Audit Committee Attributes and Financial Reporting Quality of Food and Beverage Firms in Nigeria

1UMOBONG, Asian A. FCA & 2IBANICHUKA, E.A.L. Ph.D

1Department of Accounting, University of Port Harcourt, Choba, Port Harcourt
Rivers State, Nigeria
Email: aumobong2007@yahoo.com; Phone: +2348077881419

2Department of Accounting, University of Port Harcourt, Choba, Port Harcourt
Rivers State, Nigeria
Email: emmanuelibanichuka@yahoo.com; Phone: +2348137226840

ABSTRACT
The study examined the relationship between audit committee characteristics and financial reporting quality of food and beverage firms using secondary data obtained from Nigeria Stock Exchange. Audit committee characteristics; financial expertise and Audit committee independence were regressed against financial reporting quality measured by relevance and reliability while controlling for number of attendance at audit committee meetings, firms age, firm size, audit committee tenure. Our study confirms that increase in audit committee independence, financial expertise of members, firm age and frequency of meetings increases financial reporting quality. While increase in audit committee size and firm size decreases reporting quality. Based on our findings we recommend that more accounting and finance experts should be appointed to audit committees and the independence of audit committee members should be guaranteed while a ceiling is pegged on the minimum number of meetings audit committee members should attend in a financial year.

Keywords: audit committee independence, financial expertise, financial reporting quality

INTRODUCTION
The quality of financial reports has been questioned since the beginning of the past decade due to the collapse of firms soon after publication of juicy profits. This necessitated the tightening of regulations, standards and modification of corporate governance mechanisms. Audit committee is one of those mechanisms introduced by regulators to ensure reliable and high quality financial reporting. This initiative is a global phenomenon. In Nigeria there have been a number of initiatives such as the Central Bank of Nigeria code of governance for banks. On account of the role audit committees play, listed companies in Nigeria are required by Companies and Allied Matters Act, (CAMA, 2004) to put together an audit committee which is expected to assist in ensuring the overall integrity and reliability of the company’s financial statements and monitor the effectiveness of a firm’s accounting system. The composition, technical competence and role of audit committees vary from country to country although the goal is the same and is aimed at addressing the weakness of poor financial reporting and prevent corporate failures. The audit committee is a sub-committee of the board and acts as a link between the management, internal and external auditors The committee has the responsibility of making recommendations for the appointment of external auditors to the board and also monitoring management opportunistic behaviors on behalf of shareholders. The committee has been criticized for not being...
effective in ensuring that external auditors are independent so as to issue high quality audited financial reports (Levitt, 1999). Wilds (1996) discloses that the effectiveness of the various corporate governance initiative and audit committee is a subject of various empirical researches. This study is one of such initiative and is aimed at looking at the effectiveness of audit committees in improving the quality of financial reports by assessing the influence of audit committee characteristics (independence and financial expertise of members) on reporting quality.

The need for effectiveness of audit committee in improving reporting quality has gained momentum and draws the attention of regulators globally in contemporary times. The reason as stated earlier is not far-fetched and largely due to accounting fraud and manipulations of financial statements necessitating corporate control initiatives. Defond & Jiambalvo (1991) observed that firms with audit committee are more inclined to preventing overstatement accounting errors. This is in sync with the findings of Deschow et.al (1996) which confirm that firms with audit committee are less likely to manipulate earnings. Beasely (1996) found no significant relation between firms with audit committee and probability of fraud. The empirical studies buttress the necessity for audit committees. However, the effectiveness of the audit committees has been a subject of debate and is likely to be influenced by composition, size, independence and financial competence of members.

In Nigeria, audit committee has not shown the capacity to perform expected oversight responsibilities as evidenced in the collapse of financial institutions and mismanagement of government agencies. This scenario led to criticisms of audit committee for the failure to discharge functions vested on it by CAMA 2004, Security and exchange commission and regulators. There are a number of reasons suspected to have contributed to this anomaly. The competence of members of the audit committee has been questioned as it is believed that majority of members do not understand financial reporting and are unable to make plausible contributions.

