

ABNORMAL AUDIT FEES AND STOCK PRICE IN NIGERIA

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ABSTRACT

The purpose of this study is to investigate abnormal audit fees and stock price in Nigeria. Specifically, the study determined the relationship between earnings per share, book value per share, dividend per share and abnormal audit fee of banks quoted on the Nigerian Stock Exchange. The research design used for the study is the cross sectional research design. A total of fifteen banks listed on the Nigerian Stock Exchange were used for the purpose of this study. The data were obtained from audited financial statements of the selected banks, covering the period of five (5) years (2012 – 2016). The method of analysis is the multiple regression and the method of estimation is Ordinary Least Square (OLS). Based on the analysis, it was found that there is a negative and non-significant relationship between book value per share and abnormal audit fees; that there is a negative and significant relationship between earnings per share and abnormal audit fees and that there is a positive and insignificant relationship between dividend per share and abnormal audit fees. In line with the findings, the study recommends that companies should operate strong corporate governance principles among Nigerian banks as well as highly independent auditors. They should maintain a relatively moderate audit fees because the basic assumption is that when auditors receive more than the normal level of fees from their clients, their benefits from retaining these profitable clients can outweigh the costs associated with allowing substandard reporting.

Keywords: *Abnormal Audit Fee, Earnings Per Share, Book Value Per Share, Dividend Per Share.*

1.0 Introduction

Auditing is a vital part of accounting. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business (Zachariah & Musa, 2012). The Company and Allied Matters Act (CAMA) of 2004 in Nigeria insist that companies quoted on the floor of the stock exchange must hire independent external auditors to take charge of the examination/assessment (audit) of their yearly accounts and reports for the purpose of providing realistic declaration that the content of the audited financial statements are not misleading in any form and are free of any material misstatements. According to Oladipupo & Monye-Emina (2016) the introduction of examination/assessment of financial disclosure is to lessen the danger of misleading the stakeholders' decisions on inaccurate financial statements.

Auditor providing audit service(s) to quoted/non-quoted companies known as independent external auditors charge their hirer (customer) specific amount as payment/ compensation for their audit service rendered. Oladipupo and Monye-Emina (2016) posit that if the audit fee chargeable to a particular client within the industry is equal to the average of the audit fees chargeable within the industry, we can say that the audit fee is normal. However, the audit fee may be above or below the average audit fee in the industry. The average audit fee in the industry is known as the normal audit fee while the audit fee above or below the average audit fee in the industry is known as abnormal fee.

On the issue of stock price, Khan and Amanullah (2012) declare that stock prices actively particular in economic development of a particular nation; it plays a leading role economic indicator in economic activity. According to Umar and Musa (2013), the most important ambition or purpose of an organization ought to be enlarge the worth or value of an organization stock. Investment in shares proffers the advantage of liquidity as well as the change to strike the market and make huge proceeds. However, the duty of share price forecasting is not an easy task, because share price movement is not independent in nature as both intrinsic as well as extrinsic factors have been established to exercise influence over stock price movements (Malhotra & Tandon, 2013).

In this regards, the study examine abnormal audit fees and stock price in Nigeria. The broad objective of this study is to examine the abnormal audit fees and stock price in Nigeria. The specific objectives are to:

1. Determine the extent to which earnings per share influence abnormal audit fee.
2. Examine the relationship between book value per share and abnormal audit fee.
3. Find out the relationship between dividend per share and abnormal audit fee.

1.1 Hypothesis of the Study

The following hypotheses have been formulated to serve as a basis of testing the research questions of this study.

H₀₁: There is no significant relationship between earnings per share and abnormal audit fee.

H₀₂: There is no significant relationship between book value per share and abnormal audit fee.

H₀₃: There is no significant relationship between dividend per share and abnormal audit fee.

2.0 LITERATURE REVIEW

2.1 Conceptual Clarifications on Stock Price

In a well-organized market, stock price informs shareholders/investors with a high-quality amount of an organization's value and its performance (Onyedikachi, 2016). Similarly, Gupta (2016) declare that stock price of a quoted organization is repeatedly regarded as a pointer of overall strong point as well as the healthiness of a particular organization. An organization as well as the entire management team is judged to be discharging their job excellently well, if their organization's share price has raise over a period of time. Public prospect of market as regards an organization's can be determined through its stock price.

