income statement item and therefore, when expenses are manipulated, they have an impact on the financial statements and essentially the financial performance of a firm. This form of management may include: making inadequate provision, capitalizing rather than expensing expenditure (Salim, 2012). The firm may also depreciate or amortize assets slowly thus manipulating the expenses (Colby, 2012).

Through aggressive capitalization and extended amortization, companies minimize expenses by aggressively capitalizing expenditures that should have been expensed. It also involves recording of current period expenses or losses as assets thus postponing expense recognition and boosting current period earnings. These deferred expenses are then amortized to be expensed over future periods (Mulford, 2002).An example of amounts that should be expensed includes the costs for purchasing equipment which are capitalized into the equipment account and depreciated over the useful life of the equipment. By doing so, near-term earnings are increased thus showing increased earning power (Mulford, 2002). When a firm reports its expenses as assets, the value of the total assets is increased which therefore shows a more positive financial position of the firm and essentially the financial performance of the firm. Extended amortization involves depreciating capitalized assets for an extended period than is the norm. It has the effect of boosting a firm's pre-tax income as seen in the case of American Software Incorporation (Mulford, 2002).

Another form of expense management is the reduction in discretionary expenditures. Discretionary expenditures include expenses such as Research and Development [R&D], selling, general and administrative expenses, advertising expenses among others. Under normal circumstances, these expenses are usually expensed in the period in which they are incurred (Sugata, 2006). Managers usually reduce expenses to increase earnings especially when these expenses do not generate immediate revenue and income (Sugata, 2006).

Gunny (2005), focused on companies with limited ability to inflate accruals. By using estimation models of SG&A, R&D, gain on asset sales and production costs, the author proxies firms engaged in RAM. The author also investigates the adjacent performance of firms engaged in RAM. Firms with constrained possibility to manipulate earnings via accruals reduce SG&A expenses to achieve earnings objective. Sugata (2006) studied the Real Activities Manipulation to avoid reporting losses. The author found evidence of overproduction to reduce cost of goods sold. Dharan (2003) studied earnings management with accruals and financial engineering; with accruals management being management of the income statement. Amat et al (2003) examined the audit reports of 35 listed companies in the Spanish stock exchange concluded that, managers use various techniques to practice earnings management such as charging expenses to reserves, expense capitalization, altering the inventory, accelerated depreciation methods, extraordinary fees for pension plans, and reduction of earnings because of future losses.

Assets and Liabilities Management and Financial Performance

Revenue management and expenses management focus on managing the income statement but managers may go as far as managing assets and liabilities which are balance sheet items in order to portray a more stable financial position and higher earning power (Mulford, 2002). Under this management, assets are overvalued and liabilities understated.

One aspect of asset valuation is through inventory management. Inventory is an appealing item in the financial statements for managers to use to engage in earnings management. This is because its records are complex and inventory items are normally transferred to manufacturing processes (Colby, 2012). By overvaluing inventory, the cost of goods sold is reduced which then overstates net income. Inventory can be managed by using different methods of measuring inventory costs such as Last In, First Out [LIFO] and First In First Out [FIFO]. When the inventory costs changes, each inventory cost methods will have an impact on the earnings in the income statement and consequently, inventory and shareholder's equity in the balance sheet (Mulford, 2002).

Apart from inventory management, a manager may also take to improperly valuefixed assets. There are various ways in which assets can be improperly valued that is; booking fictitious fixed assets, misrepresenting the asset value, improper capitalization, or the misclassification of assets (Colby, 2012). Through improper capitalization, non asset items are included in the fixed assets total. This may include costs of acquiring an asset which should be expensed and not capitalized. When these assets are valued at amounts higher than can be realized through operations or sale, expenses or losses are postponed, thereby resulting to inflated earnings.

Liabilities normally represent a firm's current obligations to outsiders and are normally reported at the present value of the resources to be provided for their settlement (Mulford, 2002). A company that has high figures for liabilities is not usually looked upon as a favorable company to invest in, as it shows that the company relies heavily on debt financing. Therefore, managers tend to conceal their liabilities in order to show better financial position. When Liabilities are concealed, a firm's equity, assets and/or net earnings are inflated (Colby, 2012). Liabilities can be managed through accrued payable expenses and accounts payable.

When accounts payable are understated, inventory purchases often are understated as well. An understatement of inventory purchases combined with an accurate beginning inventory valuation will result in an understatement of the cost of goods available for sale. Subtracting a properly valued ending inventory from an understated cost of goods available for sale will result in an understatement of cost of goods sold. Thus, an understatement of accounts payable can be linked to an understatement of cost of goods sold and, correspondingly, an overstatement of net income (Mulford, 2002).

