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Impact of Audit Committee Effectiveness on Accrual and Real Earnings Management among Jordanian Listed Firms: Conceptual Paper

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Abstract
The aim of this study is to conduct a comprehensive literature review on the impact of audit committees' independence, meeting frequency, and financial expertise on earnings management (both accrual and real). This review will act as a guide for upcoming empirical research. Many countries, when drafting corporate governance legislation, have focused on improving the characteristics of audit committees to deter unethical behaviour by management. Jordan is among the countries that have included provisions in the Corporate Governance Code for listed service and industrial sector companies that emphasise the characteristics of audit committees and their directors. The provisions were implemented in 2009 and revised in 2017. The current study suggests that researchers should choose a study sample from the years 2014 to 2019 to achieve different goals. First, leaving out years after corporate governance started in 2009 lets us check claims that the quality of corporate governance mechanisms improves over time. This is because the years proposed to be left out (2009–2013) are long enough for listed companies to get used to corporate governance. Second, a comparison can be conducted on the quality of corporate governance mechanisms before and after recent reforms. Empirical studies are likely to provide feedback to both legislators and regulators as to whether governance mechanisms are working as intended.
Keywords: Audit Committee Effectiveness, Accrual Earnings Management, Real Earnings Management, Jordan.

Introduction
In fact, the process of preparing the financial report is not born at the moment, as it passes through several stages, starting with events and transactions related to the entity, then choosing and applying accounting policies, then certain estimates and judgements, and reaching the reporting and disclosure of the results of these stages (Jonas & Blanchet, 2000). The essence of these stages includes making operational, investment and/or financing

decisions (Roychowdhury, 2006; Healy & Wahlen, 1999), as well as using accrual accounting[1] (IASB, 2018). All these steps reflect the company's performance and financial position through financial reports (IASB, 2018). The provisions of management and the accounting results must go hand in hand (Fields & Keys, 2003). However, earnings, which are the primary accounting result, are vulnerable to opportunistic practices by controlling parties (management and/or owners). These practices are commonly referred to as earnings management (EM) through several techniques, the most important of which are accrual EM (AEM) and real EM (REM) (Al-Nohood et al., 2024).

One of the most comprehensive definitions of EM is that given by Healy and Wahlen (1999): "...*occurs when managers use judgement in financial reporting and in structuring transactions to alter reports to either mislead some financial stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers*." Managerial intervention in financial reporting involves selecting estimates and judgements (accrual options) and controlling the timing and structure of operating, investing, and financing activities (cash flow options) in accordance with their own interests. As a result, EM is not just a neutral way to make financial reporting easier; it is also an active process that involves choosing accounting methods and estimates that serve private interests (Schipper & Vincent, 2003; Schipper, 1989). In other words, managers may misuse company resources for personal gain, harming the owners (Liu & Lu, 2007; Osma & Noguer, 2007), or dominant shareholders may engage in corrupt practices to illegally transfer wealth from the company to themselves, especially in markets with weak protections for minority shareholders (Alhadab et al., 2020; Liu & Lu, 2007).

In this regard, EM increases information asymmetry between managers and outsiders (Ascioglu et al., 2012) and masks the real economic performance (the entity's unmanaged economic performance) (Ascioglu et al., 2012). That is, reported information does not reflect the entity's real operating performance, but rather it reflects an entity's distorted economic performance (Okyere et al., 2021; Qamhan et al., 2018; Park & Shin, 2004) and thus the long-run stock market performance of the entity will be affected (Xie et al., 2003). In other words, EM negatively affects the financial reports (Alhadab et al., 2020), which reduces their reliability and credibility (Qamhan et al., 2018; Ascioglu et al., 2012; Uadiale, 2012). Therefore, EM is costly to shareholders thus undesirable (Peasnell et al., 2005). In short, EM is generally viewed by regulators, standard setters and accountants as harmful, mostly because of its perceived opportunistic nature (Uadiale, 2012).

