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CEO's financial and accounting expertise on earning quality: The moderating role of audit quality

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Abstract

This study examined the moderating role of audit quality on the relationship between the CEO's accounting and financial expertise and earnings quality. We use the least squares method to perform a sample regression of 652 companies listed on the Vietnam Stock Exchange from 2017 to 2022. The results show a significant positive correlation between CEOs' accounting and finance expertise, audit quality, and earnings quality. This can be explained by the fact that improved audit quality will allow us to verify the financial disclosures of listed companies. Therefore, reducing adverse selection and moral hazard can ensure quality information in financial reporting. However, audit quality does not mediate the relationship between the CEO`s financial and accounting expertise and earnings quality. This finding has important implications for managers in human resource management activities, given that organizing and hiring a CEO with accounting and finance expertise is expected to improve their earnings quality.

Keywords: *Earning quality, audit quality, CEO, CEO's accounting and finance expertise*

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1 Introduction

Auditors play an essential role in ensuring that high-quality financial reporting is maintained and disclosed. Recently, whether auditors can fulfill this role has received considerable academic attention. Theoretically, this relationship has been established by scholars of agency theory, who have suggested that supervisory mechanisms should be established to coordinate the interests between managers and shareholders and reduce the conflict of any opportunistic behavior arising from earnings management in managers' financial reporting. Jensen và Meckling (1976) described the audit function as an important linking mechanism in a company to more closely align the interests of management with those of external shareholders. At the same time, it minimizes information asymmetry and conflicts of interest between management and shareholders (Arens, 2008). Therefore, the audit process as an oversight mechanism can demotivate managers from managing earnings.

Various empirical studies in both developed and emerging markets have found an association between audit quality and the earnings quality of listed companies (Alzoubi, 2016; Elaoud & Jarboui, 2017; Assad & Alshurideh, 2020; Kaawaase et al., 2021; Thi Thu Hien Nguyen and Ngoc Hung Tran, 2024). The overall purpose of an audit

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is to provide reasonable assurance that there is no material misstatement due to fraud or error in the financial statements, auditing standards, and communications with the client's management (Xiao et al., 2020). Some studies have also suggested that auditor specialization can mitigate information asymmetry (Almutairi et al., 2009; DeBoskey & Jiang, 2012; ALmatarneh et al, 2019). Industry expertise can be developed through diverse audit experience in the field, specialized training, and significant investment in information technology. This knowledge enables professional auditors to provide higher-quality audit services by reducing asymmetric information through the ability to identify significant anomalies. In addition, several other studies also suggest that the individual characteristics of the auditors and the audit firms influence the earning quality, such as the demographics of the auditors, the size and the reputation of the audit firm (Alzoubi, 2016; Gong et al., 2016; Gul et al., 2013).

In accounting, executives have also extensively studied the CEO's role in corporate governance. Financial reporting information allows outsiders to assess how effectively the CEO meets expectations. The Board considers operating performance one of the most essential factors in deciding whether to retain senior management tenure or replace an underperforming CEO. It is also the basis and motivation for encouraging CEOs to produce more effective performance reports. CEO performance can typically be measured by profits or sales growth, return on equity or stock price. As a result, companies declare stock options to align the CEOs' financial interests with those of their shareholders. In addition, CEOs are also very interested in accounting numbers and earnings, as CEO compensation incentives are closely tied to reported earnings. Beginning with Healy (1985) pioneering study in this area, strong evidence of CEO manipulation related to earnings and stock options (Dechow et al., 2010). Although the CEO is not directly involved in the preparation of financial reporting, research has shown that the CEO is putting pressure on his/her CFO to engage in the manipulation of accounting information to meet or exceed market demand expectations (Feng et al., 2011). Therefore, the individual CEO's characteristics have a significant impact on their behavior within an organization (Katz, 2009). Managers' knowledge and experience greatly help them to perform their duties effectively. Managers are limited by their individual skills and other factors and can adjust the company's activities according to their characteristics. In other words, the extent of organizational influencers is highly dependent on the personal judgment of managers (Schoar & Zuo, 2017). Previous research has also argued that established CEO characteristics influence firm performance and financial reporting (Bamber et al., 2010). Cheng & Lo (2006) reported that CEOs have the greatest authority over various decisions and they often determine what information and when should be disclosed. Bamber et al. (2010) argue that even the disclosure of information on financial reporting depends on the CEO’s leadership style. The choice of accounting method and treatment has greatly been influenced by the characteristics of the CEO and CFO (Chava & Purnanandam, 2010).