Accounting Regulations and Financial Performance

The process of preparing financial statements is guided by various policies/standards that are set in place by the International Accounting Standards Board [IASB]. These policies are usually adopted by the accounting bodies worldwide. The goal of IASB is to issue high quality accounting standards, so that mandatory adoption of the accounting standards would improve quality of financial reporting across European countries (Cimini & Mechelli, 2012). Accounting regulations are usually based on two perspectives: Rule Based and Principal based. Principle based perspective allow managers to use their judgment when disclosing financial information (Bjurman & Weinhagen, 2013); through this perspective, the issue of earnings management arise. This is so because the accounting regulations allow for flexibility in terms of the policy a firm may choose during financial reporting. As a result of such flexibility, companies in similar circumstances may report dissimilar results (Mulford, 2002).

While flexibilities in the accounting policy may not cease to exist since economic conditions vary, firms may tend to apply a particular policy aggressively instead of taking advantage of the flexibilities (Mulford, 2002). The purpose of this aggressive application of accounting principles is to alter their financial results and financial position in order to create a potentially misleading impression of their firms' business performance. The ultimate objective is to achieve some of the game's rewards that may accrue to them (Mulford, 2002).

It has been shown that there is a significant relationship between reduction of earnings management and the extent to which IFRS/IAS regulates issues that are not covered by the domestic government or local accounting bodies (Cimini & Mechelli, 2012). There is also reason to believe that accounting standards are used to improve the quality of earnings information. That the recent changes in accounting standards, auditing and corporate governance have risen from the need to enhance transparency in financial reporting (Ewert & Wagenhofer, 2013). However, accounting standards are not the only factors that reduce earnings management and improve reporting quality; institutional factors are also required. Studies have shown that management incentives and national institutional factors play a very important role in shaping financial reporting characteristics instead of relying on accounting standards alone (Stolowy & Jeanjean, 2012).

3. RESEARCH METHODOLOGY

The descriptive design was chosen due to its ability to provide detailed description of the trends in earnings management, conditions and the status of current events and their implication to users of financial information using descriptive statistics (Tappen, 2010). The approach has been credited for allowing analysis of variables and enhances greater flexibility in terms of money and time (Saunders *et al*, 2009). Further, correlation analysis was done to test the relationships between the selected variables of interest in the study and to determine the strengths of the relationships.

In this study, the population was staffs and employees in 64 firms listed with NSE in Kenya; however, the target population for the research study comprised of 164 Senior Managers [SM] in the accounts department from 41 firms listed with NSE in Nairobi. To arrive at the number, Maximum Limit Method [MLM] was used to select 4 senior managers in each of the 41 firms in Nairobi County. Participants were selected on the basis of being in the accounts department and seniority in the firms. Thereafter, the researcher selected 50% of the target population as the appropriate sample for study; thus the sample size was 82 senior managers. To ensure each participant had equal chance of participating in the study, simple random sampling procedure was used.

The regression coefficients were used to formulate regression models that illustrated the general relationship between variables in the study.

The reduced model for the study was computed as: $\mathbf{Y=\alpha+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+\varepsilon}$

Where Y is financial performance; α is the regression constant; β_1, β_2, β_3 are the regression coefficients; X_1= revenue management; X_2 =expense management; X_3= asset and liability management and; ε = error term

The full model for the study was computed as: $\mathbf{Y=\alpha + \beta_1X_1+\beta_2X_2+ \beta_3X_3+\beta_4X_{4}+ \varepsilon}$

Where Y is financial performance; α is the regression constant; β_1, β_2, β_3, β_4 are the regression coefficients; X_1= revenue management; X_2 =expense management; X_3= asset and liability management; X_4 = accounting regulations and; ε = error term

The study used multicollinearity test using Variance Inflation Factor [VIF] and tolerance. The reciprocal of tolerance known as the VIF showed how much the variance of the coefficients estimate was inflated by multicollinearity. A VIF value of less than 3 [VIF ≤ 3] indicates no multicollinearity while a VIF ≥ 3 indicates collinearity and more than 10 indicates a problem (Myers, 1990). The tolerance statistics value below 0.1 indicates a serious problem while those below 0.2 indicate a potential problem (Menard, 1995).

4. RESEARCH FINDINGS AND DISCUSSIONS

The Influence of Revenue Management on Financial Performance of Firms

Revenue management as one of the earnings management practices can greatly influence financial performance of firms. This study sought to determine respondents' degree of agreement with statements on the influence of revenue management on the financial performance of non financial firms listed with NSE. The results are presented in table 4.8

Table 4. 1 The influence of revenue management on financial performance of firms

Statement	Mean	Std. Dev
Whether the firms embrace revenue management as one of the earnings management practices	4.1000	0.7564
Whether revenue management affects financial performance of firms	4.4875	0.5510
Whether revenue timings enable firms to detect fictitious revenues that may result to losses	4.5000	0.5277
Whether revenue projections aimed at creating positive impression in accounts translate to good financial performance of firms	4.3250	0.7425
Whether shifting of earnings influence profitability earning power and success of financial performance of firms	4.3375	0.6549
Whether revenue recognition promote high market capitalization, enhances future sales growth and consequently, future profitability	4.4500	0.5489