Accordingly, for corporations to remain vibrant, innovative, and trustworthy, strong corporate governance (CG) is indispensable. CG is like blood that flows veins of high-quality accounting practices. It is the muscle that drives a sustainable financial reporting structure. Moreover, a company that does not foster independent and robust oversight risks its stability and health in the future because robust CG is related to the integrity and quality of the financial reporting process (Levitt, 1999). The establishment of monitoring tools is crucial to

[1] "Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. This is important because information about a reporting entity's economic resources and claims and changes in its economic resources and claims during a period provides a better basis for assessing the entity's past and future performance than information solely about cash receipts and payments during that period" (IASB, 2018).

act as controls over management behaviour to reduce agency conflicts by discouraging opportunistic behaviour in a manner that ensures the protection of shareholders' interests (maximising shareholder wealth). They contribute towards making optimal decisions, such as financing decisions (Okyere et al., 2021; Huang et al., 2008). For these reasons, the CG structure and its reforms have become urgently required to monitor managerial behaviour and improve investor protection, particularly following a series of scandals and financial crises (Mansour et al., 2023; Mansour et al., 2022).
More specifically, the audit committee (AC) is one of the most prominent committees emanating from the Board of Directors. An in-depth analysis of AC characteristics is crucial as it can reveal detailed insights into the dynamics of EM and provide valuable perspectives to the broader governance literature, going beyond the usual focus on board attributes (Saleh & Mansour, 2024). The AC has gained great importance because of its responsibility for one of the most prominent oversight tasks, which is monitoring financial reporting to ensure its quality by restricting manipulation of earnings and any opportunistic practices that managers may practice. The quality of financial reporting is likely to contribute to the flow of more money into the financial market by investors looking for reliable places that are likely to maximise their wealth, which means stability for society as a whole. In light of the above, the AC has received increased attention over the past two decades by enhancing its features that consolidate its effectiveness (i.e., the effectiveness of the AC). Previous studies confirmed the AC's effectiveness in Jordan through its proxy, the AC's presence, while its proxy, embodied in its characteristics, received less attention. Further research is needed to explore how the AC's independence, level of activity (number of meetings), and financial expertise can help prevent EM, especially in Jordan, which has recently reformed CG. Moreover, Jordan has a unique institutional environment (Mansour et al., 2024; Mansour, Al Amosh, et al., 2022) that draws the attention of researchers to provide new evidence about the quality of CG mechanisms.

In light of the above, the objectives of this theoretical study are as follows

1. Shedding light on a harmful phenomenon that has long been accused of being at the heart of the financial scandals that have led to the collapse of giant companies as well as global financial crises, which is EM, whether accrued or real.
2. Shedding light on CG because it is a key tool for keeping an eye on managers (or on controlling shareholders) in countries with dispersed ownership (concentrated ownership) from doing destructive practices like EM and other sneaky business practices. Thus, CG will contribute to reducing the traditional or vertical agency problems (Type I) and the modern or horizontal agency problems (Type II).
3. Highlighting the most important committees emanating from the Board of Directors, which is the AC, which is primarily responsible for monitoring financial reports so that they are of a quality that helps restore the confidence of investors who have lost their confidence in many financial markets as a result of financial scandals.
4. Draw the attention of researchers to conduct further empirical studies on CG and EM, specifically in developing countries that are characterised by an institutional, social, and political environment different from developed countries; emerging economies suffer from weak rule of law (weak legal protection, poor quality of implementation, legal traditions, and weak investor protection), poor quality of disclosure (lack of transparency and adequate disclosure of financial information), weak external takeover markets, weak financial reports transparency, prevalence of concentrated

ownership (possibility of information asymmetry and thus high agency costs, especially horizontal ones, through alienation of minority shareholders by management-owned firms), incompetent governments, rampant corruption, excessive political influence, high role of personal relationships, low severe penalties or low risk litigation for auditors as well as low qality of CG.

5. Showcasing Jordan as one of the nations that adopted CG that took its cues from developed nations. This gives researchers a chance to test the effectiveness of the AC in stopping shady business practices like EM. This will help tell the difference between strong and weak governance tools and find out if CG tools in developing countries are just as good as they are in developed countries.
6. Empirical studies are expected to be conducted in more developing countries based on this theoretical research serve as a guide for existing regulatory and legislative bodies to maintain strong governance instruments or reform weak governance instruments, taking into account the above-mentioned contextual advantages.

