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The Impact of Audit Quality Features on Enhancing Earnings Quality: The Evidence of Listed Manufacturing Firms at Amman Stock Exchange

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Abstract

The study aims at investigating the impact of external audit quality features on enhancing the quality of accounting profits of the listed manufacturing firms at Amman Stock Exchange (ASE), where continuity of profit has been used as Proxy variable to express the quality of earnings. Indicators of quality of audit, audit office size, auditors' fees, period of customer's retention, type of auditor's opinion, and the specialization in client's industry, were used to measure audit quality. A sample of 45 firms had been selected, and data covering the period 2009-2013 had been collected from these firms, where 225 observations were used in the analysis. The study finds that the earnings of listed manufacturing firms at Amman Stock Exchange are with good quality, and that there is a linear relationship between external audit quality and the quality of reported earnings. Auditors' fees have most important significant effect on earnings quality, followed by auditors' opinion, where others factors has no significant effect on earnings quality. Based on these findings, the study raises several questions about the reliability of audit quality properties by stakeholders in firms, especially investors, when they check the quality of earnings, whenever they need to take a decision. The study recommends further researches regarding the issue by using other metrics to measure earnings quality, and through the addition of other properties to the quality of the audit, such as linked audit offices with auditing global offices, degree of qualification employees, and the opened lawsuits against audit office.

Keywords: Audit Quality, Earnings Quality, Earnings Continuity, Audit quality properties.

1. Introduction

As a result of failures occurred to business organizations and the subsequent collapse and bankruptcy of large and multinational firms, such as Enron, WorldCom, and other firms, and based on the clear relationship of these collapses with manipulating the accounts of these firms, doubts emerged among users of financial information regarding the credibility of this announced information, where they depend on, in decision making. This incredibility and unreliability raise many questions, including the managements of these firms, and the effectiveness of accounting standards, and the applied procedures in firms. Auditors' responsibility and credibility, audit process, and audit quality, became questionable directly next to these collapses.

Because of increasing number of collapsed firms, and losses incurred by investors and creditors, the issue of earnings quality became the focus of different interested groups of people. The issue of earnings quality stems its importance from the quality of reported earnings by business organizations in the financial and investments decisions that investors, creditors, and other users depend on, in taking decisions. Earnings quality is used in performance evaluation of firms, and in determining the fair value of these firms. Moreover earnings quality is important in future estimations and contracting.(Easa, 2008). Earnings quality is strongly associated with quality of financial reports, where this quality of earnings can be achieved when firms adhere to the legal, professional, and control standards. Business organizations are required to issue reliable, free of errors, and misstatement information, to provide a good base for the evaluation of current operating performance of firms, and to be appropriate for the estimation of its future operating performance, and for the determinations of the fair value of firms (Dechow and Schrand, 2004). Penman (2003), demonstrated that earnings quality is associated with accounting profits, realized cash flows, so quality of earnings is achieved when the reported income reflects the actual profits, where future expected profits can be accurately estimated.

Nowadays, auditors encounter several types of pressure by users of accounting information in order to improve the quality of audit, because of several financial problems exist in periodic financial reports. Audit profession is required these days to concentrate on efficient and qualified work force, to provide audit services with high quality, and to be able to reveal any incorrect practices that managements take to affect the accounting measurement. Audit report is considered one among the most important inputs for the decision making process. In addition, audit quality is a primary requirement for different groups of users. Actually, audit quality is difficult because of its difference in nature, to provide trust with audit reports and financial statements (Scott and Pitman, 2005). Audit quality means that audit profession has the ability to detect the significant errors, and limits information inconsistency between managements and shareholders, so it can protect the behalves of shareholders. Audit profession is expected to provide highly efficient services and to keep the trust of its services in minds of interested people (Eisa, 2008).

Both issues of earnings quality and audit quality are among the hot topics in academic and professional environments (Krishnah, 2003). Managements of business organizations take

different decisions that may affect income, exploiting the high degree of flexibility accounting methods, policies, and procedures alternatives, that available in accounting standards. As a result, these effects of management interventions are reflected in the reported income, and led to a situation where income does not represent the actual situation, especially when managements' awards depend on the reported income. Earnings quality means that the reported income is actual and not overstated or manipulated, and at the same time reflects the actual economic events occurred in the entity during the accounting period (Bellovary et al, 2005). An independent auditor plays an important role in limiting the interventions of management in the measurement processes, so this increases information consistency available to both managers and users, through providing reasonable assurance that the financial statements reflects the actual financial position and results of operation, and these statement are prepared based on GAAP or IFRS ((Watts and Zimmerman. 1986). I believe that, when association exists between audit quality and quality of financial information, and since these statements had been audited by professional, qualified, and independent auditors, the financial information is assumed to be of high quality, and this is the base to enhance trust among different interested parties with the firm. Therefore, this study investigates the effect of audit quality features on enhancing the quality of financial information. Based on this discussion, the problem of the study can be well presented through the following questions:

1. Are audit offices that contracted to audit the financial statements of listed manufacturing firms in Amman Stock Exchange (ASE) highly qualified?

2. Do earnings reported by listed manufacturing firms in ASE have a good quality?

3. Do the features of audit quality play a role in enhancing the reported earnings by the listed manufacturing firms in ASE?

The study objects for investigating whether the characteristics of audit quality have an impact of improving the quality of reported earnings quality by the industrial listed firms in Amman Stock Exchange. This objective can be better expressed through the following sub-objectives:

1. To determine the qualities of auditors who engaged in auditing the financial statements of listed manufacturing firms in Amman Stock Exchange.

2. To identify the effect of audit qualities on enhancing earnings quality of listed manufacturing firms in Amman Stock Exchange.

This study is important because it investigates a topic that recently became on focus of accounting literature, next to firm's scandals and firm's collapses. This topic is actually earnings quality and audit quality. Experts and professional people interpreted the firm collapses by the manipulation practices that exercised over those firms by its managements, where these managements exploit the large level of flexibility that available in accounting standards, where more than one accounting method can be used to account for each item of the financial statements. As a result the announced information of collapsing firms did not reflect the actual economic events occurred during accounting periods, so the financial positions and results of operations of those firms were overstated. In addition, audit firms that engaged in auditing the financial statements had been blamed, and as a result, several

lawsuits were opened in courts against these auditing firms, especially because audit firms did not report that the collapsed firms are unable to continue as a going concern entities. Next, audit quality became the most important element of competition among audit firms and offices.

The findings of the study will be beneficial and important for different parties including, shareholders, managements, creditors, and other interested users, because audit quality helps shareholders in selecting the most qualified auditors who will be able to detect any errors, faults, and misstatements in the financial statements. Managements of firms will be also more interested with the role of auditors in creating and maintaining trust with the financial statements of their firms, and will find enough justification for audit fees in minds of shareholders, creditors, investors, and other interested groups of people. In addition, audit quality has a positive role in limiting the negative effects for managements' interventions with accounting measurement, because audit quality objects for issuing professional opinion with fairness and credibility of financial statements, which at the end, enhances trust with these auditors. Quality of earnings is also associated with the reported earnings of firms, because it represents an important aspect in the assessment of financial position, and in estimating future earnings, in addition to its importance in the decision making process among users of financial statements.