Scant empirical studies have examined audit committee and financial reporting quality in third world countries (Owolabi, et al., 2010; Ofo, 2010; Ojeka, Kanu & Owolabi, 2013; Uwuigbe, 2013; Ojeka, Iyoha & Obigbemi, 2014; Ojeka, Iyoha & Asaolu, 2015), but none of the studies considered audit committee’s characteristics of financial expertise and independence in food and beverages sector of Nigeria. Whether or not financial expertise of committee members enhances financial reporting quality in Nigeria calls for further study.

Another major characteristic of audit committee that can impinge on its performance is the independence of the audit committee. Prior empirical studies supports that independence of the audit committee improves reporting quality. Klein (2002) found a negative relation between audit committee and abnormal accrual (reporting quality metrics). Carcello & Neal (2003) found significant negative relation between independent directors in audit committee and optimism of going concern while Bradbury et al. (2006) found that the relation between audit committee independence and financial reporting exists only when abnormal accruals are income increasing. The results indicated in prior studies are mainly in the West and further empirical studies are required in third world countries like Nigeria.

It is therefore the objective of this study to investigate if the presence of financial experts in audit committee and board independence impacts reporting quality. This is necessary because the nature of industry, to a large extent influences corporate governance initiatives by regulators in Nigeria. For instance, uniform accounting year end is mandatory for financial institutions but is not applicable to firms in other sectors of the Nigerian economy. Industry specific analysis is therefore a necessity to clearly identify the role of audit committee in firm reporting.

LITERATURE
Theoretical framework:
Agency Theory

Formation of audit committees derives its impetus from agency theory. When the management of firms are delegated by shareholders to agents it creates agency relationship. This ceding of responsibility by the principal and the resultant separation of responsibilities are beneficial in enhancing an efficient and rewarding entity (Jensen & Meckling, 1976). However, delegation requires principal trust the agent to act...
in the principal's best interests. There may be conflict of interest between the principal’s expectation and the desire of the agent (Jensen and Meckling, 1976; Ross, 1973). The agent may also possess superior information on the activities of the entity than the principal. These divergence could occur because of financial reward, labor market opportunities, and relationships with other parties that are not beneficial to the principal. Also, agents could be more risk averse than principals. These scenarios could create conflicts and the opportunity for the principal to institute monitoring functions to curtail the activities of the agent and ensure goal congruence when there is divergence of views and motives. Agency model suggests that, as a result of information asymmetry and self-interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior (Fama & Jensen 1983; Eisenhardt, 1989).

**Positive Accounting Theory (PAT)**

Positive Theories aim to proffer explanations and predict actions about how accounting policy choices are made and how firms will adjust its activities to new accounting rules while recognizing the existence of economic implications for each choice (Watts & Zimmerman, 1986). Three strands of hypothesis forms the plank for PAT namely bonus hypothesis plan, debt covenant hypothesis and political cost (Watts & Zimmerman, 1986). These hypothesis predicts conflicts of interest between the action of managers and that of shareholders and regulatory agencies. Managers or firms are motivated by selfish motives to manage bonus plans, act to fulfill debt covenants or curtail political costs associated with their scale of operation.

a) **Bonus Plan Hypothesis (BPL)**

The bonus plan hypothesis suggest Managers of firms with bonus plans are inclined to selecting accounting techniques that pull reported earnings from future to present period with the intention to raise bonuses currently for personal gains (Degan, 2005).

b) **Debt covenant hypothesis (DCH)**

Debt covenant hypothesis argues that when firms are near default in meeting debt obligations managers make accounting policy selections that pull reported profits from future accounting periods to current period thus increasing profits and firms will avoid debt covenant violations (Deegan & Samkin, 2011). This imply high debt/equity ratio makes it cumbersome for firms to fulfil debt covenants and thus increases possibility of incurring additional cost for technical default and managers will deploy accounting techniques that increase income.

(c) **Political cost Hypothesis (PCH)**

PCH assumes high political cost imposed on firm raises possibility of managers deploying accounting methods to defer reported profits currently and push it to future periods. High profit can result in increased political pressure in form of higher taxes or stiffer regulations like amendments in standards of reporting. Large and not small firms possess a higher propensity to deploy accounting selection techniques to mitigate reported gains. Thus, size is proxy for political attention.