One of the board's main responsibilities is to hire a CEO with outstanding ability. CEO competence has observable and quantifiable components, including characteristics such as education and work experience, and unobservable and unquantifiable components, such as leadership skills, team building, and workforce within an organization. Determining and measuring a CEO's ability is a difficult, inaccurate, and expensive when looking for a CEO to match company resources in the labor market. Despite this expensive recruitment process, newly hired CEOs can leave the company or be fired soon after being hired. Therefore, evaluating the CEO’s ability and easily measuring characteristics such as education will be important in the CEO search process. Especially at the beginning of the 21st century, with the emergence of a series of serious scandals and frauds related to earning adjustment and concealment of accounting information by some large corporations, the role and exercise of the CEO's management power are becoming more and more important. Several studies have confirmed that the CEO's financial accounting expertise is important to the earning quality (Matsunaga & Yeung, 2008) and that the CEO’s financial experience contributes to the earning quality (Baatwah et al., 2015; Gounopoulos & Pham, 2018).

Vietnam is a developing country, and improving the quality of earnings significantly impacts corporate investment decisions. Moreover, financial decisions are guaranteed to be safe and effective. It will be influenced by one of the most important criteria, which is the quality of accounting information (Nhi, V.V & Cuc, N.T.K, 2019). In fact, in recent years, Vietnam's accounting and auditing standards system has been gradually built according to the legal framework, following international accounting and auditing standards to improve the quality of earnings. Furthermore, the level of legal protection for Vietnamese investors is very low. The new regulations are limited to regulating domestic market behavior and are not in line with international practice. Investor protection mechanisms in the market are unstable. Investors' legitimate rights and interests are violated, mainly because the legal system to protect them is rigid and ineffective (Thao, N. P, 2017). In recent years, voluntary disclosure has been low in the Vietnamese market (Hop, T. T, 2016). This is detrimental to financial analysts who may misinterpret the company's financial information. At the same time, there is growing interest in the role of top CEOs in setting financial disclosures following a series of balance sheet manipulation scandals (Jiang et al., 2010). Therefore, it is necessary to empirically study the audit quality and financial accounting expertise of the CEO on the earnings quality, to provide information for stakeholders to make informed decisions for the economy.

The research contributes to the development of empirical research on audit quality and the role of the CEO's finance and accounting expertise in improving the earnings quality of companies listed on the Vietnam Stock Exchange. At the same time, the research also contributes to governance impact on Vietnamese stakeholders by improving the quality of audits, CEOs' financial and accounting expertise, and earnings quality. Today, in the context of globalization, strengthening corporate networks is an important factor in our country's integration process, so we need to pay more attention to the quality of the information in financial reporting. High-quality financial reporting gives companies a reputation for attracting domestic and foreign investment capital. In addition, improving the quality of degrees also helps create a healthy business environment and empower stakeholders in international integration.

The rest of the paper is presented as follows. The second part, which reviews previous research on audit quality and earnings quality, emphasizes the role of CEOs with accounting and finance expertise. It also creates testable research hypotheses. The third part confirms the research hypothesis and discusses the results. The fourth part summarizes the research and outlines limitations and future research directions.