2. Literature Review

2.1 Audit Quality

The audit process is considered a key important element in the structure of financial statements because it tests whether the financial information is in an independent and objective form, in order to increase the credibility of this information. The most important factor of audit quality is the ability of an auditor to detect errors and other significant misstatements and reducing the level of accounting information inconsistency between shareholders and management. Audited financial statements by highly qualified auditors have less probability to include errors and faults (Eisa, 2008). The outputs of audit process depend on a group of inputs such as, auditors' experience, auditors' educational background, in addition to the efforts made by auditors, especially when a positive relationship between auditors' performance and their learning background, had been mentioned (Libby & Luft, 1993). The assessment of audit process is seen as multidimensional because of different parties requiring this process; including users of financial statements where they need to increase their trust in financial statement and to depend in these statements on decision making. Auditors themselves are also a part because they need to achieve higher audit quality and to support their competition position in the profession. A third part is organizations which ask auditors to improve audit quality to develop the profession of auditing and to support public confidence with this profession. Firms under engagement look for high audit quality because auditors' reports have important reflections and may affect share prices (Al Nawayseh, 2008).

Audit quality is defined as "auditors' possibility to detect errors and to report deviations in the accounting system of the client" (DeAngelo, 1981). Davidson & Neu define audit quality as

"auditor's ability to detect and exclude errors and significant violations in the reported net income". Audit quality expresses the ability of external auditors to collect high quality evidence to support their professional neutral opinions. (Hamdan & AbuUjailah, 2012).

The importance of audit quality is associated with the output of audit process, which is actually the audit report, where several parts depend on this report in their economic decisions. As a result, audit quality achieves the behalves of all beneficiary parts of audit process. The first beneficiary part is the auditor, because he can improve and enhance his reputation and strengthen his competitive position. Management can also determine its weaknesses, and it will be eligible to avoid these weaknesses, because these weaknesses affect the firm's market price. Investors and creditors are interested with audit quality because it affects their decisions. Among interested groups by audit quality is governmental agencies because governmental bodies are looking to protect the economic activity and to protect all interested parties with audit process. (Tayer and Glezen, 1994).

Within the literature of auditing, several prior researches investigated the indicators that can be used in audit quality measurement. Al Jabr, (2011) used the indicator of large audit offices to measure audit quality. Fan and Wong, (2005) shows that contracting with large audit offices, was used as a mean to reduce problems occurring between the firm's management and shareholders. In 2007, the International Federation of Accounting (IFA) issued a working paper regarding the factors affecting audit quality. Examples of factors mentioned in this working paper, are leaders' responsibility towards audit quality, ethical requirements, terms of clients' acceptance, efficiency of human skills, and tasks performance subject to the professional standards. Altowaigeri and Alnafa'abi, (2008) showed that these factors are affecting client's decision regarding audit office selection. They determined that these factors include auditor's fees, audit office reputation, prior experience with the client, objectivity of testing and evaluating the client's financial statements, protecting the secrecy of the client's information, audit office independency, audit service quality, and experience of auditors. Eisa, (2008) used several features to present audit quality level, such as audit office size, auditors' fees, client's retention period, client's importance, audit office reputation, number of times the audit office was subject to legal accountability, and client's performance control, while office size was used to measure audit quality (Krishnah, 2003). Ahmed (2012) used audit fees, audit office size, client's retention period, association with international audit fees and professional qualification of audit office employees, as features of audit quality. The features of audit quality that used by Hamdan, (2012) include audit office size, audit fees, client's retention period, audit office specialization with the industry of the client, and association between audit office and the international offices of auditing. A study carried out by AlTamimi, (2013) shows the necessity of the existence of organizational, behavioral, and personal factors, in addition to the scientific basics for audit profession to achieve audit quality, while Lennox (1999) showed that large audit offices are shown in its accurate form, and in its report regarding financial report. AlNawayseh (2006) found an effect of audit fees on audit quality. In addition, Hamdan and AbuUjalah, (2012) found no significant effect of audit quality features including audit fees, office size, and auditor's continuity on limiting of earnings management. Aljaber, (2012) found no effect of the auditor whether the auditor is working in

a large audit office or in a specialized office. Balsam et al. (2003), showed that firms that audited by specialized audit offices has stronger coefficient of response towards earnings, and less accrual elements, when compared by non-specialized firms.

Based on the above findings of prior researches, I conclude that there are several common shared features used by different researchers for audit quality. Examples of common shared features are audit office size, audit fees, despite no common agreement about some other features. Therefore, I see that some features of audit quality, such as professional rehabilitation, legal accountability, protection of client's information secrecy, and objectivity of financial statements test as important features, and these features can be summarized in the audit report, because audit report is a summary of all what an auditor finds. In addition, audit report represents a written confirmation by the auditor that the audit standards and governmental legislation had been followed; in addition to that audit report is a reference for responsibility identification.

2.2 Earnings Quality

Earnings quality is one among the important issues nowadays in the minds of investors and accounting standard setters, especially next to financial scandals occurred by the staring of the current century, where users' trust in financial reports declined, if not missed. No common agreement yet is available for the definition of the term earnings quality among academics, researchers, and other interested people, because of the differences in objectives and decisions made by users of accounting information. Dechow and Schrand, (2004) defined earnings quality as "the level of available and accurate information for the purpose of current and future operating performance evaluation", while Schipper and Vincent, (2003) showed that earnings quality is "the reduction in the differences between the accounting reported income and economic income". Ghosh and Moom, (2010) demonstrated that earnings quality is the ability of earnings to be used in forecasting to predict future cash flows. Moreover, Bellovary et al., (2005) stated that earnings quality is achieved when the reported earnings reflect the actual performance, and can be used in predicting future earnings, so earnings quality is represented by the continuity of earnings.

Based on the above mentioned definitions and descriptions for the term of earnings quality, it is apparent that earnings quality stems its importance from the accounting income which is considered as the most important resource of accounting information for investors, creditors, and other users of accounting information through the different accounting reports. As a result, different features or elements for earnings quality can be concluded, including its usefulness for future profits estimation, close for economic profits, continuity, and its freedom from earnings management. Earnings quality is important for users of accounting reports, since it enables them to take good decisions, evaluate manager's performance, evaluate the financial position of the firm, and estimate the future expected earnings.