Source: (Author, 2017)

From table 4.8, respondents were in agreement and consensus that listed firms embraced revenue management as one of the earnings management practices and that revenue management affected financial performance of firms as shown by mean scores of 4.1000 and 4.4875 respectively. They were also in a strong agreement that revenue timings enabled firms to detect fictitious revenues that may result to losses by a mean score of 45000. Respondents were in agreement that revenue projections aimed at creating positive impression in accounts normally influence good financial performance of firms and that shifting of earnings also influences profitability earning power and promotes success of financial performance of firms by mean scores of 4.3250 and 4.3375 respectively. Further, respondents agreed that revenue recognition influences market capitalization, enhances future sales growth and consequently, future profitability of firms by a mean score of 4.4500. Overall, respondents were in consensus with the various statements on revenue management practices.

The influence of Expense Management on Financial Performance of Firms

The study sought to determine respondents' opinions on the influence of expense management as one of the earning management practices by firms on the firms' financial performance. The findings are presented in table 4.9 below

Table 4. 2 The influence of expense management on financial performance of firms

Statement	Mean	Std. Dev
Whether the firms embrace expense management as one of the earning management practices	4.0375	0.8779
Whether expense management practices influence financial performance of firms	4.4250	0.7593
Whether companies engage in expense management out of the need to remain profitable	4.4000	0.8050
Whether inadequate provision, aggressive capitalization and extended amortization by the firms poses risks to financial performance	4.5500	0.5489
Whether recognition of expenses, reserves and inventory helps project future sales, hence promoting profitability performance of firms	4.1875	0.7646
Whether reduction in discretionary expenditures promotes financial performance of the firms	4.4125	0.6501

Source: (Author, 2017)

From table 4.9, respondents were in agreement and consensus that the firms embraced expense management and that expense management practices influenced financial performance of firms by mean scores of 4.0375 and 4.4250 respectively. They also agreed that the firms engaged in expense management practices out of the need to remain profitable as shown by a mean score of 4.4000. Respondents strongly agreed that expense management practices involving inadequate provision for expenses, aggressive capitalization and extended amortization posed risks to the firms' financial performance as show by a mean score of 4.5500 and that recognition of expenses, reserves and inventory helps firms to project future sales, hence promoting profitability performance as shown by a mean score of 4.1875. They further agreed that reduction in discretionary expenditures promotes financial performance of firms as indicated by a mean score of 4.4125.

The Influence of Assets and Liabilities on Financial Performance

This subsection sought to determine respondents' opinions on the influence of assets and liabilities management as one of the earning management practices by firms on their financial performance. The findings are presented in table 4.10 below

Table 4. 3 The influence of assets and liabilities on financial performance

Statement	Mean	Std. Dev.
Whether the firms embrace assets and liability management as one of their earnings management practices	4.3250	0.5460
Whether assets and liability management affects financial performance of firms	4.3875	0.5845
Whether there are instances when the firms overstated assets and understated liabilities	4.3500	0.5975
Whether concealment of liabilities by the firms negatively impacts on financial performance of firms	4.3125	0.6078
Whether the firms practiced proper inventory management to promote profitability performance	4.4625	0.5724
Whether the firms properly managed accrued payable expenses and accounts payables in order to promote profitability performance	4.3500	0.6384

Source: (Author, 2017)

Table 4.10 indicates that respondents were in agreement and consensus that the firms embraced assets and liability management practices as shown by a mean score of 4.3250 and that asset and liability management practices affected financial performance of the firms as shown by a mean score of 4.3875. They were also in agreement that there were instances when the firms overstated assets and understated liabilities as shown by a mean score of 4.3500 and that concealment of liabilities by the firms negatively impacts on financial performance of the firms by a mean score of 4.3125. Further, respondents were in agreement that the firms practiced proper inventory management to promote profitability performance and that they also properly managed accrued payable expenses and account payable to promote profitability performance as shown by mean score of 4.4625 and 4.3500 respectively.

The Mediating influence of Accounting Regulations on Financial Performance

This subsection sought to determine respondents' opinions on the mediating influence of accounting regulations on the relationship between earnings management practices, namely; revenue management, expense management and assets and liability management on the financial performance of non financial firms listed with NSE. Results are shown in table 4.11

Table 4. 4 The mediation of accounting regulations on firms' financial performance

Statement	Mean	Std. Dev.
Whether the firms abides by existing accounting regulations	3.9875	0.9612
Whether accounting regulations influence earnings management practices adopted by firms to promote financial performance	4.3625	0.8151
Whether accounting policies aim to enhance transparency in financial reporting hence promoting financial performance of firms	4.4000	0.7564
Whether the flexibilities of accounting policies encourage earnings management practices practiced by the firms	4.2375	0.7334
Whether adoption of IFRS has helped minimize unethical earnings management practices by the firms	4.2125	0.9098
Whether accounting laws do not make it difficult for the firms to create potentially misleading impressions of their financial performance	4.3375	0.7106