2.2 Abnormal Audit Fee

Fee is any fee recognized in favour of performance of an individual service in line with an agreement (Suseno, 2013). He further argues that the sum of an examination/assessment (audit) fees be the sum of the entire fees enveloped for auditor. The sum of the charge (fee) is usually differed, depending on the auditee size as well as the difficulty of the auditing procedure. Apadore and Letchumanan (2016) defined audit fees as the sum that pays off the monetary auditor's activities and experience of financial reports.

Choi, Kim and Zang (2010) believe in a broad sense that, abnormal audit fees may be regarded as "client-specific quasi-rents." The survival of client-specific quasi-rents spur auditor to concede independence in alignment with a specific client furthermore analytically confirms that financial reporting quality is damaged if external auditors are overpaid.

Oladipupo and Monye-Emina (2016) say that if the audit fee is higher than the average or normal audit fee, it is positive abnormal audit fee. It is a negative abnormal audit fee if the audit fee is lower than the normal or average audit fee or what the auditor would have charged in the ordinary course of engagement. Oladipupo and Monye-Emina (2016) further say that the reason for abnormal audit fee is the access that the auditors have to the private information of their clients, which may not be publicly available to other stakeholders.

2.3 Review of Empirical Literature

Review of the empirical studies was gotten from published journals from different countries in relation to audit fees as well as stock prices. Some of the previous work is presented below:

Choi, Kim and Zang (2010) examine whether and how audit quality proxied by the magnitude of absolute discretionary accruals is associated with abnormal audit fees, that is, the difference between actual audit fee and the expected, normal level of audit fee. The results of various regressions reveal that the association between the two is asymmetric, depending on the sign of the abnormal audit fee. For observations with negative abnormal audit fees, there is no significant association between audit quality and abnormal audit fee. In contrast, abnormal audit fees are negatively associated with audit quality for observations with positive abnormal audit fees.

Xie, Cai and Ye (2010), hypothesize that firms engage in audit opinion shopping and pay an abnormal audit fee only when their degree of accounting quality is low. To examine the issue, they group firms on the basis of their change in return on assets (ROA), and show that abnormal audit fees improve audit opinions only among firms that engage local auditors and have a low degree of ROA, but report a large increase in ROA, especially when the ROA change is the result of abnormal accruals. They found no association between abnormal audit fees and audit opinion improvement for other firms.

Blankley, Hurtt and MacGregor (2013), evaluate the effect of abnormal audit fees on future restatements. They find that there is a negative relationship between the two; specifically, unusually low audit fees are associated with an increased likelihood of a future restatement (i.e., one or two years in the future). This relationship has important implications for auditors in terms of audit planning, pricing, and client retention.

Serenjaneh and Takhtaei (2013), examine abnormal audit fees and stock price synchronicity: Iranian evidence. The results of this research indicate that stock market reaction positively to abnormal audit fees. In other words, the investors tend to assume that abnormal audit fees lead to more information of firm into stock prices and this will enhance audit quality.

Sharif, Purohit and Pillai, (2015) analyzed factors affecting share prices: the case of Bahrain stock exchange. The study analyzes a panel data set of 41 companies listed in the Bahrain stock exchange for the period 2006 – 2010. The results indicate that the variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices in the Bahrain market.

Oladipupo and Monye-Emina (2016) examine the effect of abnormal audit fees on audit quality in audit market in Nigeria. The aim was to determine whether abnormal audit fee (be it positive or negative) drives audit quality in Nigeria audit market. Hence, audit quality was regressed on abnormal audit fee alongside other explanatory variables like audit tenure, board independence, audit committee activeness, firm size and leverage. This result shows that abnormal audit fee does not matter to audit quality. Contrary to expectation, board independence and firm size had negative impacts on audit quality. However, only the impact of board independence was statistically significant. Of the auditor tenure, audit committee activeness and leverage that have positive impacts on audit quality, only the leverage had significant impact on audit quality.