**EMPIRICAL REVIEW**

Findings from the existing academic studies generally support the prediction and find that the presence of audit committee members with financial expertise is positively associated with financial reporting quality. Carcello et al. (2006) find that independent audit committee members with accounting expertise and certain types of non-accounting financial expertise are most effective in mitigating earnings management. Using internal control weakness as a measure of financial reporting quality, Zhang et al. (2007) find that firms are more likely to be identified with an internal control weakness if their audit committees have less accounting financial expertise and non-accounting financial expertise. However, another two recent studies find contradicting results on the role of accounting expertise and non-accounting expertise. Examining the composition of audit committees for a sample of 500 firms, Krishnan & Visvanathan (2008) find that only accounting financial expertise, rather than non-accounting financial expertise, is positively associated with conservatism, a fundamental property of financial statements. On the other hand, Goh (2009) finds that only non-accounting financial expertise, rather than accounting financial
expertise, is positively associated with reporting quality. Access can only be gained to what the executive directors provide. Therefore, the need to have an audit committee with financial expertise cannot be over-emphasized. As noted in extant literature, for instance, Abbott, Parker & Peters (2004); Abbott, Parker, Peters & Raghunandan (2003); Farber (2005); Carcello & Neal (2003), DeFond, et al., (2005), Lee et al. (2004); Anderson, Mansi & Reeb (2004) and Dhaliwal, Naiker & Navissi, (2007) document lower instances of earnings restatements, higher demand for audit services and lower occurrence of financial fraud in firms with financial expertise in audit committees. Also Ghafran (2013) in the UK finds that audit committee financial expertise exert significant impact on audit quality which invariably impact on the quality of financial reports. Although Krishnan & Visvanathan (2008) fail to find any significant impact of non-accounting financial expertise on financial reporting quality existing theoretical and empirical research suggest that a mix of accounting and non-accounting expertise may enhance audit committee’s ability to monitor financial reporting process. Resource dependence theory argues that directors extract human capital resources from other directors to improve firm performance (Pfeffer, 1972). Hence, both Cohen et al. (2008) and Hillman et al. (2000) argue that audit committee can benefit from a mix of accounting and non-accounting expertise, such as finance expertise. Dhaliwal et al. (2010) argued that finance experts such as investment bankers and financial analysts can complement accounting experts to promote higher financial reporting quality as measured by accruals quality. They also find that supervisory experts such as CEOs or company presidents are unable to help accounting and finance experts to enhance financial reporting quality, which appears to contradict the findings in Goh (2009).

Audit committee is an integral part of checks instituted to curb managerial excesses. Audit committee is an essential tool for corporate management and supports the monitoring process aimed at mitigating agency conflicts between principal and agents. Audit committee without external influence enjoying independence with expertise of members in financial matters strengthen internal control in organizations and mitigate conflicts of interest (Krishnan, 2005). According to Abbott (2002) an increase in number of independent members in audit committee reduces cosmetic accounting. Cohen (2011) suggested that independence of audit committee members guarantee effectiveness, reliability of financial reports and mitigate manipulative and selfish motives of managers. Nuryanah & Islam (2011); Yasser et al. (2011); Bouaziz & Triki (2012); Arslan et al. (2014); concluded in their studies that independence of audit committee members enhances quality of reports and performance. On the other hand Hutchinson & Zain (2009) found no positive relation between audit committee independence and performance. Mak & Kusanni (2005) suggest there is no significant correlation between market value and audit committee independence. Thus while some studies confirm a positive and beneficial relationship of audit committee and performance of the firm other studies confirm no relation exist. This creates gaps and increases the scrutiny of researchers.
CONCEPTUAL FRAMEWORK

Conceptualized framework of Audit Committee Characteristics and Financial Reporting quality
METHODOLOGY
Data and Sample
The study considered the entire food and beverage firms listed on the Nigeria Stock Exchange between 2011 and 2014. The sample selected consisted of only firms with complete financial statements and this represents 50 percent of the population. The research was based on secondary data obtained from the firms’ financial statements and the Nigeria stock exchange fact book and websites of the sampled firms. Data is analysed using Eviews version 7 statistical software package.