Prior researches mentioned different measures for the determination of earnings quality level. These measures differ from one research to another because users of financial statements are also different. As a result, opinions towards earnings management are not identical, which leads to different measures among researchers for earnings management. Mahdi et al., (2012)

demonstrated three methods that represent three dimensions for earnings quality management. The first method focuses on profit function, based on the idea that managers prefer profits continuity, because they perceive that investors prefer a stable increase in profits, so the method is based on profits volatility. Leuz et al., (2003) measured profit volatility through the computations of profits standard deviation and dividing the result on cash flows standard deviation. Using this method, as the ratio is lower as earnings quality is better. The second method for measuring earnings quality had been recommended by Barton and Simko, (2002) where it based on surprising profits. Surprising profits is computed by dividing operating assets by net sales. Under this method, as the ratio is lower, as earnings quality is better. The third method is based on the ratio of cash flows to income from operations, where Penman, (2001) used this method in measuring earnings quality.

Several recommendations for the interpretations of earnings quality are available; among these is the use of earnings continuity as indicator for quality. Sloan, (1996) showed that earnings quality means cash flows continuity at a higher rate of accruals continuity. Richardson et al. (2005) developed a model for the measurement of future profits continuity. Other prior researches used accruals method for measuring earnings quality using the absolute value of discretionary accruals. To compute discretionary accruals Jones method (1991), which adjusted by Dechow et al. (1995) can be used. This method is the most common used method for earnings management measurement, and also can be used for measuring earnings quality.

3. Prior Researches

The most important literature regarding audit quality features and earnings quality is presented here in this section. Several related researches are available in Western countries, but few were done in Arabic States. Despite that too much prior researches had been incurred in Western countries, but the topic needs more and more investigations, especially in Arab countries.

Guo, (2014), investigated a sample consisting of 4,476 clients who have the incentives and the ability to use the discretionary accruals to affect earnings to be closer to predictions. The study found a negative relationship between the abnormal level of audit fees and the use of discretionary accruals. In addition, the study shows a positive relationship between abnormal level of audit fees and audit quality. In other words, the study shows that those clients who pay high audit fees, have no desire to increase the discretionary accruals, in order to present more closed actual profits to the previously estimated profits.

Mushtaha, (2014) investigated the relationship between audit turnover ratio and audit quality, and its reflection on auditor's opinion. The study had been prepared based on a sample consisting of 38 listed firms in Palestine Stock Exchange, along the period 2006-2007. The study demonstrates an existence of a positive relationship between auditors' turnover and audit quality. In addition, it shows that the length of contracting period between the auditor and the client contributes in exercising the phenomenon of earnings management, and in the issuance of standard unqualified audit report.

One important study that carried out by Perotti and Wagenhofer, (2014) for the purpose of investigating the way that earnings quality measures are used to satisfy the key objective of announcing financial statements, in order to improve investors' decision, where additional returns are determined to be the difference between actual and expected future returns. The authors recommended two measures for measuring earnings quality. The first recommended measure by the authors depends on share prices, where high earnings firms are expected to have lower share prices than other firms. Within this measure, 6 measures were studied herewith this study including, continuity, predictability, two income smoothing measures, discretionary accruals, and earnings quality. The second measure depends on earnings response coefficient and the appropriate value as independent factors, while additional returns as a dependent factor. The authors used descriptive statistics including the mean and the standard deviation, in addition to t-test and regression method in data analysis and hypotheses testing. The study had been prepared based on a sample of nonfinancial US firms over the period 1988-2007. The most important conclusion is that, all measures, except income smoothing, are negatively associated with the extra absolute returns, which generally means that income smoothing is the feature of appropriate earnings and, accrual measures generate the largest dispersion in absolute extra returns, followed by those measures depending on market. This finding supports the idea that accruals measures are the most important measures for earnings quality in the accounting literature.

The objective Li'etal's, (2014) study, was to investigate the effect of financial situation on earnings quality, and to study the relationship between the features of accounting profits, and financial situation of listed firms in China Securities Exchange. The sample of the study consisted of firms issuing additional shares over the period 2005-2007. Simple linear regression and correlation matrix were used in testing the hypotheses, while descriptive statistics such as, the mean and the standard deviation, were used in data analysis. The study finds that accruals quality and the possibility of estimating future profits are widely different among financially stable and bankrupting firms.

The role of audit quality as an instrument for corporate governance in enhancing earnings quality of the Egyptian Manufacturing Shareholding Firms had been carefully investigated by Sameh, (2013). Data from 60 manufacturing firms covering the period 2005-2010 had been collected and used in the analysis. Multiple linear regression method was used in data analysis and hypotheses testing. The study reveals that an acceptable level of earnings quality in the industrial shareholding firms of Egypt is existed, in addition to the existence of acceptable level of audit quality. The study also demonstrates the existence of significant positive effect of audit quality on reducing the total accruals, which leads to earnings quality improvement.

The objective of a study that carried out by Ahmed, (2012) was to investigate the impact of audit quality on earnings quality, and its reflections for cash dividends in manufacturing shareholding firms of Egypt. The analysis was based on data collected from 50 manufacturing firms. The most important findings of the study is that, a positive effect of audit fees, audit office size, international association between audit office and international

audit offices, auditors' professional qualification is existed on earnings quality. The study finds a significant positive effect of earnings quality on cash dividends.

Wuchum et al. (2011) carried out a study to investigate whether a correlation is available between audit quality and the actual practice of earnings management, because of high incentives available through accrual management. The study had been based on a sample consisting of 925 firms over the period 2001-2008. The main conclusion of the study is that a correlation exists between auditor experience with client's industry, auditor's fees, and period length of clients' retention from one hand, and the practices of earnings management on the other hand.

The objective of a study that carried out by Mahmoud et al. (2011) was to investigate the features of earnings management and the performance of shareholding listed companies in Malaysia Stock Exchange. The study attempted to investigate whether earnings quality of Malaysian listed firms are correlated with performance. The study has structured based on three features for earnings quality, where these variables represent the three independent variables of the study. These variables include the predictive value, feedback value, and timeliness. A sample of 285 firms was used along the period 2000-2007. The main conclusion of the study is that there is a significant positive correlation between feedback value, and timeliness in one side, and the rate of return on total assets. Moreover, the study shows that a positive weak correlation exists between the predictive value and return on assets. In addition, the study shows that there is a negative correlation between feedback value and Tobin;s –q as a measure for companies performance, and a positive correlation is existed between earnings quality and firm's performance.

Eisa, (2008) carried out one related study in Egypt, where the purpose was to determine the effect of audit quality on the processes of earnings management. The data used in the analysis of the study was gathered from 74 audit office managers. The study revealed the existence of a positive relationship between audit office size, audit office reputation, auditors' performance, and auditor's experience with the client's industry, in one side, and audit quality in the other side, while a negative relationship the study reveals between audit quality and earnings management behavior, which means that performing audit process at high quality, will be reflected at a positive form on the quality of the announced financial statements.

Al Nawayseh, (2006) studied audit quality, where the purpose was to identify the factors affecting audit quality. The sample of the study consisted of 62 auditors in Jordan. The study finds that the factors associated with audit team have the strongest effect on audit quality. Several factors associated with audit team had been taken in consideration in this study such as, knowledge with accounting standards, commitment to audit standards, interest with training and continuous education, and the experience of audit team. Audit office size, and diversification of services that auditors provide to clients, had been found with no effect on audit quality.