3.0 METHODOLOGY

3.1 Research Design

The cross sectional research design is adopted for this study. It is used to make inferences about a population at a point in time. It is used in determining the frequency of particular attributes at a particular point. The population of this study is made up of all the fifteen (15) deposit money banks listed on the Nigerian Stock Exchange (NSE) as at 31st December 2016. The entire population was adopted as the sample size due to the limited number of listed deposit money banks. Thus, employing the whole population will contribute in enhancing the generalability of the findings.

The data for this study were obtained from secondary source. This includes the financial statement of selected banks. The data covers the period from 2012 – 2016.

3.2 Model Specification

The model is stated in functional form as:

$$ABFEE = f (BVPS, EPS, DPS)$$

Consequently, the econometric model is specified below;

$$ABFEE = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 DPS + U_t$$

Where:

ABFEE = Abnormal Audit Fees

BVPS = Book Value Per Share

EPS = Earnings Per Share

DPS = Dividend Per Share

3.3 Operationlization of Variables

Variable	Definition	Measurements
ABFEE	Abnormal Audit Fees	Abnormal audit fee of a firm i at a time t. This variable is obtained as a residual of regressing audit fee on itself
BVPS	Book Value Per Share	The book value of equity per share of firm
EPS	Earnings Per Share	The reported accounting earning of firms
DPS	Dividend Per Share	Taken as reported in the annual financial statements of sampled companies

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The study empirically investigated abnormal audit fees and stock price in Nigeria among fifteen (15) deposit money banks listed in Nigeria stock exchange (NSE). Specifically, the study attempts to explain the behaviours of stock market prices proxied using earnings per share (EPS), book value per share (BVPS), dividend per share (DPS) and their individual effects on abnormal audit fees (ABFEE). The study comprises of a single regression model with a panel of 75 observations in a five-year period, 2012 to 2016. The analysis of the descriptive statistics, correlation and regression outputs are presented in the following sub-sections:

4.2 Presentation of Results

Table 4.1: Descriptive Statistics

	ABFEE	BVPS	EPS	DPS
Mean	0.919883	0.721000	1.454800	0.432893
Median	0.976500	0.500000	0.600000	0.249000
Maximum	0.988700	2.700000	12.16000	6.976000
Minimum	-0.7417	0.000000	-0.05	0.011000
Std. Dev.	0.266233	0.632770	2.218945	0.861388
Skewness	-5.56315	0.915755	2.788798	6.215394
Kurtosis	33.10551	3.177091	11.57580	46.35679
Jarque-Bera	3219.175	10.58059	327.0435	6357.298
Probability	0.000000	0.005040	0.000000	0.000000
Sum	68.99120	54.07500	109.1100	32.46700
Sum Sq. Dev.	5.245110	29.62945	364.3551	54.90722
Observations	75	75	75	75

Source: Authors computation using Eviews 9 (2017)

The descriptive statistics in table 4.1 shows the characteristics of the variables from the fifteen (15) financial companies that formed the overall sample of the study. As observed, the mean value of the dependent variable (ABFEE) showed positive values suggesting that the observed abnormality in audit fees skewed towards the positive. The mean value of all the other independent variables (BVPS, EPS and DPS) equally showed positive values with mean values of 0.721, 1.455 and 0.433. The standard deviations of each of the variables showed minimal dispersion (\pm) from the mean values which are highly desirable. More so, the probability values of the Jarque Bera test for all factors are significantly lower than the 0.05 indicating that the series are uniformly distributed. Thus, issues of endogeneity arising from the heterogeneous nature of the data are not evident.

Table 4.2: Correlation Analysis

Covariance Analysis: Ordinary					
Date: 10/04/17 Time: 14:01					
Sample: 2012 2016					
Included observations: 75					
Correlation					
t-Statistic					
Probability	ABFEE	BVPS	EPS	DPS	
ABFEE	1.000000				

BVPS	0.165094	1.000000			
	1.430190	-----			
	0.1569	-----			
EPS	-0.728623	-0.115877	1.000000		
	-9.089251	-0.996764	-----		
	0.000**	0.3222	-----		
DPS	-0.125879	-0.072392	0.307509	1.000000	
	-1.084137	-0.620141	2.761151	-----	
	0.2819	0.5371	0.007**	-----	