Source: (Author, 2017)

Table 4.11 indicates respondents were in agreement and consensus that the firms abide by the existing accounting regulations by a mean score of 3.9875. Respondents also agreed that accounting regulations influence earnings management practices adopted by firms to promote financial performance by a mean score of 4.3625 and that accounting policies aim to enhance transparency in financial reporting hence promoting financial performance of firms by a mean score of 4.4000. They agreed that the flexibilities of accounting policies encouraged earnings management practices by firms by a mean score of 4.2375 and that adoption of IFRS had minimized earnings management practices by firms by a mean score of 4.2125. Further, respondents agreed that the accounting laws did not make it difficult for firms to create potentially misleading impressions of their financial performance by a mean score of 4.3375.

Financial Performance of Firms

This subsection sought to determine respondents' opinions on the statements on the state of financial performance of non financial firms listed with NSE. The findings are presented in table 4.12 below

Table 4. 5 Financial Performance of firms

Statement	Mean	Std. Dev.
Whether the firms recorded improvement in financial performance in the recent past	4.2750	0.7627
Whether the firms have recorded improvement in profitability ratios in the recent past	4.5750	0.5905
Whether the firms have improved sales volume due to proper earnings management practices	4.5875	0.4954
Whether the firms maximizes on shareholders wealth and that the firm regularly pays out dividends to its share holders	4.2750	0.6931
Whether there has been increases in total assets of the firm in the recent past	4.4625	0.5499
Whether the amount of shares bought or held in stock at the NSE by the firms have has increased in the recent past	4.4625	0.5499

Source: (Author, 2017)

According to table 4.12 above, respondents were in agreement and consensus that the firms recorded improvement in financial performance in the recent past as shown by a mean score of 4.2750. They were in strong agreement that the firms had registered improvement in profitability ratios in the recent past as shown by a mean score of 4.5750. Respondents were in strong agreement that the firms had improved sales volume due to proper earnings management practices as shown by a mean score of 4.5875 and that the firms were able to maximize shareholders wealth as well as regularly pay out dividend to share holders as shown by a mean score of 4.2750. Further, respondents agreed the firms had recorded increases in total assets and that the amount of shares bought or held in stock at the NSE by the firms had increased in the recent past as shown by means scores of 4.4625 and 4.4625 respectively.

Inferential Analysis

Inferential analysis was conducted to determine the strengths of the relationships between the independent variables (revenue management, expense management and, asset and liability management) and the dependent variable (financial performance) as well as the mediating effect of accounting regulations on the relationship between independent and dependent variables using Karl Pearson correlation analysis, coefficient of determinant and multiple regression analysis. In this regard, a collinearity test was conducted to detect presence of high inter-correlation between predictor variables and dependent variable as well as between the mediated variables and dependent variable in the regression model. It was found that all the values obtained by the predictors were below the VIF value of 3 thus indicating the absence of higher inter-correlations in the model. Results are shown in table 4.13

Table 4. 6 Collinearity test coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Revenue management	.354	2.824
	Expense management	.474	2.110
	Assets and liability management	.687	1.456
	Financial performance	.432	2.314

a. Independent Variable: Financial performance

Correlation Analysis

The study used Karl Pearson's correlation coefficients (r) to quantify the strength of the relationship between the independent variables and the dependent variable as well as the mediating variable in the study. The results are presented in table 4.14 below

Table 4. 7 Karl Pearson's Correlation Coefficients

	Revenue management	Expense management	Asst & liability mgt	Accounting regulations	Financial performance
Revenue management Sig. (2-tailed)	1				
Expense management Sig. (2-tailed)	.676** .000	1			
Asset & liability mgt Sig. (2-tailed)	.507** .000	.505** .000	1		
Sig. (2-tailed) Accounting regulations	.732** .000	.616** .000	.352** .000	1	
Financial performance Sig. (2-tailed)	.660** .000	.670* .000	.263* .018	.378** .001	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

From table 4.14 above, correlations analysis results indicate revenue management was strongly and positively correlated to financial performance with a correlation coefficient of 0.660; expense management was strongly and positively correlated to financial performance with a correlation coefficient of 0.670; asset and liability management was weakly and positively correlated to financial performance with a correlation coefficient of 0.263 and; the intervention of accounting regulations was moderately and positively correlated to financial performance with a correlation coefficient of 0.378.