Tendeloo, (2005) tested whether a relationship exists between audit quality and earnings management of selected business organizations of 6 European countries. A sample consists of 120 firms was used in the study. The study demonstrates that high audit quality limits the

managements' practices of earnings management, and these practices are rare in countries where investors' protection laws are valid.

The objective of the study of Hodge, (2003) was to investigate investors images regarding earnings quality, auditors' independence, and benefits of audited financial information. Opinions of 414 individual investors were surveyed regarding their perception of earnings quality and independency of auditors, along the period (1990-2000). The conclusions of the study revealed the doubts honesty of Security Exchange Commission regarding the contradiction between earnings quality and auditors independency over the last 10 years ago. The study also shows that lower perception to earnings quality impose investors to make more accurate tests for financial statements, and more focus on making more analysis for financial information. Moreover, the conflict of financial statement reliability is due for conflict in auditors' independency. .

Based on the above mentioned related prior researches regarding the effect of audit quality on earnings quality, the effect of audit quality features on enhancing earnings quality of listed manufacturing firms at ASE, had been investigated here in this study. The study is made next to the occurrence of many events that may affect the going concern of many firms, such as the global financial crisis occurred on 2008 and its effects on firms. In addition, the study comes next to enforcing Jordanian Shareholding firms to apply the principles of corporate governance by the starting of 2009. The study is distinguished from prior researches through its measurement of the joint effect of audit quality features, in an individual and grouping forms, in enhancing earnings quality, where this test had not been used in any of prior researches.

4. Hypotheses of the Study

Based on the survey made of the related literature and prior researches of audit quality and earnings quality, the hypotheses are as follows:

HO_1: There is no statistical significance of audit quality existence for audit offices that perform audit services of listed manufacturing firms in ASE.

HO_2: There is no statistical significance for the existence of quality of the reported earnings by listed manufacturing firms in ASE.

HO_3: There is no statistical significance of audit quality features in enhancing the quality of earning quality of listed manufacturing firms in ASE.

In order to be tested, this hypothesis is divided into 5 sub-hypotheses as follows.

HO_{31}: Audit office size does not contribute in enhancing the quality of reported earnings of the no listed manufacturing firms in ASE.

HO_{32}: Client's retention period by audit offices has no contribution in enhancing the quality of earnings of the listed manufacturing firms in ASE.

HO_{33}: The type of an auditor's opinion has no effect in enhancing the quality of earnings of listed manufacturing firms in ASE.

HO_{34}: An auditor's experience with the client's industry does not contribute in enhancing the quality of the reported earnings by the listed manufacturing firms in ASE.

HO_{35}: An auditor's fee has no contribution in enhancing the quality of reported earnings by the listed manufacturing firms in ASE.

5. Methodology

The population of the study includes all manufacturing listed firms in ASE. Number of listed manufacturing firms in ASE is 68 firms, by the end of 2013. A portion of needed data for the measurement of the study variables requires the availability of data one year before the period of the study, which is extended over the period 2009-2013. Number of observations that were subject to analysis is 225, attributed to 45 listed manufacturing firms in ASE for 5 year period, so this composes 67 percent from the total population of the study. Actually, two terms should be available in a firm in order to be included in the sample. First, all needed data regarding the firm should be available; whereas the second is that the firm was not stopped or merged with other entity during the period of the study.

Based on the literature, one method for measuring earnings quality is through the continuity of these earnings, because quality of earnings increases when these earnings has the characteristic of continuity, which means that current earnings can be used for the estimation of future earnings, where earnings continuity means the association of future earnings with current earnings. Earnings continuity is used in the study as a proxy variable to represent quality of earnings. In the study, the methodology that followed by France et al., (2004), Sloan et al., (2010, and AlJaber, (2012 for the measurement of this variable, using Autoregressive Model of Order One, as follows.

$$E_{i,t+1} = \alpha_{0,i} + \alpha_1 E_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where:

E,i,t; Net current income

E,i,t+1: Net expected future annual income for the year t+1.

Current net income is divided in this model by total assets for tipping purposes, so next period income is divided by total assets. When the coefficient α_1 is closed to 1, it means that earnings are of high continuity, and thereafter, these earnings are of high quality.

The study based on office size, audit fees, client's retention period, audit report type, and auditor's specialization in client's industry, as indicators for audit quality. All of these indicators are used as independent variables in the study. The following model is used to analyze between audit quality features and earnings quality.

$$E_{i,t+1} = B + B_1 E_{i,t} + B_2\, Big4_{i,t} + B_3 Ret_{i,t} + B_4 Aop_{i,t} + B_5 Sps_{i,t} + B_6 Fees_{i,t} + B_7(E_{i,t} * Big4_{i,t}) + B_8(E_{i,t} * Ret_{i,t}) + B_9(E_{i,t} * Aop_{i,t}) + B_{10}(E_{i,t} * Sps_{i,t}) + B_{11}(E_{i,t} * Fees_{i,t}) + B_{12}(E_{i,t} * Big4_{i,t} * Ret_{i,t} * Aop_{i,t} * Sps_{i,t} * Fees_{i,t}) + \epsilon_{i,t} \quad (2)$$

Where:

$E_{i,t+1}$: Net future income for the year t+1, which represents the continuity of earnings, and considered a proxy variable for earnings quality for firm I in year t.

$Big4_{i,t}$: Represents the size of audit office when the firm accounts are audited by the largest 4 audit offices in Jordan. It is a fictitious variable where it is given 1 when it is audited by the largest 4, and 0 when it is audited by other non-large audit offices.

$Ret_{i,t}$: Client's retention period by audit office, when the clients is maintained by audit office for three continuous years or more. It is also a fictitious variable, where it is given 1 when the client is retained for 3 years, and 0 when it is audited for less than 3 years.

$Aop_{i,t}$: Auditor's opinion in the financial statements in the last year directly before the year engagement. It is also a fictitious variable where it is given 1 when the auditor's opinion is standard unqualified opinion and 0 when there is a departure from standard unqualified audit report.

$Sps_{i,t}$: Auditor's specialization with the client's industry. It is a fictitious variable where it is given 1 when the auditor is specialized in client's report and 0 when the audit office is not specialized with client's industry.

$Fees_{i,t}$: Amount of audit fees measured by Jordanian Dinar for firm i in year t.

B: Constant

B1, B2,..B3: Coefficients of independent variables.

$E_{i,t}$: Random error.

6. Results and Analysis

To examine whether data is appropriate for analysis and measurement, and by the end will lead to achieve the objectives of the study, several tests had been made such as normal distribution test, multicollinearity test, and correlation. Table (1) shows the used tests to be sure that the data is appropriate.