Source: Authors computation using Eviews 9 (2017) **. *Correlation is significant at the 0.01 level (2-tailed).*

Table 4.2 presents the correlation matrix of variables adopted in the study. The aim is to show how the variables are related among themselves and to also check for possible high correlations which could lead to multicollinearity problem. As observed from the result, an insignificant positive correlation exists between the dependent variable (ABFEE) and the variable of BVPS (book value per share); while the variables of EPS and DPS showed inverse association with the dependent variable at -0.729 and -0.1259 respectively. However, in all, only the variable of EPS has significant association with the dependent variable of ABFEE. This suggests that high earnings per share tend to decrease the magnitude of abnormal audit fees. It is also observable that the issue of high-correlation is not evident among the variables as Hair, Black, Babin and Anderson (2010) suggest that a multicollinearity problem is likely present when and if the correlation coefficient is above 0.90.

Table 4.3: Variance Inflation Factors

Variance Inflation Factors			
Date: 10/04/17 Time: 14:04			
Sample: 1 75			
Included observations: 75			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.001372	3.087591	NA
BVPS	0.001142	2.350931	1.015146
EPS	0.000102	1.601172	1.115290
DPS	0.000671	1.389245	1.106111

Source: Authors computation using Eviews 9 (2017)

The Variance Inflation Factors (VIF) test for multicollinearity was further performed to reaffirm the assumption of the unlikeliness of multicollinearity problem owing to the low correlation (r) values evident in table 4.2. As shown in table 4.3, all the VIF values are close to the value of 1 and far below the benchmark of 10. This is an indication of complete absence of multicollinearity among the independent variables.

4.3 Estimation Results

This sub-section presents the regression results conducted using Eviews version 9 econometrics computer softwares. The panel data estimation procedure was employed due to the combination of cross-sectional and time-series nature of the data. The Pooled OLS, Fixed effect and Random effect techniques were all estimated (see appendix) in order to provide a comprehensive overview of the results. This is also due to fact that the later recognizes the heterogeneity or individuality that may exist among the sampled companies while the former (Pooled OLS) does not. However, in order to quash the dilemma of the choice of model to interpret, the Hausman test was further employed to help determine the most appropriate model between the fixed and random effect models.

Table 4.4: Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	24.676737	3	0.0000

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BVPS	-0.050301	0.036155	0.002062	0.0569
EPS	-0.172122	-0.090356	0.000769	0.0032
DPS	0.006554	0.034592	0.000484	0.2023

Cross-section random effects test equation:

Dependent Variable: ABFEE

Method: Panel Least Squares

Date: 10/04/17 Time: 13:58

Sample: 2012 2016

Periods included: 5

Cross-sections included: 15

Total panel (balanced) observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.203716	0.067368	17.86768	0.0000
BVPS	-0.050301	0.054214	-0.927824	0.3574
EPS	-0.172122	0.029113	-5.912173	0.0000
DPS	0.006554	0.031614	0.207300	0.8365

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.721731	Mean dependent var	0.919883
Adjusted R-squared	0.638739	S.D. dependent var	0.266233
S.E. of regression	0.160019	Akaike info criterion	-0.621483
Sum squared resid	1.459550	Schwarz criterion	-0.065286
Log likelihood	41.30561	Hannan-Quinn criter.	-0.399399
F-statistic	8.696352	Durbin-Watson stat	3.173675
Prob(F-statistic)	0.000000		

Source: Authors computation using Eviews 9 Output (2017)

The Hausman test result in table 4.4 was performed on the panel data to determine the most desirable model between the Random Effects or Fixed Effects. The following hypothesis applies:

H₀: Random Effect Model is consistent

H₁: Fixed Effect Model is consistent

Decision Rule: If p-value is less than 5 percent, we can accept alternative hypothesis that fixed effect model is consistent.

Based on the outcome of the results, the probability value of the chi square statistic did not exceeded the critical p-value of 5 percent, which confirms the appropriateness of the fixed effect model as the best method in capturing the relationships among the panels.

