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**Earnings management and the audit opinion:
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Article Information:

**Title: Earnings management and the audit opinion:
evidence from Malaysia**

Author(s): Shireenjit Johl, Christine A. Jubb, Keith A. Houghton

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Abstract: Purpose – This study aims to examine auditor reporting behaviour in the presence of aggressive earnings management (EM) in the context of the Asian Economic Crisis as it affected Malaysia. In the vein of Bartov, Gul and Tsui, the interaction between discretionary or abnormal accruals and audit quality (AQ), as indicated by auditor size and auditor industry specialisation, is examined.

Design/methodology/approach – A logistic regression model adapted from various prior studies is utilised to test the hypotheses.

Findings – As per earlier findings using Western data, Big 5 auditors in Malaysia appear to qualify more frequently than their non-Big 5 counterparts when high levels of abnormal accruals are present. However, the interaction between auditor industry specialisation and abnormal accruals is not significant in predicting the incidence of qualification.

Originality/value – This study extends the current literature on AQ differentiation and specifically it attempts to address the gaps in the literature with respect to auditor reporting behaviour in the presence of aggressive EM. In addition, this study provides additional evidence on Big 5/industry specialist quality differentiation in an emerging market (an under-researched area), Malaysia, arguably with less transparent and weaker governance structures than the developed economies such as the USA, UK, and Australia.

Keywords: [Auditing](#), [Earnings](#), [Malaysia](#), [Quality](#)

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