Table 1. Test of Data Validity and Study Model

Variable	Autocorrelation		Autocorrelation
	Tolerance	VIF	Durbin Watson
$Big4_{i,t}$	0.868	1.151	-
$Fees_{i,t}$	0.603	1.657	-
$Ret_{i,t}$	0.973	1.028	-
$Sps_{i,t}$	0.927	1.079	-
$Aop_{i,t}$	0.988	1.012	-
$E_{i,t}$	0.686	1.459	1.650

With regard to normal distribution, since most variables were fictitious, these variables are not required to be subject to normal distribution. In addition, since the sample size composes about 67 percent from the total population of the study, therefore, the model will be useful and valid. Tolerance coefficient is computed for each variable, to test the overlapping among variables, thereafter, the Variance Inflation Factor (VIF) had been used. Since VIF for all variables is not more than 5, no overlapping is available among variables, so this means that the model is highly appropriate for interpreting the effect of independent variables on the dependent one. Regarding autocorrelation, Durbin Watson test (D-W) had been used, and its value is 1.65, so this is a good indicator that autocorrelation problem is not existed among variables. In occasion, the optimal value of (D-W) test is between 1.5 and 2.5.

6.1 Descriptive statistics

Table (2) shows the descriptive statistics of current annual earnings (referred as $E_{i,t}$), and future annual earnings (refereed as ($E_{i,t}$), divided by the total assets of all included firms in the sample, for each year and all years. The table shows that the total average of current net income to total assets is 0.0229, whereas the total average of future income to total assets equals 0.024. This means that the sample firms achieved a positive return on its assets, and the accounting profits close to be permanent, which means that these profits are characterized with its continuity, so this refers that profits are with good quality. Results demonstrate that the total standard deviation for current profits average is 0.15352 along the years of the study, whereas the standard deviation of future average is 0.17051. This means that the there is a little bit difference between them.

Table 2. Descriptive Statistics for Accounting Earnings along the period 2009-2013

year	$E_{i,t}$ *				$E_{i,t+1}$ *			
	Min.	Max.	mean	Std.	Min.	Max.	mean	Std.
2009	-0.17	0.5	0.0337	0.11579	-0.30	1.69	0.0588	0.26104
2010	-0.30	1.69	0.0588	0.26104	-0.44	0.2	0.0079	0.09918
2011	-0.44	0.2	0.0079	0.09918	-0.32	0.29	0.0086	0.11153
2012	-0.32	0.29	0.0086	0.11153	-0.44	0.31	0.0056	0.11824
2013	-0.44	0.31	0.0056	0.11824	-0.34	1.19	0.0402	0.20313
All years	-0.44	1.69	0.0229	0.15352	-0.44	1.69	0.0242	0.17051

*Where: $E_{i,t}$ (Current Earning), $E_{i,t+1}$ (Future Earning)

Table (3) shows the descriptive statistics of the independent variables. Based on information appears in the table, it is notable that large audit offices made auditing of 38.2 percent of the total listed manufacturing firms in ASEe, and this phenomenon is increasing from year to year. In addition, the table shows that client's retention period ratio is 92 percent, where this means that the client deals with the same audit office for more than 3 years. This means that clients trust audit offices, and audit office provides all needed tasks at a reasonable form. In occasion, the regulations identify the length that the client can continue with the same audit office to be in maximum, 4 years. Moreover, the table shows that 59.1 percent of audit offices that engaged in auditing listed manufacturing firm are specialized with the clients industry, which may lead to more audit quality. The largest ratio of audit office specialization with client's industry is 62.2 percent, and this occurred in 2010. This may be attributed for the desire of listed manufacturing firm, where these firms prefer a specialized audit office to engage in auditing its financial statements, especially next to the global financial crises, where the corporate governance regulations of Jordan issued next to the crises and became valid since the starting of 2009. Results also demonstrate that the average of audit fees is JD13,474. Moreover, the results show that 92.4 percent of issued related opinions were standard unqualified audit reports. The highest ratio was 95.6 percent, and attributed to year 2009. This means that the impact of the last year auditor's opinion is a key factor in client's trust with audit quality, so this leads the auditor to make more efforts in the road of limiting management interventions to affect accounting earnings, so an auditor's opinion reflects the actual economic events occurred in the firm. In this case, an audit office enhances clients' trust with audit office, and maintains the reputation of these offices.

Table 3. Descriptive Statistics of Independent Variables

YEAR	Audit Size (Big4)		Retentionperiod		Auditor opinion		Specialty in clients industry		Auditing Fees			
	Fre.	%	Fre.	%	Fre.	%	Fre.	%	Min.	Max.	mean	Std.
2009	14	31.1	39	86.7	43	95.6	26	57.8	4000	98400	12940	17281
2010	17	37.8	41	91.1	41	91.1	28	62.2	4000	98400	13077	17820
2011	19	42.2	44	97.8	42	93.3	27	60	4000	92600	13279	17159
2012	18	40	43	95.6	41	91.1	26	57.8	4000	103800	13522	18452
2013	18	40	40	88.9	41	91.1	26	57.8	4000	106140	14550	20450
All years	86	38.2	207	92	208	92.4	133	59.1	4000	106140	13474	18117

6.2 Hypotheses Testing

The hypotheses of the study object for examining earnings quality of listed manufacturing firms at ASE along the period 2009-2013, and for determining the impact of audit quality features on enhancing the quality of accounting profits.

6.2.1 Testing the First Hypothesis

The first hypothesis had developed to test whether audit offices that perform audit services for listing manufacturing firms in ASE have audit quality. The hypothesis is presented again as follows.

Ho1: There is no statistical significance of audit quality for audit offices that perform audit services of listed manufacturing firms in ASE.

Features of audit quality including, office size, auditors' retention with clients period, type of audit report, audit office specialization with client's industry, and audit fees, have been tested in the first hypothesis. Binomial distribution had been used in testing the first hypothesis.

Table 4. First Hypothesis Test

Variables	Observed Prop.	Sig.-value (2- tailed)
Big size (Big 4)	88.2%	0.000
Retention (Ret)	92%	0.000
Auditor opinion (Aop)	92.4%	0.000
Specialty in clients industry (Sps)	59.1%	0.008
Fees*	20%	0.000

*For the purpose of this test, audit fees had converted into dual value, where number 1 is used when audit fees are overage of these fees, whereas 0 is given when the audit fees are below the average of these audit fees, in order to insure consistency in measurement.

The table shows that all audit quality features for audit offices are significant. Because the coefficient of significance is below 0.05, the null hypothesis is rejected, whereas the alternative, which states that audit offices which audited the financial statements of listed manufacturing firms at ASE, is accepted,

6.2.2 Testing the Second Hypothesis

The second hypothesis had developed to test whether the reported earnings of listed firms in ASE are of good quality.

Ho2: There is no statistical significance for the quality of the reported earnings by listed manufacturing firms in ASE.

Continuity of reported earnings of listed firms in ASE is used to determine whether these earnings are of high quality. The model used for this purpose is available in table (5).