2 Literature review and hypothesis development

2.1 The CEO's accounting and finance expertise and earning quality

The level of education reflects a person's accumulated knowledge, ability to learn, ability to think logically, and ability to adapt to environmental changes. Highly educated CEOs tend to be more flexible, confident, and better able to adapt to changes and challenges in the business environment (Barker III & Mueller, 2002), which can affect the quality of disclosures in financial reporting. Recent research in accounting confirms that the CEO's characteristics can be used to predict earnings quality. This is because financial reporting plays an important role in shaping CEO's behavior (Bamber et al., 2010). This argument is supported by an empirical study by (Zhang & Wiersema, 2009). The results suggest that the company's earning quality can inform market participants who assess the characteristics of the CEO running the company itself. Furthermore, recent research shows how the CEO's personal characteristics are important in producing accounting data, thereby influencing shareholder interests. They report that increased CEO/CFO equity preferences create incentives to engage in earning management operations (Wilson & Wang, 2010; Xuefeng Jiang et al., 2010), and if they lack professional accounting and financial knowledge, they have less ability to detect such behavior. In recent years, more and more companies are hiring CEOs with financial expertise. It also provides a basis for empirical research linking CEO/CFO qualifications to degree quality and timeliness of disclosure. Research also recognizes the importance of encouraging CEOs to set disclosure guidelines for corporate financial reporting. They hypothesized whether financial expertise and experience, such as differences, were among the determinants of profitability and disclosure quality in the context of their research. Generally, Aier et al. (2005) suggested that CFOs with high financial expertise are less likely to participate in earnings management, as they will play a better role in the design and implementation of internal controls and financial reporting processes. Therefore, the earning quality may be higher. Similarly, previous research has shown that the audit committee's financial expertise enhances profitability, especially for the CEO role, because the CEO has a legal obligation to prepare true and fair data for the preparation and presentation of the financial reporting (Badolato et al., 2014; Xie et al., 2003). In addition, Custódio & Metzger (2014) found that CEOs' financial expertise was related to financial policies and positively impacted earnings quality (Cullinan & Roush, 2011). Similarly, Matsunaga & Yeung (2008) also examined the consequences of appointing a CEO with accounting or finance experience (measured by the CEO's previous CFO position). They showed that companies run by former CEOs as CFOs tend to be conservative in their accounting policies and provide more accurate earnings to analysts. They also show better financial disclosure quality than a company whose CEO has no professional accounting or financial experience. Adding to this line of opinion, Gounopoulos & Pham (2018) argued that CEOs with accounting and finance experts were often concerned about their reputations. As a result, CEOs are less likely to make erroneous deals that affect the information in financial reporting. In particular, the CEO with financial experience will help gain a deeper understanding of financial/accounting issues to supervise the CFO better in preparing earnings of better quality (Baatwah et al., 2015).

Others argue that CEOs with little formal financial experience choose to publish the CFO's financial disclosure policy. This frees the CEO to focus on other responsibilities, such as operational and strategic decisions that can contribute more to the company's value. In this role, CEOs oversee the CFO to make appropriate financial disclosure decisions, and they rely on other oversight mechanisms within the governance structure, such as audit committees and external auditors, to oversee corporate disclosure. Consistent with this view, the evidence presented by Geiger & North (2006) suggests that the CFO is the individual who determines arbitrary accrual qualities. At the same time, CEOs with little financial experience can manage their income through hands-on activities. This can provide more accurate income information and improve the quality of earnings (Jiang et al., 2013).

However, contrary to the view of the above line of research, Tina Ashafoke and Eyesan Dabor (2021) show that CEO expertise has a negative relationship with determining the earning quality, while the CFO is a responsible person involved in the financial reporting process (Feng et al., 2011). Therefore, the CFO is not the mastermind of making decisions to change the reporting information, instead, the CEOs will be able to pressure the CFO to interfere with the financial statements. This argument is also supported by the previous work of Aharony et al. (1993), who argue that CEOs can intervene in earnings management by choosing accounting policies before it is listed on the stock exchange.

In addition to studies showing that the CEO's financial accounting expertise has positive and negative effects on the earning quality, the findings of Mey and de Klerk, (2015) show no association. There is no clarity among CEOs holding accounting and finance degrees regarding discretionary accrual quality. This view is consistent with the rules required by the Sarbanes-Oxley Act in the United States, which requires the CEO to certify a company's financial reporting. Regulation is based on the belief that the CEO is qualified to perform their duties, including the functional role of oversight and disclosure of the accounting process.

Therefore, the plausible explanation is that CEOs do not have the financial expertise to define effective financial disclosure policies or delegate financial disclosure decisions to CFOs. As such, research results are mixed, and it is an open question for researchers to conduct empirical studies to demonstrate differences between CEOs concerning their financial experience or within each specific context. Given the highly specialized and technical knowledge associated with financial reporting decisions and the disclosure environment, it seems reasonable to assume that CEOs with different financial expertise influence financial policies for disclosing financial information and improve the quality of a company's financial reporting. With that argument, we propose the research hypothesis:

H1: The CEO's financial and accounting expertise has a positive impact on the earnings quality

2.2 Audit quality and earnings quality

Financial reporting provides information about financial and business conditions as well as possible future decisions in providing resources to the company. However, for many personal and organizational interests, the quality of earnings is affected by earnings management. Therefore, the involvement of independent auditors is an important part of mitigating opportunistic behavior by management. If the auditor is not independent, the account will be viewed as more suspicious and may incur a social cost. Further, it was argued that an audit fee may be added to disclose the effort involved in audit work. High audit costs add value for auditors in detecting errors in the establishment process and fraud in financial reporting (DeFond & Zhang, 2014). Thus, audit quality is a measure of earning quality assurance (Lennox et al., 2016; Reichelt & Wang, 2010). Therefore, the legal basis ensures the independence and objectivity of audit activities and builds trusting relationships with audit users. At this point, companies should establish and operate a system with good internal control policies and procedures. This makes it easier to spot errors in financial statements (Cushing, 1989).