Table 4.5: Regression Results

Dependent Variable: ABFEE

Periods included: 5 (2012–2016)

Cross-sections included: 15

Total panel (balanced) observations: 75

Variables	FIXED EFFECT			Variables	RANDOM EFFECT		
	Coefficient	t-Statistic	Prob.		Coefficient	t-Statistic	Prob.
C	1.203716	17.86768	0.0000	C	1.010290	31.11680	0.0000
BVPS	-0.050301	-0.927824	0.3574	BVPS	0.036155	1.220659	0.2263
EPS	-0.172122	-5.912173	0.000**	EPS	-0.090356	-10.20597	0.000**
DPS	0.006554	0.207300	0.8365	DPS	0.034592	1.523066	0.1322
	R²	0.722			R²	0.549	
	Adjusted R²	0.689			Adjusted R²	0.530	
	F-stat (p-value)	8.70(0.00)			F-stat (p-value)	28.8(0.00)	
	Durbin Watson	2.17			Durbin Watson	2.01	

*Source: Researcher’s Computation (2017) **significant at 1%*

In the fixed effect result, the R-squared coefficient of determination stood at 0.722 which indicates that the fixed effect model explains about 72.2% of the systematic variations in the dependent variable (ABFEE), while the random effect technique showed an R² value of 0.549 meaning that only 54.9% of such variations were explained. The Adjusted R² which controls for the effect of inclusion of successive explanatory variables on the degrees of freedom was 0.689 and 0.530 on the two techniques respectively, meaning that about 31.1% and 47% of the systematic variations were not explained by the model after adjusting for the degree of freedom. However, the proportion of the variation not captured by the model has been addressed by the error term. The F-statistics value and the associated p-value (on both techniques) of 8.70 (0.000) and 28.8 (0.000) respectively indicate that the hypothesis of a joint statistical significance of the model cannot be rejected as 5% level of significance and the linearized specification of the model is appropriate.

The evaluation of the slope coefficients of the independent variables revealed the existence of negative relationship among book value per share (BVPS), earnings per share (EPS) and the dependent variable (ABFEE) as depicted by the slope coefficient of -0.050301 and -0.172122 respectively for the fixed effect. On the other hand, the variable of dividend per share (DPS) has a positive relationship with the dependent variable (ABFEE) in the two model approaches shown in the table. It is worthy to note that the model of interest is the fixed model where only the variable of earnings per share (EPS) passed the significance test at 5% level, while the other two independent variables (BVPS and DPS) did not significantly affect BVPS and DPS based on the findings. Thus, a positive change in earnings per share is likely to reduce abnormal audit fees significantly by up to 0.17 units. The Durbin-Watson value of 2.17 suggests that stochastic dependence between the successive units of the error term is unlikely in the model.

4.4 Test of Hypotheses

The employed hypotheses are statistically tested below as shown in their null form. The study sets its decision rule for the acceptance of the hypothesis at 5% level of significance; hence, the null hypothesis would be rejected if the probability value is less than 5% (0.05). The following are the results of the tested hypothesis:

4.4.1 Hypothesis One:

Ho: There is no significant relationship between earnings per share and abnormal audit fee.

H1: There is a significant relationship between earnings per share and abnormal audit fee.

The first hypothesis of the study seeks to justify if there is significant relationship between earnings per share and abnormal audit fee. Utilizing the regression output in the previous table, and judging by the significance level of 0.000 (<0.01) which is far lower than the 0.05 significance level as depicted in the regression Table 4.5, the study therefore rejects the null hypothesis and accept the alternative. This can be concluded that there is a significant relationship between earnings per share and abnormal audit fee of quoted Nigerian Banks during the period of the study.

4.4.2 Hypothesis Two:

H₀: There is no significant relationship between book value per share and abnormal audit fee.

H₁: There is a significant relationship between book value per share and abnormal audit fee.

In the second hypothesis, the study seeks to clarify whether or not there is a significant relationship exists between book value per share and abnormal audit fee of Nigerian quoted banks. Based on the regression result in table 4.5, book value per share (BVPS) was negatively and insignificantly related to abnormal audit fees. It had a p-value of 0.3574 which is greater than the critical value of 0.05. Hence, the null hypothesis as stated is accepted. This means that there is no significant relationship between book value per share and abnormal audit fee.

4.4.3 Hypothesis Three:

H₀: There is no significant relationship between dividend per share and abnormal audit fee.