Table 5. Test of the Second Hypothesis

$$E_{i,t+1} = B_0 + B_1 E_{i,t} + \varepsilon_{i,t}$$

Model	B	T	R^2	Adjusted R^2	F-Test	Sig.
Constant	0.015					
$E_{i,t}$	0.411	5.954	0.137	0.133	35.451	0.000*

a. Predictors: (Constant), Et

b. Dependent variable: E_{t+1}

*Significant at the 5% level.

Results appearing in table (5) demonstrate that the computed coefficient of significance equals zero. When this computed coefficient of significance is compared with the predetermined one, which equals 0.05 (1-0.95), it is apparent the computed one is less than its corresponding one. Therefore, the null hypothesis is rejected, where its alternative one is accepted. This result means that there is a quality for the reported accounting profits by listed manufacturing firms in ASE, because these earnings are characterized with its continuity, and the earnings of year ($E_{i,t}$) have a clear contribution in interpreting profit variance of the next year ($E_{i,t+1}$). In more details, B value was positive for the year t, and equals 0.411, which refers to continuity of profits in year (t+1), and each JD 0.411 in earnings of year t leads to increase in the earnings of year (t+1) with JD1. Results also show that adjusted R^2 equals 0.133, which means that earnings of year $E_{i,t}$ interprets 13.3 percent in the variance of earnings of year $E_{i,t+1}$, and this is a good indicator for the existence of linear relationship , and there are other variables affect the continuity of earnings. This result is in agreement with (Sameh, 2013), and (Hamdan and Abu Hajeelah, 2012).

6.2.3 Testing the Third Hypothesis

The third hypothesis had developed to test whether audit quality features affect and enhance the quality of earnings of listed manufacturing firms in ASE. The hypothesis is again presented, in its null form, as follows.

Ho3: There is no statistical significance of audit quality features in enhancing the quality of earning quality of listed manufacturing firms in Amman Stock Exchange.

Multiple linear regression method had been used in testing the third hypothesis. Table (6) shows the results of the study model

Table 6. Effect of the Overall Audit Quality Features on Enhancing Earnings Quality

$$E_{i,t+1} = B + B_1E_{i,t} + B_2\,\text{Big4}_{i,t} + B_3\text{Ret}_{i,t} + B_4\text{Aop}_{i,t} + B_5\text{Sps}_{i,t} + B_6\text{Fees}_{i,t} + B_7(E_{i,t} * \text{Big4}_{i,t}) + B_8(E_{i,t} * \text{Ret}_{i,t}) + B_9(E_{i,t} * \text{Aop}_{i,t}) + B_{10}(E_{i,t} * \text{Sps}_{i,t}) + B_{11}(E_{i,t} * \text{Fees}_{i,t}) + B_{12}(E_{i,t} * \text{Big4}_{i,t} * \text{Ret}_{i,t} * \text{Aop}_{i,t} * \text{Sps}_{i,t} * \text{Fees}_{i,t}) + \epsilon_{i,t}$$

Variable		Unstandardized Coefficient	Standardized Coefficient (Beta)	(T)	Sig.
constant		-0.056		-1.077	0.283
	E	0.069	0.036	0.081	0.936
	B	-0.029	- 0.082	-1.270	0.206
Retention $(Ret_{i,t})$		0.024	0.038	0.6	0.549
Auditor opinion $(Aop_{i,t})$		0.019	0.029	0.474	0.636
Specialty in clients industry $(Sps_{i,t})$		- 0.012	- 0.034	-0.512	0.609
	f	0.00000373	0.397	4.863	0.000*
$E_{i,t}$*$Big4_{i,t}$		0.397	0.314	1.357	0.176
$E_{i,t}$*$Ret_{i,t}$.		- 0.096	- 0.85	-0.218	0.827
$E_{i,t}$*$Aop_{i,t}$.		- 0.313	- 0.276	-0.561	0.575
$E_{i,t}$*$Sps_{i,t}$		0.134	0.116	0.374	0.709
$E_{i,t}$*Fees		0.0000783	5.584	2.536	0.012*
		- 0.0000799	- 5.695	-2.682	0.008*
			0.266		
			0.225		
F			6.413		
Sig.			0.000		

a. Predictors:(Constant)$E_{i,t}$,$\text{Big4}_{i,t}$,$\text{Ret}_{i,t}$,$\text{Aop}_{i,t}$,$\text{Sps}_{i,t}$,$\text{fees}_{i,t}$,$E_{i,t}$*$\text{Big4}_{i,t}$,$E_{i,t}$*$\text{Ret}_{i,t}$t,$E_{i,t}$*$\text{Aop}_{i,t}$,$E_{i,t}$*$\text{Sps}_{i,t}$,$E_{i,t}$*Fees, $E_{i,t} * \text{Big4}_{i,t} * \text{Ret}_{i,t} * \text{Aop}_{i,t} * \text{Sps}_{i,t} * \text{Fees}_{i,t}$.

b. Dependent variable: E_{t+1}

c. Significant at the level ≤ 5%.

Information appears in table (6) demonstrate an existence of a linear relationship between the features of audit quality and quality of earnings. The computed f-value equals 6.413, with a computed coefficient of significance of zero. When the coefficient of significance is compared with the predetermined corresponding one, which equals 0.05, it is apparent that computed one is lower than the predetermined. Therefore, and based on this result, the null hypothesis is rejected; while it's alternative one is accepted. This result means that audit quality features have an effect on quality of earnings, and plays a role in enhancing the quality of these earnings. This means that there is an effect of at least one feature among the features, and its contribution in interpreting the variance of the dependent variable. Moreover, because α of $E_{i,t}$, equals 0.069, which means that earnings of Ei,t will have the characteristic

of continuity for the year $E_{i,t+1}$. Results reveal that the coefficient of determination (R^2) equals 22.5 percent, where this refers that audit quality features interpret 22.5 percent in the variance of audit quality. This is considered as indicator for the existence of linear relationship between the features of audit quality and quality of earnings, and other variables, the study did not take with consideration, affect the continuity of earnings.

To determine which features of audit quality have the most significant effect on enhancing the quality of earnings, beta coefficient had been used. Table (6) shows that the features that have the most significant effect on earnings quality is the interaction variable that includes all features together, where beta coefficient equals -5.695, followed by the interaction between audit fees and the earning of the last year, where beta coefficient equals -5.584, then audit fees where beta coefficient equals 0.397. In addition, results indicate that the coefficient of significance for these features is below 0.05, which means that each of these features has a significant effect on enhancing the quality of earnings, while insignificant effect is found for the remaining features of audit quality.

I can conclude that the overall interaction among the features of audit quality as a whole leads to an enhancing of quality of earnings, through the effect of these features on limiting the practices of earnings management that firm's managements may exercise, and through limiting these managements interventions in measurement, the disclosed financial information reflect, in a better form, the events that occurred during the accounting period. This result is in agreement with findings of Hamdan and AbuAjeelah, (2012) where individual effect of these features is unavailable. Results also are in agreement with Al Jaber, (2012) where no significant effect of large audit offices that specialized with a client's industry on enhancing the quality of firms reported earnings.