Stanley & DeZoort (2007) argued that an auditor's knowledge, experience, professional ethics, and significant investment in technology will likely improve audit quality. They also found that companies audited by professional auditors provided more accurate and reliable information than those audited by non-professional auditors, positively impacting earnings quality (Elaoud & Jarboui, 2017a). However, some studies have suggested a significant negative correlation between audit quality and earnings quality (Gerayli et al., 2011; Habbash, 2010; Srinidhi & Gul, 2007). Based on the above, we propose the following research hypotheses:

H2: Audit quality has a positive effect on earnings quality

2.3 The CEO's accounting and financial expertise and earning quality: A moderating role by audit quality.

In addition to examining the impact of financial expertise on the earning quality (Baatwah et al., 2015; Gounopoulos & Pham, 2018; Jiang et al., 2013; Matsunaga et al., 2013), audit quality i.e., examines whether a company led by a CEO with accounting and finance expertise improves or degrades the quality of its financial statements when an accounting firm from the Big Four. Accordingly, audit quality is an essential and valuable tool for reducing asymmetric information in income management (DeBoskey & Jiang, 2012). As a result, the impact of the CEO's accounting and finance expertise on the earnings quality is more significant for companies whose financial statements are audited by the Big Four. A review by a reputable accounting firm reduces adverse selection and moral hazard and ensures better-quality financial information. A third hypothesis is therefore advanced, stating that the relationship between CEO accounting and finance expertise and the earning quality is highly dependent on the auditing quality:

H3: The CEO's financial and accounting expertise positively affects the earning quality, with a moderate role in audit quality.

3 Methodology

3.1 Sampling and data collections

The scope of the study's survey includes non-financial enterprises listed on HOSE and HNX from 2017 to 2022. This time frame was wisely chosen since it corresponds to when Vietnam began implementing significant changes to its accounting practices. The new calculations align with those of International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS). This new accounting system is based on the IAS/IFRS, and it mandates that companies reveal their financials in a way that satisfies four qualitative characteristics of financial information: Reliability, Relevance, Understandability, and Comparability.

We eliminate 67 companies from the financial industry and 16 companies owing to a substantial lack of data from the initial sample of 735 listed companies. Companies in the financial sector categorization, which includes banking, insurance, and financial services, were omitted since the financial statements of this industry in Vietnam are compiled according to different regulatory standards and presented in line with the legislation. It's a different kind of investment and uses a different type of paperwork than regular companies. Quantitative and qualitative information about the 652 firms utilized in the study will be categorized into 11 industrial categories appropriate for the exchange's classification. Vietstock, Inc., as of December 31, 2022, was gathered from the company's website and annual and management reports. Each company must have its income statement, balance sheet, and cash flow statement for all of those financial years to guarantee the reliability of the data used in the study. Additionally, we exclude observations with values less than 5% and greater than 95% of companies by year to normalize the data and minimize the effect of outliers, as these values can lead to the research data being skewed and losing statistical significance (Stevens, 2012). This helps to improve the accuracy of predictive models.

3.2 Measurement variables

3.2.1 Earnings quality (EQ)

Accounting studies have provided several definitions of profit quality due to its multidimensional nature (Gaio, 2010) and the variability in assessing profit quality based on its intended use (Kirschenheiter & Melumad, 2007). In addition, there is no universal measuring standard for earning quality; rather, it is context-dependent (P. Dechow et al., 2010). To get non-arbitrary accruals, we select a model to evaluate the integrity of financial reporting based on the model of Jones (1991) to estimate accruals for each industry in a given year, for sound accounting practices.

$$\frac{TACC_{i,t}}{Asset_{i,t-1}} = \alpha_1 \frac{1}{Asset_{i,t-1}} + \alpha_2 \frac{\Delta Rev_{i,t}}{Asset_{i,t-1}} + \alpha_3 \frac{PPE_{i,t}}{Asset_{i,t-1}} + \varepsilon_{i,t}$$