Regression Analysis

The regression analysis was conducted to find out the effect of revenue management, expense management and assets and liability management on financial performance of firms as well as to find out the mediating effect of accounting regulations on the relationship between earnings management practices and financial performance of firms. This was to enable the study to determine how well the proposed statistical model is likely to predict future outcomes of the earnings management practices adopted by firms on their financial performance. In this study, the model explains the extent to which variations in financial performance can be explained by changes in revenue management, expense management and assets and liability management as well as the intervening effect of accounting regulations on the relationship between the earnings management practices and financial performance of firms. The findings are presented in table 4.15 below

Table 4. 8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.746[a]	.556	.539	.22517	.556	31.734	3	76	.000
2	.788[b]	.621	.600	.02956	.064	12.747	1	75	.001

a. Predictors: (Constant), Assets & liability management, expense management, revenue management
b. Predictors: (Constant), Assets & liability management, expense management, revenue management, accounting regulations
c. Dependent variable: Financial performance

From the results shown in table 4.15, both the models are statistically significant. Further, model 1 shows goodness of fit as indicated by the adjusted R^2 value of 0.53.9. This implies that the three independent variables, namely revenue management, expense management and assets and liability management explain 53.9% of the variations in financial performance by listed firms while 46.1% of the variations in financial performance by listed non financial firms are due to other earnings management practices not captured in this study. On the other hand, with the intervention of accounting regulations, the three independent variables: revenue management, expense management and assets and liability management explain 60% of the variations in financial performance [see model 2].

The study further used Analysis Of Variance [ANOVA] to determine the significance of the relationship between the explanatory variables and financial performance of firms. Both the regression models are statistically significant given the level of significance at 0.000 ($p = 0.000$) and 0.000 ($p=0.000$) respectively for models 1 and 2 which were all below 0.05. The obtained F ratio for model 1 was 31.734 while the critical value of F was 2.73; thus the obtained F ratio was larger than the critical F value implying that the obtained F ratio is likely to occur by chance with a $p<0.05$. On the other hand, the obtained F ratio for model 2 was 30.667 while the critical value of F was 2.49; thus the obtained F ratio was larger than the critical F value implying that the obtained F ratio was likely to occur by chance with a $p<0.05$. The results for analysis of variance are shown in table 4.16 below

Table 4. 9 ANOVA [a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.827	3	1.609	31.734	.000[b]
	Residual	3.853	76	.051		
	Total	8.680	79			
2	Regression	5.387	4	1.347	30.667	.000[c]
	Residual	3.294	75	.044		
	Total	8.680	79			

a. Dependent Variable: Financial performance
b. Predictors: (Constant), Asset & Liability management, Expense management, Revenue Management
c. Predictors: (Constant), Asset & Liability management, Expense management, Revenue management, Accounting regulations

The study conducted a regression analysis to determine the effects of revenue management, expense management and asset and liability management practices on financial performance of firms and also to establish the intervening effect of accounting regulations on the relationship between the earnings management practices and financial performance of firms. Table 4.17 shows regression coefficients of the models which provide answers to the regression models. Model 1 provides answer to the reduced model ($Y=\alpha+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+\varepsilon$) which now becomes $Y= 1.981+0.44 X_1 + 0.472X_2 – 0.200X_3 + \varepsilon$. On the other hand, model 2 presents solution to the full model ($Y=\alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$) which now become: $Y=12.053+0.678X_1+0.567X_2-0.232X_3-0.386X_4+\varepsilon$: where: Y=financial performance; X_1=revenue management; X_2=expense management; X_3=asset and liability management; X_4=accounting regulations; ε=error term

Table 4. 10 Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.981	.354		5.599	.000
	Revenue management	.407	.099	.444	4.131	.000
	Expense management	.342	.078	.472	4.397	.000
	Asset & Liability management	-.184	.084	-.200	-2.185	.032
2	(Constant)	2.053	.330		6.224	.000
	Revenue management	.622	.110	.678	5.670	.000
	Expense management	.412	.075	.567	5.488	.000
	Asset & Liability management	-.213	.079	-.232	-2.697	.009
	Accounting regulations	-.279	.078	-.386	-3.570	.001

a. Dependent Variable: Financial performance

From regression coefficients in model 1, all the three variables namely, revenue management, expense management and asset and liability management were statistically significant (p=0.000) and could be relied upon in explaining variations in firms financial performance. In this regard, taking the three variables constant at zero, financial performance of the listed firms will be 1.981 units. Further, it was also found that revenue management (p=0.000; β= 0.444), expense management (p=0.000; β=0.472) and; assets and liability management (p=0.032; β=-0.200) were all statistically significant to financial performance of listed firms. Further, with the intervention of accounting regulations, the three variables were still statistically significant to firms financial performance (p=0.001; β=-0.386). As such, with the intervention of accounting regulations, when the three variables are taken constant at zero, financial performance of the listed firms will increase to 2.053 units. It was also found that with the intervention, revenue management (p=0.000; β=0.678), expense management (p=0.000; β=0.567) and; assets and liability management (p=0.009; β=-0.232) were all statistically significant to financial performance of listed firms.