6.2.3.1 Testing Sub- Hypotheses

Table 7 shows the results of tests used for the individual effect of each feature of audit quality in enhancing the quality of reported earnings.

Table 7. Results of Sub- Hypotheses Testing

The impact of the Big4 on enhancing Earnings Equality							
Model(1)	$E_{i,t+1} = B + B_1E_{i,t} + B_2\,Big4_{i,t} + B_3(E_{i,t} * Big4_{i,t}) + \epsilon_{i,t}$						
Coefficient	B_1	B_2	B_3	R^2	Adj. R^2	F-statistic	Sig.
Coefficient value	0.475	0.001	-0.083	0.138	0.126	11.807	0.000
T-test	3.248	0.053	-0.5				
Sig.	0.001*	0.957	0.618				
Expected sign	+	+	+				
The impact of the Clint retention period on enhancing Earnings Equality							
Model(2)	$E_{i,t+1} = B + B_1E_{i,t} + B_2\,\mathrm{Ret}_{i,t} + B_3(E_{i,t} * \mathrm{Ret}_{i,t}) + \epsilon_{i,t}$						
Coefficient	B_1	B_2	B_3	R^2	Adj. R^2	F-statistic	Sig.
Coefficient value	0.713	0.016	-0.318	0.141	0.130	12.135	0.000
T-test	2.082	0.398	-0.908				
Sig.	0.038*	0.691	0.365				
Expected sign	+	-	-				
The impact of the Auditor Opinion on enhancing Earnings Equality							
Model(3)	$E_{i,t+1} = B + B_1E_{i,t} + B_2\,Aop_{i,t} + B_3(E_{i,t} * Aop_{i,t}) + \epsilon_{i,t}$						
Coefficient	B_1	B_2	B_3	R^2	Adj. R^2	F-statistic	Sig.
Coefficient value	1.364	0.025	-0.975	0.155	0.143	13.480	0.000
T-test	2.69	0.625	-1.906				
Sig.	0.008*	0.533	0.050*				
Expected sign	+	-	-				
The impact of the Specialty in clients industry on enhancing Earnings Equality							
Model(4)	$E_{i,t+1} = B + B_1E_{i,t} + B_2\,\mathrm{Sps}_{i,t} + B_3(E_{i,t} * \mathrm{Sps}_{i,t}) + \epsilon_{i,t}$						
Coefficient	B_1	B_2	B_3	R^2	Adj. R^2	F-statistic	Sig.
Coefficient value	0.644	0.005	-0.252	0.141	0.129	12.074	0.000
T-test	2.568	0.219	-0.966				
Sig.	0.011*	0.827	0.335				
Expected sign	+	+/-	+/-				
The impact of the Auditors Fees on enhancing Earnings Equality							
Model(5)	$E_{i,t+1} = B + B_1E_{i,t} + B_2\,\mathrm{Fees}_{i,t} + B_3(E_{i,t} * \mathrm{Fees}_{i,t}) + \epsilon_{i,t}$						
Coefficient	B_1	B_2	B_3	R^2	Adj. R^2	F-statistic	Sig.
Coefficient value	0.532	-0.00000	-0.00000	0.217	0.206	20.431	0.000
		33	49				
		4.578	-2.934				
T-test	4.578	0.000*	0.004*				
Sig.	0.000*						
Expected sign	+	+	+				

a. Dependent variable: E_{t+1}

b. Significant at the 5% level.

The first sub- hypothesis text is again presented, in its null form, as follows:

Ho31: Audit office size does not contribute in enhancing the quality of reported earnings of the listed manufacturing firms in ASE.

The results of multiple linear regression method for Model (1) are shown in table 7. Based on the information appears in the table, a linear relationship exists between audit office size and quality of earnings, since F value equals 11.807, with zero coefficient of significance. Because the computed coefficient of significance is less than the predetermined one, which equals 0.05, the null hypothesis is rejected, whereas the alternative one, which refers to the existence of an effect of audit office size on the quality of reported earnings, is accepted. The results also show that the value of the related coefficient of determination (adjusted R^2) equals 0.126, which means that 12.6 percent of change in the quality of earnings, can be attributed to the audit office size., where this is a good indicator for the existence of a linear relationship between audit office size and earnings quality, and earnings quality is affected by other factors, in addition to audit office size. In addition, results demonstrate that the coefficient of the independent variable (audit office size) is significant and positive and equals 0.475. Moreover, the table shows that the computed t-value equals 3.284, with a computed coefficient of significance of less than 0.05, which also refers the predictive value of current earnings in predicting future earnings. This result is in agreement with the findings of Al Jaber (2012), and Clinch et al. (2010). The table also shows that the coefficient of the variable $Big4_{i.t}$ is positive, and equals 1.34, but it has no significance. The coefficient of $E_{i,t}$ * $Big4_{i,t}$ is also appears negative and equals -0.083 with no significance in the table. Based on the findings, I believe that investors and stakeholders don't perceive that earnings of firms audited by other than large 4 offices has longer continuity, when compared with earnings of firms that audited by large 4 audit offices. I also believe that investors and other stakeholders do not give higher evaluation weight for firms audited by the largest 4 audit offices.

The second sub- hypothesis had developed to measure the contribution of the client's retention period by audit office in enhancing the quality of earnings of listed manufacturing firms in ASE. The test of the second sub- hypothesis is again presented, in its null form, as follows.

Ho32: Client's retention period by audit offices has no contribution in enhancing quality of earnings of the listed manufacturing firms in Amman Stock Exchange.

Information appears in table (7) shows the results of multiple linear regressions for model number 2, which shows the effect of clients' retention period on enhancing the quality of earnings of listed manufacturing firms in ASE. Results reveal the existence of a significant linear relationship between clients' retention period and quality of reported earnings, where f-value equals 12.135, and zero coefficient of significance. It is notable that the computed coefficient of significance, which equals zero, is less than the predetermined one, which equals 0.05. The value of the computed coefficient of significance is of statistical significance. Because the computed level of significance is less than the corresponding predetermined one, the null hypothesis is rejected, while the alternative on is accepted. This means that a client's retention period contributes in enhancing the quality of earnings. The coefficient of determination equals 0.141, which means that client's retention period can interpret 0.141 of

the change taking place in the quality of earnings. In other words, 14.1 percent of change occurring in the quality of earnings is attributed to change in a client's retention period, and other than this variable affecting the quality of reported earnings. In the table, the coefficient of the dependent variable ($E_{i,t}$) appears positive with a value of 0.713. This coefficient is a statistical significance, where t-value is 2.082 at 5 percent level of significance. All of these refer to the continuity of earnings. The table also reveals a value of 0.016 for the independent variable of client's retention, and it is insignificant. The table also reveals -0.0318 value for the coefficient of the variable $E_{i,t}$ * $Ret_{i,t}$. This coefficient has no statistical significance. Based on the results, I believe that a client's retention period for a long period of time, will lead auditors to create special relation with the client, and routine auditing procedures will be followed by the auditor, which result in an auditor inability to detect management practices of earnings management. These results mean that investors and other interested groups of people with the firm, are more interested with auditing results in audit offices that retain its clients for more than 3 years, and they give a higher weight for results of audit office that retain clients for less than 3 years. This result is in agreement with the findings of Hamdan and Abu Hajeelah, (2012), and Eisa, (2008).