Hypothesis Testing
For the purpose of testing the hypotheses stated the use of ordinary least Square was deployed. The study pooled the time series and cross sectional data in testing the hypothesis using the Ordinary Least Square (OLS) regression. In addition, the quality of financial reporting was decomposed into ‘relevance’ and ‘reliability’. Hausmann test was conducted for the selection of appropriate model. Hausmann test on panel data have the advantage of overcoming autocorrelation, multi-collinearity, heterogeneity and test of normality and therefore classic assumption test is not necessary.

Variables
Dependent variables
The quality of financial reporting is a dependent variable and for accurate measurement it is decomposed into relevance’ and ‘reliability’.
Relevance is measured by calculating interval of days between the statement of financial position closing date and the signed date of the auditor’s report stated in the annual report (Iyoha, 2010).
The reliability of total accrual is a measure of Financial Reporting Quality (FRQ) which relies on estimates of discretionary accruals using modified Jones model.
For the measurement of discretionary accrual the total accruals have to be calculated first and thereafter decomposed into discretional and non-discertional accruals using the Modified Jones model.

Independent Variable
The independent variable in this study is audit committee characteristics and is represented by financial expertise and independence. (AC). While Audit committee independence =ACI, Audit committee financial expertise = ACFE

Control variable
The control variables used for the purpose of this study are audit committee size, firm size, audit committee meetings, firm age and audit committee tenure
Audit committee size (NACM) is interpreted as number of persons appointed to audit committee.
Firm size (FMSIZE) is proxied as log of book value of total assets of the firm at financial year end.
Firm age (FAGE) is number of years the stock of the firm is publicly sold.
Audit committee tenure (TACM) – number of years audit committee participants served as members in the committee
NBACM: Number of attendance at audit committee meetings

Model Specification
To achieve the objective of this study, the following model in functional form was developed to investigate the influence of audit committee independence and expertise of members on reporting quality of food and beverage firms in Nigeria.
f(RPQ) = f(AC) ............................................................(1)

Where FRQ = Reliability + Relevance
AC = ACFE + ACI
AC = f (ACFE, NACM, TACM, FMSIZE, FAGE, NBACM, ACI) .........................(2)

RPQ = f (ACFE, NACM, TACM, FMSIZE, NBACM, ACIM).........................(3)

Models value can now be stated explicitly in the following form:

$$RPQ_{it}=\beta_0+\beta_1ACFE_{it}+\beta_2NACM_{it}+\beta_3TACM_{it}+\beta_4FMSIZE_{it}+\beta_5FAGE_{it}+\beta_6NBACM_{it}+\beta_7ACI_{it}+\mu_{it} \ldots \ldots (4)$$
RPQit=λ₀+λ₁ACFEit+λ₂NACMᵢ+λ₃TACMᵢ+λ₄FMSIZEᵢ+λ₅FAGEitᵢ+λ₆NBACMᵢ+λ₇ACIᵢ+μᵢ………… (5)

Using LSDV (Panel Data Estimation), equation 4 in model above becomes:
ACit= α₀+ α₁ACFEᵢ+ α₂NACMᵢ+ α₃TACMᵢ+ α₄FMSIZEᵢ+ α₅FAGEᵢ+ α₆NBACMᵢ+ α₇ACIᵢ +Q₁ε₁+ Q₂ε₂+…+ Qₜ₋₁εₜ₋₁+μᵢ ..............................(6)

and equation 5 in model above also becomes:
RPQt = β₀ + β₁ACFEᵢ + β₂NACMᵢ + β₃TACMᵢ + β₄FMSIZEᵢ + β₅FAGEᵢ + β₆NBACMᵢ + β₇ACIᵢ + ε₁+ Q₂ε₂+…+ Qₜ₋₁εₜ₋₁+μᵢ ..............................(7)

Where j= n =
The parameters of the model are such that:
β₁, β₇ .......................... β₇ > 0; β₇ < 0
α₁, α₇ .......................... α₇ > 0; α₇ < 0 and
Q₁, Qₗ .......................... Qₗ > 0; Qₗ < 0
i = 1, 2 ...... 7 and t = 1, 2, 3, 4 (2011-2014)

Regression equation

Y = a + bx, to establish the relationship between dependent and independent variable.
RESULTS
From the Hausmann test result on appendix 3, the p-value is 0.03870 < 0.05 level of significance. We therefore reject the hypothesis that Random effect (REM) is more appropriate. Based on result, we select fixed effect (FEM) as the appropriate model for testing the hypothesis.