Discussion of the Findings

The results of this study have shown that non financial firms listed with NSE recorded improvements in financial performance in the recent past as evidenced by improved profitability ratios, improved sales volume, increased shareholders wealth maximization, increase dividends paid out to share holders, increased assets and, the amount of shares at the NSE. However, the study has also shown that the performance level can be attributed to various earnings management practices embraced by the firms such as revenue management, expense management and, assets and liability management.

From the finding, revenue management is one of the earning management practices embraced by non financial firms to influence their financial performance. Most firms' had put much emphasis on revenue timing, projections, shifting of earnings and revenue recognition to detect fictitious revenues that could lead to losses. The firms also relied on creation of positive impression of their accounts, market capitalization and, enhancement of future sales growth largely to influence future their profitability. The findings of this study concur with previous studies that revenue management enable firms to achieve high market capitalization and to create positive expectations on future sales growth (Callen *et al.*, 2010) and that it enable firms to recognize fictitious revenues and to detect actual transactions useful to future financial outcomes (Colby, 2012).

It was also clear from the study that most non financial firms listed with NSE embraced expense management practices out of the need to remain profitable. Even though some of the firms engaged bad practices such as inadequate provisioning for expenses, aggressive capitalization and extended amortization thereby posing risks to financial performance; however, with good expense management practices involving recognition of expenses, reserves and inventory as well as reduction in discretionary expenditures the firms were able to record better financial performance. The findings on provisioning, aggressive capitalization and extended amortization concur with earlier findings that making inadequate provision, capitalizing (Salim, 2012; Amat *et al.,* 2003) and amortization (Colby, 2012) impacts on the financial performance of firms

Further, even though most non financial firms listed with NSE embraced asset and liability management as one of the earnings management practices; however, the use of asset and liability management negatively affected the firms' financial performance. Though the firms encouraged proper management of inventory, accrued payable expenses and accounts payable; however, there were instances when the firms overstated assets and understated or concealed some of their liabilities so as to portray good financial position and higher earning power thereby negatively affecting the firms' financial performance.

Overall, it was also clear that any increases in revenue and expense management practices would most likely promote financial performance of non financial firms listed with NSE while asset and liability management practices had inverse relations with financial performance hence any increases would most likely reduce the firm's financial performance. Empirically, previous studies have also shown that revenue management, expense management and assets and liability management can have significant impact on the financial performance of firms (Salim, 2012; Amat *et al.,* 2003; Callen *et al.*, 2010; Colby, 2012); hence the need for proper management of the factors.

Accounting regulations is a major factor that influenced the earnings management practices adopted by non financial firms listed with NSE to enhance their financial performance. Even though accounting rules aimed to minimize earnings management practices and to enhance transparency in financial reporting by firms; however, the flexibilities of accounting allowed the non financial firms listed with NSE to engage in inappropriate earnings management practices to influence their financial performance. Empirically, this study concurs with previous studies that found accounting regulations enhance transparency in financial reporting (Ewert & Wagenhofer, 2013) and that flexibility of accounting allows firms to adopt different policies in financial reporting (Bjurman & Weinhagen, 2013). However, the flexibility could also lead to inappropriate practices aimed at influencing financial performance.

5. CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concludes that financial performance of non financial firms listed with NSE is affected by the various earnings management practices embraced by the firms, among them revenue management, expense management, and assets and liability management. It is also concluded that the earnings management practices affect profit earnings, sales volume, shareholders wealth, firm assets and firm equity.

The study concludes that revenue management practices embraced by the non financial firms contributed positively to good financial performance of the firms. As a consequence, the non financial firms have come up with a host of practices including revenue timings, revenue projections, shifting of earnings and revenue recognition, creation of positive impression, and market capitalization as means of enhancing their financial performance.

This study adduced that even though non financial firms listed with NSE embraced expense management practices to enable them remain profitable; however the practice also encouraged inappropriate earnings management practices such as inadequate provisioning for expenses, aggressive capitalization and extended amortization which exposes the firms' to risk.

Further, it was concluded that continued use of earnings management practices involving assets and liability management do not help enhance the financial performance of non financial firms and that even though the firms strived for proper management of inventory, accrued payable expenses and accounts payable; however, there were instances when the firms overstated assets and understated/concealed liabilities to portray good financial health thereby negatively affecting the firms' financial performance.

Furthermore, this study concluded that though accounting regulations play influential role that enable the non financial firms to minimize use of earnings management practices as well as to enhance transparency in financial reporting by firms; however, the flexibilities of accounting are to blame for the firms' participation in inappropriate earnings management practices.

Contribution to Knowledge

The study provides firms' management and investors with useful information on earnings management practices which they can consider in their investment decisions so as to promote financial performance. The accounting fraternity also stands to gain useful information that they can use to formulate appropriate policies to streamline the accounting profession and to promote firms' performance. Further, academicians stand to gain useful information on earnings management practices and firms' financial performance which they can use in future studies and as basis to critique the present study.