The third sub- hypothesis had developed to investigate whether the quality of retained earnings by the listed manufacturing firms in ASE is affected and enhanced by auditor's opinion. The hypothesis is represented again, in its null form, as follows.

HO_{33}: The type of an auditor's opinion has no effect in enhancing the quality of earnings of listed manufacturing firms in ASE.

Table (7) shows the results of multiple linear regression method for Model 3, which shows the effect of an auditor's opinion for the most recent period of engagement, on the quality of reported earnings by the listed manufacturing firms in ASE. The results demonstrate the existence of a significant linear relationship between an auditor's report for the most recent period, and the quality of earnings. Regarding this relationship, the results show 13.48 F value, at zero computed coefficient of significance. Because the computed coefficient of significance, which equals zero, is less than the predetermined one, which equals 0.05 percent, the null hypothesis is rejected, and instead, the alternative one, which refers that reported earnings is affected by an auditor's opinion. Results also demonstrate that the coefficient of determination is 14.3 percent, which means that about 13.64 of change taking place in reported earnings is due to change in an auditor's opinion, while other factors, the study did not take into consideration, affecting the quality of earnings. The coefficient of the dependent variable ($E_{i,t}$) is 1.364, while t value equals 2.69, under 5 percent coefficient of significance. This means that current earnings have a predictive value in estimating future earnings. The table also shows that the coefficient of $E_{i,t}$ + $Aop_{i,t}$ equals -0.975. This means that interested people, investors, and other stakeholders' opinions, consider auditor's opinion and its effect on the earnings of the current period, and given higher weight to refer to the continuity of earnings.

The fourth hypothesis was developed to measure the effect of an auditor's specialization with a client's industry. The hypothesis is restated again as follows.

Ho_{34}: An auditor's experience with the client's industry does not contribute in enhancing the quality of the reported earnings by the listed manufacturing firms in ASE.

Results shown in table (7) refers to the multiple linear regression analysis, where model number 4 shows the effect of auditors specialization in the industry of a client on enhancing the quality of earnings of the listed manufacturing firms at ASE. The results show that a linear relationship exists between the auditor specialization with a client's industry and quality of reported earnings, where the results show 12.074 with zero coefficient of significance regarding this relation. Because the computed coefficient of significance, which equals zero, is less than the computed one, which equals 0.05, the null hypothesis is rejected, while the alternative one is accepted. This result means that an auditor's specialization with a client's industry leads to an enhancement in the quality of reported earnings by the listed manufacturing firms in ASE. This means that the independent variables can interpret about 12,9 percent of enhancement occurring for quality of earnings. Actually this is considered as a good indicator for the continuity of profits of these firms, and an indicator for the linear relationship between them, taking with consideration that other outside consideration variables affecting the quality of earnings. The positive coefficient of the dependent variable ($E_{,i,t}$) equals 0.644 and has a statistical significance, where t-value is 2.568 with less than 0.05 coefficient of significance. This actually refers to the continuity of earnings. This result is in agreement with the related findings of Al Jaber, (2012). The insignificant coefficient of $E_{i,t}$ * $Sps_{i,t}$ is -0.252, which means that investors and other users do not care whether an auditor is specialized or non-specialized with the client's industry. In other words, the result means that investors and other users do not give the earnings that audited by a specialized auditor with the industry more weight than earnings that audited by a non-specialized auditors.

The fifth sub- hypothesis had developed to investigate whether the quality of retained earnings of listed manufacturing firms in ASE is affected by audit fees. The hypothesis is represented again, in its null form, as follows.

HO_{35}: An auditor's fee has no contribution in enhancing the quality of reported earnings by the listed manufacturing firms in ASE.

Table 7 shows the results of multiple linear regressions including model number 5, which shows the effect of audit fees on the quality of reported earnings by ASE. The results demonstrate that a linear relationship is available between audit fees and reported earnings quality, where f-value is 20.431, with a coefficient of significance of zero. Comparing the computed coefficient of significance, which equals zero, with the predetermined one, which equals 0.05, it is clear that the computed one is less than the predetermined. Because the computed coefficient of significance is less than the predetermined one, the 5^{th} null hypothesis is rejected, and its alternative is accepted. Results show that the coefficient of determination (adjusted R^2) equals 0.217, which means that 21.7 percent of change taking place in the quality of earnings is due to the dependent variables, which approves the existence of linear relationship between the dependent and the independent variables, while other variables affecting the dependent variables, the study did not take them with consideration. The positive coefficient of the dependent variable ($E_{i,t}$) equals 0.532, and

involves a statistical significance, with t-value of 4.578, under 5 percent level of significance. This means that the quality of the reported earnings has the characteristic of continuity. At the same time, the negative coefficient of the independent variable ($Fees_{i,t}$) equals -0.000033, and has a statistical significance. The table also demonstrates that the coefficient of $E_{i,t}$ * $Fees_{i,t}$ is negative and equals -.0000049, and has a statistical significance. It is supposed that it should be with a positive signal, but because it has a negative signal, it means that auditors may ignore some irregularities or violations that practiced by managements of firms. I see that investors and other interested groups of people perceive that the fees of auditors lead to enhancement in earnings quality, because when auditors receive enough and satisfied fees, they will make more efforts in order to reduce the practices of earnings management, and those investors and users give higher weight for audit fees and link it with the continuity of earnings.

7. Conclusions and Findings

The main objective of the study is to investigate the effect of audit quality features on enhancing the quality of reported earnings by the listed manufacturing firms at ASE along the period 2009-2013. Based on the data analysis and hypotheses testing, the study finds that the earnings of listed manufacturing firms in ASE involve the characteristic of its continuity, so these earnings are with good quality based on the measures followed by the study. In addition, the study shows that a linear regression relationship exists between the features of audit quality and the quality of reported earnings, where the strongest significant effect is attributed to audit fees, followed by an auditor's opinion regarding the fairness of financial statements for the most recent period, in enhancing the quality of reported earnings. The study also finds that the proportion of specialized audit firms with the client's industry is 59.1 percent. Other features of audit have no significant effect. One conclusion this study reaches is that the interaction among the features of audit quality has a significant effect in enhancing the quality of reported earnings.

One important finding of the study is that the majority of listed Manufacturing firms at ASE continue with the same audit office for longer than three years. Data description shows that 92 percent of firms included in the sample retain the same auditor for longer than 3 continuous years. In occasion, it was previously mentioned that the maximum length of period should not be more than 4 years, based on the related Jordanian regulations.

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