Where, $TACC_{i,t}$ is the sum of non-discretionary accruals as measured by net operating profit $(NOP_{i,t})$ minus operating cash flow $(CFO_{i,t})$ of company i in year t $(TACC_{i,t} = NOP_{i,t} - CFO_{i,t})$. $Asset_{i,t-1}$ total assets of the company i in year $t-1$; $\Delta Rev_{i,t}$ change in revenue of the company i in year t và $PPE_{i,t}$ is the fixed asset of the company i in year t. All variables adjusted for total assets $t-1$ lag to prevent heteroskedasticity. To estimate model (3), we also conduct OLS model regression to assess the accrual quality of listed companies, and model residuals as a conservative accounting measure, denoted EQ

3.2.2 Accounting and Finance Expertise Profession of the CEO $(AFEXP)$

The relevance of hiring CEOs with functional experience in finance and accounting has been demonstrated by empirical investigations in recent years. Hui & Matsunaga (2015) believed that a CEO's financial expert will adopt improved information sharing, minimizing the risk of inefficiencies and corporate failure (Custódio & Metzger, 2014). Simultaneously, decreasing significant misstatements (Kalelkar & Khan, 2016), restricting CEO participation in earnings management (Gounopoulos & Pham, 2018; Jiang et al., 2013), and overcoming reporting delays in financial reporting (Baatwah et al., 2015).

Our research aims to determine if CEOs with backgrounds in accounting and finance produce higher-quality financial reporting than CEOs with other backgrounds. Thus, we divide CEO qualifications into two categories based on the data collected by the company each year: those with professional qualifications in the field, and those without. CEOs with backgrounds in finance or accounting can be treated as dummy variables with the value 1. In contrast, CEOs with backgrounds in other areas can be treated as dummy variables with the value 0.

3.2.3 Audit Quality ($Audit$)

Audit quality is a qualitative variable when 1 is assigned to companies using the Big Four's auditing services, otherwise 0. Including this variable allows us to examine the impact of Vietnam's corporate governance mechanisms and external governance mechanisms, which means that, based on high-reputation audit firms, can improve the earning quality through audit quality (Ahmad et al., 2003).

3.3.3 Controlled variable

Include the following factors to account for the degree of corporate governance: bank debt (Debt), which indicates the extent of bank loans and is computed as the ratio of bank debt to total assets, is a measure of the number of bank loans. $LnSize$ is the natural logarithm of a company's total assets. Big companies may be incentivized to lower political expenses by decreasing accounting earnings. Yet, larger companies may have a greater motivation to manage earnings since they have more power over the financial system's exploitation (Chen et al., 2007). In addition, prior research has demonstrated a negative relationship between companies' size and discretionary accruals (Peasnell et al., 2000), while other research has shown a favorable relationship (Alves, 2013). The study additionally accounts for the impact of firm characteristics on earnings quality, including the following variables: The ratio of operational cash flows to total value is the component cash flow (CF). Initial capital at the start of the term. MTB is the ratio of the market value to the book value of total assets, and listing age (LnAge) is the logarithm of the number of years after the company's listing till the study year. The tangible ratio (Tang) is the ratio of tangible fixed assets to total assets.

Lender reviews may be less likely to result in improved financial reporting at highly indebted companies. Previous researchers have discovered a positive correlation between leverage and earnings quality (Alves, 2013; Gerayli et al., 2011), whereas others have suggested a negative correlation (Peasnell et al., 2000). Debt maturity (Debt) is the ratio of bank debt to total assets for the purposes of this study. In addition, cash flow from operations seeks to monitor the impact of financial actions on the earnings quality (P. M. Dechow et al., 1995). Financial difficulties increase organizations' motivation to manage earnings (Habbash, 2010). Becker et al. (1998) demonstrated that enterprises with consistent performance have less ability to manage operating cash flow and earnings. Gerayli et al. (2011) discovered that cash flow from operating activities (CF) does not impact discretionary accruals. Hence, CF is determined by dividing the cash flow from operational activities by total capital.

3.3 Regression Model

To examine the impact of the CEO's accounting and financial expertise and the auditor's experience on the earning quality, we conduct the following OLS regression analysis:

$$EQ_{i,t} = \beta_0 + \beta_1 AFEXP_{i,t} + \beta_2 Audit_{i,t} + \beta_4 Tang_{i,t} + \beta_5 Debt_{i,t} + \beta_6 MTB_{i,t} + \beta_7 LnAge_{i,t} + \beta_8 LnSize_{i,t} + \beta_9 CF_{i,t} + \sum \beta_j Industrydummy + \varepsilon_{i,t} \quad (2)$$

EQ reflects the earning quality, AFEXP represents the financial and accounting experience of the CEO and the quality of audits conducted by the Big4 audit firms. As our hypotheses suggest that both the CEO's financial accounting knowledge and audit quality enhance the earning quality, we anticipate a positive effect from $\beta_1$và β_2.