Recommendations on Research Findings

This study recommends that since earnings management practices were found to significantly affect financial performance of non financial firms listed with NSE, the management of firms, investors and stake holders need to consider the influence of the earnings management practices in investment decisions in order to boost chances of their financial performance.

Due to the finding that revenue management and expense management practices contributed positively to good financial performance of the non financial firms listed with NSE, this study recommends that the firms' management, investors and stakeholders to come up with appropriate rules and guidelines to facilitate good revenue and expense management for the benefit of spurring the firms' financial performance.

Since this study found that assets and liability management practice by listed non financial firms negatively affected financial performance of the firms, there is greater need for the firms' management to come up with appropriate measures that would guarantee proper management of inventories, accrued payable expenses and accounts payable in order to promote profitability performance of the firms.

Further, by virtue the flexibilities of accounting was found to provide non financial firms with opportunity to engage in inappropriate earnings management practices, this study recommends that the accounting oversight body, ICPAK need to develop appropriate measures that would enable them address the loopholes that arise out of the flexibilities for the benefit of enhanced financial performance of the firms.

Limitations of the Study

The researcher encountered hesitant respondents who were not willing to corporate in the study; however, the researcher reassured the respondents of their confidentiality and that the information will be used for academic research purpose only.

The researcher was also faced with bureaucracy and other organizational procedures making it difficult to access the firms; however, prior request was made to the firms' management. Further, the researcher produced an authorization letter from Kenyatta University and research permit from National Commission for Science, Technology and Innovation [NACOSTI] to facilitate access and data collection from the sampled firms.

Suggestions for Further Research

The study recommends further empirical investigation to be carried out to address the unique findings. First, there is need for further studies to confirm or refute the findings of this study and whether assets and liability management do not enhance financial performance of firms.

Second, it was found that other earnings management practices outside the scope of this study accounted for 46.1% of the effects on financial performance by listed firms; hence there is need for another study to document these other factors and to find out their effects on financial performance of firms.

REFERENCES

Adams, M. (2007). Agency theory and the internal audit. *Managerial Auditing Journal*,Vol. 9 No.8, pp.8-12.

Adegoroye.G. (2006).Nigerian experience and common wealth. *Public service reform for sustainable development*, 9 (2), 3-6.

Adei.S, (2012).The Civil Service Performance ImprovementProgrammeIn Ghana. *New Initiatives in Performance Management Journal*, Vol. 6 pp 10-15.

Aguinis.H. (2009).*Performance Management*. Dorling Kindersley India Pvt. Ltd. 2nd Edition.

Atieno, L. (2014). Balanced E-government: E-government – Connecting Efficient Administration and Responsive Democracy. A study by the Bertelsmann Foundation.

Apostolou, N., &Crumbley, D. (2008). Auditors' Responsibilities with Respect to Fraud: A Possible Shift? *The CPA Journal*, 78(2), 32.

Armstrong M. (2009).*Handbook of performance management: An evidence based Guide to delivering high performance* (4thEd.). London: Kogan Page Publications.

Bell. J, (2009).*Doing your research project: a guide for first-time researchers in,Health and social science education*. London: McGraw-Hill International publishers.

Borthick, A. F. and Sriram, R. S. (2006).Accelerating the acquisition of knowledgestructure to improve performance in internal control reviews. *Accounting, Organizations and Society,* 31 (4–5): 323–342.

Brazel, J. F. (2005). A measure of perceived auditor ERP systems expertise. *Managerial Auditing Journal*, 20 (6): 619–631.

Brown, S., S. Hillegeist& K. Lo (2006). Conference calls and information asymmetry.*Journal of Accounting and Economics* 37(3), 343–366.

Cerullo, M. V., &Cerullo, M. J. (2005). How the New Standards and Regulations Affect an Auditor's Assessment of Compliance With Internal Controls. *Auditors Journal,* 4, 1-9.

Cook, J & Winkle, C, (2008).*Auditing* (4th ed.). Houghton: Mifflin Company.

Cordella, A. (2006). Transaction costs and information systems: does IT add up? *Journal of Information Technology*,21(3), 195–202(8).

Curtis, M. B., & Payne, E. A. (2008) An examination of contextual factors and individual characteristics affecting technology implementationdecisions in auditing. *International Journal of Accounting Information Systems*, 9(2), 104–121.

Davis F. (1989). Perceived Usefulness, Perceived Ease of Use and User Acceptance of InformationTechnology. *MISQuarterly*, Vol.13, No.3, pp.319-340.

Elliot A. (2006). Electronically auditing EDP systems with the support of emerginginformation technologies.*International Journal of Accounting Information Systems* 2 (2): 130–147.

Fishbein, M., &Ajzen, I. (1975).*Belief, Attitude, Intention, and Behavior*. Reading, MA: Addison-Wesley.

Geist,B.(2011).*StateAudit:anIntroductionInSateAudit:Developmentsin PublicAccountability*.London:Macmillan.