**Ho1:** The presence of financial experts in Audit committee has no negative association with financial report quality.

Table 1
Dependent Variable: FINQUALITY
Method: Panel Least Squares
Date: 05/28/16   Time: 08:58
Sample: 2011 2014
Periods included: 4
Cross-sections included: 4
Total panel (unbalanced) observations: 16

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.980138</td>
<td>10.2389</td>
<td>0.095727</td>
<td>0.9283</td>
</tr>
<tr>
<td>NACM</td>
<td>-0.043500</td>
<td>0.636997</td>
<td>-0.068290</td>
<td>0.9488</td>
</tr>
<tr>
<td>FSIZE</td>
<td>-1.264145</td>
<td>3.155679</td>
<td>-0.400594</td>
<td>0.7092</td>
</tr>
<tr>
<td>FAGE</td>
<td>0.295196</td>
<td>0.561601</td>
<td>0.526534</td>
<td>0.6269</td>
</tr>
<tr>
<td>NBACM</td>
<td>0.095748</td>
<td>0.228379</td>
<td>0.419253</td>
<td>0.6966</td>
</tr>
<tr>
<td>ORCM</td>
<td>-0.127433</td>
<td>0.578612</td>
<td>-0.220238</td>
<td>0.8365</td>
</tr>
<tr>
<td>TACM</td>
<td>0.069406</td>
<td>0.084763</td>
<td>0.818830</td>
<td>0.4589</td>
</tr>
<tr>
<td>FE</td>
<td>0.125999</td>
<td>0.360592</td>
<td>0.349423</td>
<td>0.7444</td>
</tr>
</tbody>
</table>

Effects Specification

<table>
<thead>
<tr>
<th>Cross-section fixed (dummy variables)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
</tr>
<tr>
<td>S.E. of regression</td>
</tr>
<tr>
<td>Sum squared resid</td>
</tr>
<tr>
<td>Log likelihood</td>
</tr>
<tr>
<td>F-statistic</td>
</tr>
<tr>
<td>Probf(F-statistic)</td>
</tr>
</tbody>
</table>

The Fixed Effect panel analysis result in Table 1 shows a positive intercept of 0.980138, which means that the average financial reporting quality is positive in the absence of Financial Experts on Audit Committee. Also the result indicates a positive coefficient of 0.126, which is consistent with the first hypothesis that states that the presence of financial experts on audit committee has no negative association with financial report quality. This means that the presence of financial experts on audit committee positively enhances financial report quality by every unit increase of financial expert; however, this association is insignificant as is shown by the p-value of 0.7444. Because the concern of this study is not whether or not the association is significant rather it is on whether there is a positive association or not, so we conclude that the presence of financial expert has a positive association with the financial report’s quality.
Ho2: Audit committee independence has no negative association with Financial reporting Quality.

Table 2
Dependent Variable: FINQUALITY
Method: Panel Least Squares
Date: 07/18/16  Time: 16:15
Sample: 2011 2014
Periods included: 4
Cross-sections included: 4
Total panel (balanced) observations: 16

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.424995</td>
<td>0.854300</td>
<td>-0.497477</td>
<td>0.6266</td>
</tr>
<tr>
<td>IND</td>
<td>0.125217</td>
<td>0.154689</td>
<td>0.809476</td>
<td>0.4318</td>
</tr>
</tbody>
</table>

The ordinary least square result in Table 2 shows a negative intercept of -0.044711, which means that the average financial reporting quality is negative in the absence of Audit Committee Independence. The coefficient is positive in the presence of audit committee independence, meaning that there is a positive relationship between Audit Committee Independence and Financial Reporting Quality, in other words, audit committee independence has no negative association with financial reporting quality. However, the R-squared is 0.045, meaning that Audit Committee Independence explains 4.5% of the variation in Financial Reporting Quality while other variables not captured in the model but represented by the error term explain the rest of the variation; the p-value is 0.4318 which is greater than 0.05 convention of significance level, but be that as it may, we are not anchoring our decision on the R-squared value and p-value as our objective is not to test whether or not the association is significant, therefore, we accept the null hypothesis that Audit committee independence has no negative association with Financial reporting Quality, in other words, we conclude that audit committee independence has a positive relationship with financial reporting.