Additionally, we evaluate the moderating influence of audit quality on the connection between the CEO's accounting and financial knowledge and earnings quality using the following model.

$$EQ_{i,t} = \beta_0 + \beta_1 AFEXP_{i,t} + \beta_2 Audit_{i,t} + \beta_3 AFEXP_{i,t} * Audit_{i,t} + \beta_4 Tang_{i,t} + \beta_5 Debt_{i,t} + \beta_6 MTB_{i,t} + \beta_7 LnAge_{i,t} + \beta_8 LnSize_{i,t} + \beta_9 CF_{i,t} + \sum \beta_j Industrydummy + \varepsilon_{i,t} \quad (3)$$

Where $AFEXP_{i,t} * Audit$ indicates the effect of throttling. The β_1 in this model represents the effect of the CEO's AFEXP on the quality of EQ, while the sum of the coefficients $\beta_{1+}\beta_2$ represents the effect of the CEO's accounting knowledge on the FRQ as certified by companies in the Big 4. The definitions of the study model's measurement variables are summarised in Table 1.

Table 1: Interpretation of the study's definitions and measurements of its variables

Variable	Sig.	Measurement
Earning Quality	EQ	The earning quality is the absolute value of model residuals (1) multiplied by 1.
CEO's Accounting and Finance Expertise	$AFEXP$	If the CEO holds a professional degree in finance or accounting is 1, otherwise is 0.
Audit Quality	$Audit$	If the Big 4 audited the company, it is 1; otherwise, it is 0.
Tangible Asset	$Tang$	Tangible fixed asset ratio relative to total assets
Debt Maturity	$Debt$	The ratio of total bank assets to total debt
Company size	$Lnsize$	The logarithm of the total wealth
Listing Age	$LnAge$	The logarithm of the years listed companies have been in existence relative to the study year.
Market to Book	MTB	Total Assets market price to book value ratio
Cash Flow	CF	Operating cash flow/total capital
Industry Dummy	$Industrydummy$	Industry classification is represented by a dummy variable.

4 Results and discussion

4.1 Descriptive statistics

Table 2 provides descriptive statistics for all factors about earning quality, audit quality, the financial and accounting knowledge of the CEO, and model-weighted control variables. According to Table 2, the average level of earning quality in Vietnam, as determined by the Jones (1991) model is (0.201), which is an increase of (0.112) from the (0.006) reported by Houcine (2017) and the same as the level reported by Hoang (2016). Comparing the two markets using this data reveals that financial reporting in Vietnam is more cautious than prior research in certain emerging nations such as China (Xu et al., 2012) and Tunisia (Houcine, 2017). The average audit quality is 0.249, while the qualifications of the CEO in finance and accounting are 0.068.

Data on control variables are again included in Table 2; this time, we look at the median MTB score of 0.971, which indicates that listed companies do, on average, have ample room for expansion. The average of the component CF is 0.198, which amounts to a modest 19,8%. This demonstrates that corporations can be more proactive about financial concerns in the future and reduce their reliance on external finance by borrowing more money or expanding their ownership stake. The statistics also indicate that the average bank debt ratio (Debt) is only 23.9%. This demonstrates that companies are more proactive in financial concerns and minimizing potential financial hazards. Investors are also interested in this indication to determine whether the company can provide a return on their investment. Furthermore, listed companies have an average age (LnAge) of over 10 years. Companies appear to be in a growth phase, indicating that enhancing the earnings quality increases investor interest in strategic decisions and improves the competitiveness of companies. firm during the period of integration.

Table 2: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EQ	3,900	-0.201	1.599	-54.601	0.000
$AFEXP$	4,550	0.068	0.252	0.000	1.000
$Audit$	4,550	0.249	0.433	0.000	1.000
$Tang$	4,550	0.233	0.206	0.000	0.889
$Debt$	4,550	0.239	0.172	0.000	1.542
MTB	4,550	0.991	0.484	0.060	5.243
$LnAge$	4,550	10.666	4.150	1.000	21.000
$LnSize$	4,550	27.260	1.512	23.711	31.768
CF	4,550	0.198	3.030	-22.380	117.252

Note: EQ: earning quality; AFEXP: Accounting and Finance Expertise, if the CEO holds a professional degree in finance or accounting is the value 1; otherwise 0; Audit: Audit Quality, if the Big4 audited company is the value 1, the other value is 0. Tang: Tangible Ratio; Debt: Bank debt; MTB: Ratio of market price to book value of assets; LnAge: Company age; LnSize: Company size; CF: Cash-Flow from the operation.