H₁: There is a significant relationship between dividend per share and abnormal audit fee.

The third hypothesis of the study seeks to determine whether or not a significant relationship exists between dividend per share and abnormal audit fee among quoted Nigerian banks. Based on the regression output in the

previous table 4.5, and judging by the significance level of 0.8365 which is far greater than the 0.05 significance level as depicted in the regression. The study therefore rejects the alternative hypothesis and concludes that there is no significant relationship between dividend per share and abnormal audit fee among quoted Nigerian banks during the period of the study.

4.5 Discussion of Findings

The hypothesis test above is based on the decision rule which is to reject the null hypothesis if the probability value of the t-statistics is less than 0.05 statistical level of significant. Considering that, as well as the individual coefficients of the explanatory variables, the findings made from the empirical analysis shows that:

A negative and significant relationship exists between earnings per share and abnormal audit fee. On this basis we rejected the null hypothesis and accepted the alternative hypothesis. In terms on the positive coefficient sign, this finding appears to agree with the findings of the study conducted by Mansouri and Tanani (2014) which indicates that stock market react positively to abnormal audit fees when there is a positive change in earnings per share. However, considering the significant nature of the variable, it could be said that the finding also agrees with that of Mikaeil and Nasrollah (2013) who suggests that investors tend to assume that abnormal audit fees incorporate more information into stock prices and this will enhance audit quality.

In the second finding, the output shows that there is no significant relationship between book value per share and abnormal audit fee. This was confirmed owing to the higher probability value of which is significantly higher than the absolute critical t-values at 5% level of significance. This finding is in accordance with prior studies such as (Boeijink) 2011 which found evidence that the effect of abnormal audit fees on earnings declaration can be positive, while the significance nature of the outcome could not be said to have concurred with the position Al-Khaddash, Al-Nawas and Ramadan (2013) who investigate the factors affecting stock market indexes in Jordanian commercial banks and found that there is a positive significant correlation between stock market reaction to audit efficiency, the reputation of auditing office audit fees, size and the proficiency of auditor, which are the factors that could trigger or cause an abnormally high audit fees.

In the third finding, the output shows that there is no significant relationship between dividend per share and abnormal audit fee. This insignificance was confirmed due to the fact that the probability value of 0.836 is significantly higher than the absolute critical t-values at 5% level of significance. Thus, the null hypothesis was accepted. This finding did not support previous studies such as Bradshaw, Miller and Serafeim (2011) who found that companies with huge profits that declared bonuses or dividends to outstanding shareholders are mostly going to have a boom in stock reactions. This is because, most financial analysts suggest that investors are moved to quickly key-in to dividend-paying- firms, as the motive of all investors is to maximize profit. Hence, such influx of equity capital may expand the scope of the firm audit, which would ultimately trigger the audit fee – most likely higher as the case may be.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The purpose of this study is to examine the abnormal audit fees and stock price of listed deposit money banks in Nigerian stock exchange. Specifically, the study looked at how earnings per share, book value per share and dividend per share affect abnormal audit fees. The study was necessitated due to the assumption that the awareness of the procedure of determining audit fees is of significance both for the client and the auditor. This is because, the amount of audit fees paid to the auditors could affect audit process in two ways: the more audit fees is allocated for the auditor, the more effort is put on the audit process by she/he, hence it increases the audit process and the audit process quality. Therefore, the study adopted a panel data approach on information extracted from a sample consisting of 15 listed deposit money banks in Nigerian Stock Market between the years 2012 to 2016. The model was regressed to check for the existence of significant relationships between the dependent and independent

variables. The results showed that there is a negative relationship among book value per share, earnings per share and abnormal audit fees, while a positive relationship is inherent between dividend per share and abnormal audit fees. However, only that of earnings per share was statistically significant at five percent. Hence, in terms of abnormal audit fees and stock prices in Nigeria, the core variables of interest is earnings per share, while the variables of book value per share and dividend per share were not of crucial importance for the period covered by the study.