DISCUSSION OF FINDINGS
Based on output of tables above and considering coefficients and p-values, Audit committee financial expertise (ACFE) has a positive co-efficient (0.129555) and is statistically significant with p value of 0.7444 > 0.05. Audit committee size (NACM) has a negative coefficient (-0.043500) and also statistically significant with p value 0.9488 >0.05, Audit committee independence (ACI) has a positive co-efficient (0.125217) and also statistically significant with p value of 0.4318 >0.05. Frequency of attendance at Audit committee meetings has a positive (0.095748) co-efficient and is statistically significant as p value 0.6966 >0.05. Firm size (FSIZE) has a negative (-1.264145) co-efficient and statistically significant with p value of 0.7092 >0.05 Firm age (FAGE) has a positive (0.295196) co-efficient and is statistically significant with p value 0.6269 > 0.05 level of significance. The inverse and significant relationship between financial reporting quality and audit committee size and firm size suggest that increases in these variables exert a declining influence on financial quality.
CONCLUSION AND RECOMMENDATION

Based on agency theory and positive accounting theory which suggests managerial and principal conflicts and the tendency for managers to influence earnings for bonus compensation, to fulfill debt covenants and political costs, the study aligns with previous studies on the effect audit committee could play to mitigate accounting manipulations and improve financial reporting quality. Audit committee characteristics were regressed against financial quality to ascertain its potency in mitigating the deployment of discretionary accruals for earnings management. Our study confirms increase in audit committee independence, financial expertise of members, firm age, and frequency of meetings positively relates to financial reporting quality. From a different perspective, increase in the variables increases quality of financial reports. Also, the positive association of financial expertise and audit committee independence financial reporting quality collaborates the positive relationship of audit committee to financial reporting quality. We conclude audit committee characteristics improve financial reporting quality.

Based on findings we encourage legislation which pegs the minimum number of attendance in meetings, the minimum qualification of members of audit committee in terms of financial expertise and amendments to CAMA to incorporate SEC rules. This will further improve effectiveness of audit committees in the performance of monitoring and oversight responsibilities.

REFERENCES


Uwuigbe, O.R. (2013), Corporate Governance and Share Price: Evidence from Listed Firms in Nigeria/An International Multidisciplinary Journal, 7 (2), 129-143


# APPENDIX

## Table 3
Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq. Statistic</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section random</td>
<td>0.026628</td>
<td>1</td>
<td>0.03870</td>
</tr>
</tbody>
</table>

Cross-section random effects test comparisons:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Fixed</th>
<th>Random</th>
<th>Var(Diff.)</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>OAC</td>
<td>-0.087437</td>
<td>-0.095647</td>
<td>0.002532</td>
<td>0.03870</td>
</tr>
</tbody>
</table>

Cross-section random effects test equation:
Dependent Variable: ANA
Method: Panel Least Squares
Date: 06/26/16  Time: 23:22
Sample: 2011 2014
Periods included: 4
Cross-sections included: 4
Total panel (balanced) observations: 16

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.270903</td>
<td>0.110930</td>
<td>2.442118</td>
<td>0.0327</td>
</tr>
<tr>
<td>AC</td>
<td>-0.087437</td>
<td>0.089078</td>
<td>-0.981574</td>
<td>0.3474</td>
</tr>
</tbody>
</table>

Effects Specification

Cross-section fixed (dummy variables)

<table>
<thead>
<tr>
<th>R-squared</th>
<th>0.424063</th>
<th>Mean dependent var</th>
<th>0.178001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted R-squared</td>
<td>0.214632</td>
<td>S.D. dependent var</td>
<td>0.261149</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.231432</td>
<td>Akaike info criterion</td>
<td>0.161249</td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>0.589171</td>
<td>Schwarz criterion</td>
<td>0.402683</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>3.710006</td>
<td>Hannan-Quinn criter.</td>
<td>0.173613</td>
</tr>
<tr>
<td>F-statistic</td>
<td>2.024829</td>
<td>Durbin-Watson stat</td>
<td>2.500641</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.160255</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>