Government of Kenya, (2010).*Public sector reforms and performance contracting*. Evaluation of performance contracting report.
Government of Kenya,(2009).*Institutional Reform and Capacity Building (IRCB) Project.PFM Secretariat*, Ministry of Finance.
Government of Kenya, (2003).*Report of the Parliamentary Accounts Committee*. Parliamentary Service Commission, Kenya.
Griffith T. (2005). The Challenges of sustaining public sector reform. *Pacific Economic Bulletin,* 4 (2), 20-22.
Heeks, D. R.(2010).Auditing standards. *The CPA Journal*, 66 (6): 22.
Hengstand, M., & Sol, H. G. (2011). The impact of information and communication technology on interorganizationalcoordination: Guidelines from theory. *Journal of Informing Science, Special Series on Information Exchange in ElectronicMarkets*, 4, 3, 2011.
Hermanson, R., Shrawer, R. &Shrawer, J. (2006).*Auditing Theory and Practice*(3rd Edition). Boston, US: Homewood Publishers.
Herselman, M. E., & Hay, H. R. (2013). Challenges Posed by Information and Communication Technologies (ICT). *Journal for South African Higher Education Institutions*, 32 (3), 931-943.
Hutton, A., G. Miller, and D. Skinner. (2007). The role of supplementary statements in the disclosure of management earnings forecasts. *Accounting Journal*, 45 (4), 6-16.
Hyden.G, (2005). Making Public Sector management work for Africa: Back to the Drawing-board, economic research working paper No 80, AfricanDevelopment Bank.
International Federation of Accountants Committee (2007) IFAC Handbook Technical Pronouncing US.
ITU (2004), ITU World Telecommunication Indicators http://www.itu.int/ITUD/ict/statistics/index.html. Accessed on 28/8/2016
Kothari, C. (2004). *Research Methodology Methods and Techniques*. New Delhi: New Age international publishers.
Krishnaveni, R., &Meenakumari, J. (2010) Usage of ICT for Information Administration in Higher educationInstitutions – A study.*International Journal of Environmental Science and Development*, 1(3), 282-286.
Limo, A. (2008) Can National Legislatures Regain an Effective Voice in Budget Policy. *OECD Journal on Budgeting*,1(3),5-6.
Mehrtens J. and Mills A. (2007).A Model of Internet Adoption by SMEs.*Information and Management Journal*, Vol: 39, pp. 165-176.
Morin, D.(2005).Influence of Value for Money Audit on Public Administrations: Looking Beyond Appearances. *Financial Accountability and Management.* 17(2),67-124.
Mugenda, O.M. &Mugenda, A.G. (2013). *Research Method: Quantitative & Qualitative Approaches*. Nairobi Kenya: acts Press.
Opiyo, (2007). 'Annual Progress Report for the Financial Year 2006/2007'. 'Public Financial Management Performance Report and Performance Indicators- PEFA Evaluation'.
Owiti, (2010). 'The Strategy to Revitalize Public Financial Management'. PFMR Programme.
Owusu, F. (2007). Public Sector reforms: the role of public service works. *Ministry Of Public Sector Reforms journal,*2(3), 23-28.
Pollit, C. (2009). *Performance audit and public management reform*. New York: University of Vermont.
Rakner, K. (2005). An application of expectancy theory for assessing user motivation to utilize an expert system. *Journal of Management information Systems*,9(3), 183-198.
Roussey, R. (2009). The Changing World of International Accounting and Auditing. *The Internal Auditor*, 51(2), 54-56.
Sawyer, L.B. (2008). An internal audit philosophy. *Internal Auditor*,5(4),46-55.
SNAO. 2006. Institutional Support to the National Audit Office of the United Republic of Tanzania.Baseline Study Report.Swedish National Audit Office.
Ssewanyana, J. K. (2009). ICT Usage in Microfinance Institutions in Uganda.*The African Journal of Information Systems (AJIS)*, 1(3), 5-28.
Tappen R M. (2010). *Advanced nursing research: From practice to theory*. Sudbury,Massachusetts: Jones and Bartlett Learning.
Tawanda,Z. (2013) Efficiency and Effectiveness in Public Sector Auditing: *International Journal of Humanities and Social Sciences,*3(1), 3-8.
Venkatesh, V. and F. D. Davis (2000).A Theoretical Extension of the Technology AcceptanceModel: Four Longitudinal Field Studies.*Management Science,*2 (46), 186–204.
Vibeke, W. (2005).The accountability function of Supreme Audit Institutions in Malawi, Uganda and Tanzania. *AFROSAI Journal*, 4 (1), 4-8.
Wallace, W. (2006).*The Economic Role of the Audit in Free and Regulated Markets*. New York: University of

Rochester.

Watts, R & J. Zimmerman (1996). *Positive accounting theory*. Englewood Cliffs,New Jersey: Prentice-Hall.

White,F.(2008).*Audit,AccountabilityandGovernment*. London: Oxford University Press.