4.2 Correlation Matrix:

The correlation matrix between the model's variables is shown in *Table 3*. Audit quality is positively connected with earnings quality, indicating that better earnings quality occurs when recognized auditing companies conduct audits. In addition, there is a negative correlation between the financial and accounting expertise of the CEO and their involvement in the management of profits, indicating that the quality of the financial statements improves when the CEO has a background in finance and accounting.

Table 3: Correlation matrix

	FRQ	$AFEXP$	$Audit$	$Tang$	$Debt$	MTB	$LnAge$	$LnSize$	CF
EQ	1								
$AFEXP$	-0.008***	1							
$Audit$	0.065*	-0.031**	1						
$Tang$	0.072*	0.033**	0.029**	1					
$Debt$	0.001***	0.002***	-0.004***	0.200	1				
MTB	0.019**	0.007***	0.148	0.052*	-0.015**	1			
$LnAge$	0.043**	-0.20	0.094*	-0.015**	0.064*	0.192	1		
$LnSize$	0.033**	-0.002***	0.433	0.016**	0.227	0.105	0.008***	1	
CF	-0.475	-0.012**	0.067*	0.090*	-0.018	0.027**	-0.012**	-0.042**	1

****, **, * denote the level of significance of 1%, 5%, 10%, respectively*

4.3 The impact of the CEO's financial and accounting expertise on the earnings quality

Table 4 analytical findings demonstrate that the model is statistically significant at a significance level of 1%. According to data analysis, the financial and accounting experience of the CEO (AFEXP) has a significant influence on the earning quality ($\beta = -0.031, t = -3.840$). Due to the negative influence of the CEO's financial and accounting qualifications on the earnings quality, we cannot establish that the CEO's financial and accounting skills lower the quality of reports. CFOs are responsible for disclosing financial information; thus, it is understandable that they have less involvement in earnings management. This will enable the CEO to concentrate on other tasks, such as operational and strategic choices, where he or she may contribute more to the company's value. In this capacity, the CEO is responsible for ensuring that the CFO makes acceptable financial disclosure choices, and they rely on other monitoring mechanisms within the governance structure, such as audit committees and external auditors, to supervise the company's information disclosure. This conclusion is consistent with the perspective of Jiang et al. (2013) on the Chinese market that CEOs with less experience in finance and accounting deliver more accurate earnings information, enhancing the earnings quality. In addition, we may claim that if a CEO possesses accounting and finance knowledge, they frequently take a more significant role in the design and execution of internal controls and financial reporting systems, resulting in more excellent income stability. Our research results are also consistent with the perspective of (Matsunaga & Yeung, 2008), when CEOs as CFOs tend to be cautious in implementing accounting policies and providing accurate earnings and demonstrate a higher level of disclosure quality than a company where the CEO has no financial accounting experience. The statistical significance and reliability of other control variables including $Tang, LnAge, LnSize$ are all fairly strong, with an influence level of up to 99%.

Table 4: Analysis results on the impact CEO's financial and accounting expertise the earning quality

FRQ	$Coef.$	t	$P > t$
$AFEXP$	-0.038***	-3.840	0.000
$Tang$	0.083***	5.400	0.000
$Debt$	-0.002	-0.150	0.882
MTB	0.005	0.900	0.368
$LnAge$	0.003***	4.120	0.000
$LnSize$	0.006***	3.010	0.003
CF	-0.002	-0.090	0.931
$\_cons$	-0.328***	-6.390	0.000

Industrydummy	Yes
Prob > F	0.000
Adj R-squared	0.0270
Number of obs	3,492

****, **, * denote the level of significance of 1%, 5%, 10%, respectively*

4.4 The impact of the audit quality on the earnings quality

Table 5 reveals that audit quality (Audit) has a substantial positive effect on earning quality, as measured by coefficients ($\beta = 0.012, t = 1.930$). This conclusion is consistent with earlier research conducted by DeBoskey & Jiang (2012) and Elaoud & Jarboui (2017). As a result, auditing knowledge is a significant and valuable instrument for decreasing information asymmetry by limiting earnings management. Hence, the earnings quality is improved when they are audited by market-leading auditing firms with a solid reputation, such as $Big4$. This empirical outcome substantially supports our hypothesis that auditing by the $Big4$ companies improve earnings quality.