5.2 Recommendations

In the light of this research work, the following policy recommendations were made:

1. Companies should operate strong corporate governance principles among Nigerian banks as well as highly independent auditors. They should maintain a relatively moderate audit fees because the basic assumption is that when auditors receive more than the normal level of fees from their clients, their benefits from retaining these profitable clients can outweigh the costs associated with allowing substandard reporting.
2. Regulators should enforce requirements for corporate reports among quoted companies on the floor of Nigerian Stock Exchange as to ensure high transparent audit negotiation procedures in order to reduce abnormally high audit fees or significantly lower fees because when audit fees are below the normal level, auditors may have few (or relatively weak) incentives to compromise audit quality.
3. Government agencies, policy makers and regulators should intensify regulations and surveillances towards the auditing assignment. There should considerations on how to determine a benchmark for audit fees, irrespective of whether the audit firm is among the Big4 or not. This because, audit fees and audit quality associations are most likely asymmetric and nonlinear, and largely depends on whether the auditor receives abnormally high or abnormally low audit fees.

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APPENDIX

POOLED

Dependent Variable: ABFEE
Method: Panel Least Squares
Date: 10/04/17 Time: 13:57
Sample: 2012 2016
Periods included: 5
Cross-sections included: 15
Total panel (balanced) observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.010290	0.037043	27.27345	0.0000
BVPS	0.036155	0.033793	1.069891	0.2883
EPS	-0.090356	0.010101	-8.945389	0.0000
DPS	0.034592	0.025913	1.334947	0.1862
R-squared	0.548812	Mean dependent var		0.919883
Adjusted R-squared	0.529748	S.D. dependent var		0.266233
S.E. of regression	0.182569	Akaike info criterion		-0.511519
Sum squared resid	2.366531	Schwarz criterion		-0.387920
Log likelihood	23.18197	Hannan-Quinn criter.		-0.462167
F-statistic	28.78744	Durbin-Watson stat		2.010357
Prob(F-statistic)	0.000000			

FIXED

Dependent Variable: ABFEE

Method: Panel Least Squares

Date: 10/04/17 Time: 13:57

Sample: 2012 2016

Periods included: 5

Cross-sections included: 15

Total panel (balanced) observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.203716	0.067368	17.86768	0.0000
BVPS	-0.050301	0.054214	-0.927824	0.3574
EPS	-0.172122	0.029113	-5.912173	0.0000
DPS	0.006554	0.031614	0.207300	0.8365

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.721731	Mean dependent var	0.919883
Adjusted R-squared	0.638739	S.D. dependent var	0.266233
S.E. of regression	0.160019	Akaike info criterion	-0.621483
Sum squared resid	1.459550	Schwarz criterion	-0.065286
Log likelihood	41.30561	Hannan-Quinn criter.	-0.399399
F-statistic	8.696352	Durbin-Watson stat	2.173675
Prob(F-statistic)	0.000000		

RANDOM

Dependent Variable: ABFEE
 Method: Panel EGLS (Cross-section random effects)
 Date: 10/04/17 Time: 13:58
 Sample: 2012 2016
 Periods included: 5
 Cross-sections included: 15
 Total panel (balanced) observations: 75
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.010290	0.032468	31.11680	0.0000
BVPS	0.036155	0.029619	1.220659	0.2263
EPS	-0.090356	0.008853	-10.20597	0.0000
DPS	0.034592	0.022712	1.523066	0.1322

Effects Specification

	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.160019	1.0000

Weighted Statistics

R-squared	0.548812	Mean dependent var	0.919883
Adjusted R-squared	0.529748	S.D. dependent var	0.266233
S.E. of regression	0.182569	Sum squared resid	2.366531
F-statistic	28.78744	Durbin-Watson stat	2.010357
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.548812	Mean dependent var	0.919883
Sum squared resid	2.366531	Durbin-Watson stat	2.010357

HAUSMAN TEST

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	24.676737	3	0.0000

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
BVPS	-0.050301	0.036155	0.002062	0.0569
EPS	-0.172122	-0.090356	0.000769	0.0032
DPS	0.006554	0.034592	0.000484	0.2023

Cross-section random effects test equation:

Dependent Variable: ABFEE

Method: Panel Least Squares

Date: 10/04/17 Time: 13:58

Sample: 2012 2016

Periods included: 5

Cross-sections included: 15

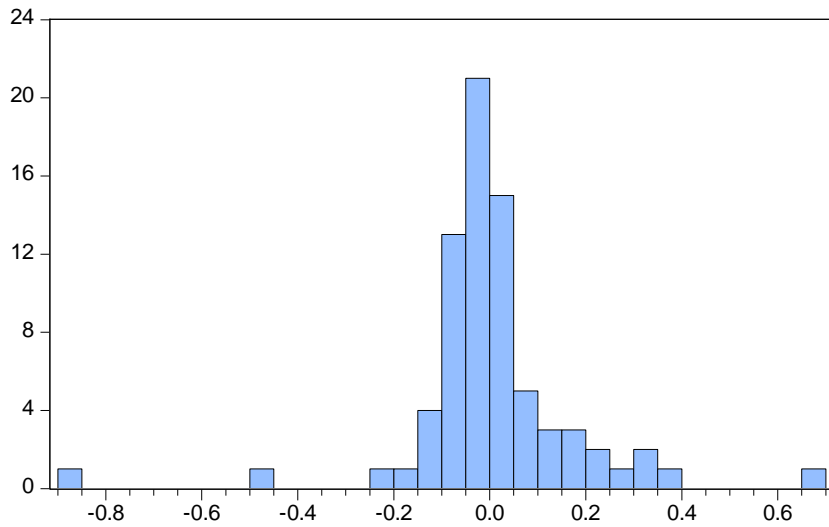
Total panel (balanced) observations: 75

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.203716	0.067368	17.86768	0.0000
BVPS	-0.050301	0.054214	-0.927824	0.3574
EPS	-0.172122	0.029113	-5.912173	0.0000
DPS	0.006554	0.031614	0.207300	0.8365

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.721731	Mean dependent var	0.919883
Adjusted R-squared	0.638739	S.D. dependent var	0.266233
S.E. of regression	0.160019	Akaike info criterion	-0.621483
Sum squared resid	1.459550	Schwarz criterion	-0.065286
Log likelihood	41.30561	Hannan-Quinn criter.	-0.399399
F-statistic	8.696352	Durbin-Watson stat	3.173675
Prob(F-statistic)	0.000000		



Series: Standardized Residuals	
Sample 2012 2016	
Observations 75	
Mean	3.41e-16
Median	-0.012587
Maximum	0.657931
Minimum	-0.898946
Std. Dev.	0.178830
Skewness	-0.928479
Kurtosis	12.60211
Jarque-Bera	298.9025
Probability	0.000000

Variance Inflation Factors

Date: 10/04/17 Time: 14:04

Sample: 1 75

Included observations: 75

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.001372	3.087591	NA
BVPS	0.001142	2.350931	1.015146
EPS	0.000102	1.601172	1.115290
DPS	0.000671	1.389245	1.106111

DESCRIPTIVE

	ABFEE	BVPS	EPS	DPS
Mean	0.919883	0.721000	1.454800	0.432893
Median	0.976500	0.500000	0.600000	0.249000
Maximum	0.988700	2.700000	12.16000	6.976000
Minimum	-0.741700	0.000000	-0.050000	0.011000
Std. Dev.	0.266233	0.632770	2.218945	0.861388
Skewness	-5.563147	0.915755	2.788798	6.215394
Kurtosis	33.10551	3.177091	11.57580	46.35679
Jarque-Bera	3219.175	10.58059	327.0435	6357.298
Probability	0.000000	0.005040	0.000000	0.000000
Sum	68.99120	54.07500	109.1100	32.46700
Sum Sq. Dev.	5.245110	29.62945	364.3551	54.90722
Observations	75	75	75	75

CORRELATION

Covariance Analysis: Ordinary

Date: 10/04/17 Time: 14:01

Sample: 2012 2016

Included observations: 75

Correlation t-Statistic Probability	ABFEE	BVPS	EPS	DPS
ABFEE	1.000000 ----- -----			
BVPS	0.165094 1.430190 0.1569	1.000000 ----- -----		
EPS	-0.728623 -9.089251 0.0000	-0.115877 -0.996764 0.3222	1.000000 ----- -----	
DPS	-0.125879 -1.084137 0.2819	-0.072392 -0.620141 0.5371	0.307509 2.761151 0.0073	1.000000 ----- -----