Table 5: Analysis results on the impact the audit quality on the earning quality

FRQ	$Coef.$	t	$P > t$
$Audit$	0.012**	1.930	0.053
$Tang$	0.082***	5.320	0.000
$Debt$	0.000	0.020	0.981
MTB	0.005	0.750	0.451
$LnSize$	0.004**	2.000	0.046
$LnAge$	0.003***	4.050	0.000
CF	-0.003	-0.160	0.876
$\_cons$	-0.288***	-5.190	0.000
Industrydummy	Yes		
Prob > F	0.000		
Adj R-squared	0.0239		
Number of obs	3,492		

****, **, * denote the level of significance of 1%, 5%, 10%, respectively*

4.5 The impact of the CEO's financial and accounting expertise on earnings quality: The moderating role of audit quality

This study aims to examine the moderating effect of audit quality on the connection between a CEO's accounting and finance knowledge and the reliability of financial statements. The $AFEXP * Audit$ modifier is used initially. Then, we do a regression on the earning quality as the dependent variable, with the CEO's AFEXP, the moderating variable, and the other control factors as the independent variables. According to Table 6, the moderator variable $AFEXP * Audit$ did not influence the association between the accounting and financial competence of the CEO and the earning quality.

Table 6: Analysis results on the impact of the CEO's financial and accounting expertise on earning quality: The moderating role of audit quality

FRQ	$Coef.$	t	$P > t$
$AFEXP$	-0.038***	-3.480	0.001
$Audit$	0.011*	1.710	0.088
$AFEXP * Audit$	0.004	0.150	0.879
$Tang$	0.083***	5.360	0.000
$Debt$	0.001	0.070	0.941

MTB	0.005	0.760	0.445
$LnSize$	0.004**	2.060	0.040
$LnAge$	0.002***	3.930	0.000
CF	-0.002	-0.090	0.932
_cons	-0.289***	-5.200	0.000
Industrydummy		Yes	
Prob > F		0.000	
Adj R-squared		0.0273	
Number of obs		3,492	

****, **, * denote the level of significance of 1%, 5%, 10%, respectively*

The findings show that the financial and accounting expertise of the CEO has a significant effect on the reliability of the financial statements. In contrast, the quality of the audit has a relatively minor effect when acting as a moderating variable. We reaffirm that when a CEO has experience in accounting and finance, the company is effectively led by someone who is also a financial expert familiar with the relevant accounting, tax, and legal regulations. They play a smaller role in earnings management and a larger one in preparing honest and fair data for the compilation and presentation of the financial statements and in maintaining internal control over the financial statements, both leading to greater returns. CEOs will only be involved in reviewing publicised goals, whereas they will be given the authority to manage earnings through actionable strategies. The CFO is responsible for preparing financial statements, providing financial reporting information, and creating proper disclosure procedures. Hence, there is no difference in the quality of their financial statements before and after a reputable firm has audited them. This further enhances the market value of their company's earnings quality.

5 Conclusions

This research objective is to identify and test three hypotheses: (1) the influence of CEO financial and accounting expertise on financial statement quality; (2) the influence of audit quality on financial statement quality; and (3) the influence of regulation on the influence of CEO financial and accounting expertise on financial statement quality. The findings indicate that the earning quality of listed companies improves when audited by the Big4 audit firms and when CEOs lead them with financial and accounting credentials. However, the quality of the audit does not affect the relationship between a CEO's accounting and financial knowledge and the earnings quality. These are the most significant findings from this research:

Firstly, the empirical research results provide additional evidence that the chief executive officer's financial and accounting knowledge and the quality of the audit influence the dependability of financial statements. It examines the relationship between the COE's accounting and finance expertise and the quality under its regulatory role as measured by auditing quality.

Secondly, according to agency and senior management theories, when a chief executive officer (CEO) has an accounting background, asymmetric information is reduced through improved financial reporting. This finding lends credence to the argument advanced by senior management theorists that managerial characteristics influence economic decision-making.

Third, in developing countries like Vietnam, the Board of Directors can use empirical research to guide the processes of CEO recruitment, appointment, and selection. improve the auditing and accounting standards.

Despite the study's limitations, which include disregarding other personal traits of CEOs and neglecting audit quality through assessing audit fees, the research findings may be useful for analysts, financial specialists, and boards of directors. Through its test results and research models, the study also contributes to identifying and regulating the improvement of the audit's quality role, which should result in higher-quality financial statements for Vietnamese companies.

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