Literature Review and Hypotheses Development

Audit Committee Effectiveness

The AC is the primary mechanism among the other governance mechanisms that supervise financial reporting quality (Krishnan et al., 2011; Sharma et al., 2011; Ghosh et al., 2010), so it plays an important role concerning specialised monitoring in financial reporting (Davidson et al., 2005; Xie et al., 2003; Klein, 2002) as the ultimate controller of that process (i.e., the financial reporting process) (BRC, 1999). Bédard et al. (2004) describe how implementing a clear mandate assigning responsibility to the AC to supervise financial reports and the external auditor can help mitigate both positive and negative EM in companies. In other words, the financial statements' integrity is crucial for establishing the credibility of accounting information and enhancing the reliability, appropriateness, integrity, and transparency of financial reports (Alzoubi, 2019; Al-Rassas & Kamardin, 2016; Nelson & Devi, 2013; Bradbury et al., 2006; Davidson et al., 2005; Klein, 2002). An effective AC can help with the integrity of that data. Overall, Ghosh et al. (2010) state that supervising ACs involves overseeing the company's accounting process, ensuring compliance with legal and regulatory requirements, evaluating the effectiveness of internal audit functions, selecting external auditors, overseeing the company's audit, and verifying the accuracy and integrity of financial statements.

In this regard, Qamhan et al (2018) argue that supervising the reporting process and financial results by the AC reduces opportunistic behaviour and reduces information asymmetry between insiders (management) and outside board members (Sarens et al., 2009; Chen et al., 2008; Dey, 2008). This, in turn, limits information asymmetry between agents (management) and principals (stakeholders) (Lin et al., 2009). Thus, agency problems are mitigated between the entity's management and external shareholders (Qamhan et al., 2018; Arens et al., 2017; Lin et al., 2009). Likewise, Archambeault et al (2008) argue that, in accordance with the agency perspective, controlling financial reporting quality by the AC limits agency costs.

Considering the above arguments, the AC is one of the most important committees on the boards of directors that monitors the financial reporting process, which in turn is likely to reduce the manipulation of earnings. Based on the general belief that AC effectiveness depends on their various characteristics, the next subsections concentrate on three essential representations linked to the effectiveness of ACs: independence, meetings, and financial expertise.

Audit Committee Independence

AC independence is important in ensuring effective CG, high-quality financial reporting, and strong audit quality. Recent literature shows a positive relationship between AC independence and auditor reporting for financially distressed companies in an emerging economy (Saeed et al., 2022; Ali & Meah, 2021). Another study explored the relationship between AC characteristics and cognitive models. The authors argued that AC independence is important in ensuring effective CG (Namakavarani et al., 2021). Ali and Meah (2021) studied the factors affecting the independence of ACs in the nonfinancial sector of Bangladesh. The authors find that AC independence is positively associated with the quality of financial reporting. Ha (2022) examined the association between AC characteristics and CG disclosure in Vietnam-listed companies. The authors found that AC independence is positively associated with CG disclosure. Eklemet et al. (2023) assessed the effect of AC independence and CG mechanisms on a bank's performance. They found that AC independence is positively associated with bank performance.

Protecting shareholders' interests (Bédard et al., 2004) and effective ACs monitoring are contingent on a prerequisite, namely independence (Bédard et al., 2004; Abbott et al., 2000). Independent AC directors are the best monitors over managers (BRC, 1999), and they are even more eminent monitors of the financial reporting process (Klein, 2002), as they ensure, in line with agency theory, the credibility of financial statements due to the fact that they effectively monitor managers' financial discretion (Sharma & Kuang, 2014). According to Abbott et al. (2000), independent AC members effectively oversee specific tasks assigned to them by non-AC directors. The tasks involve ensuring the entity's financial reporting adequacy, internal controls for key risks, and communication with the external auditor (DeZoort et al., 2002).

According to Fama and Jensen (1983), independents have an incentive to signal to the market about their reputation because failing to do so could cost them their directorships and put them at risk of legal action. In a similar vein, there are a number of reasons why independent AC directors have unique oversight, including 1) the absence of any financial or emotional ties that would prevent them from questioning management (Abbott et al., 2004). Independent AC's ability to be effective and produce desirable outcomes is contingent on ensuring that they have no economic and/or personal dependence on management (Abbott et al., 2003). 2) eager to improve their reputation capital (Abbott et al., 2004; Abbott et al., 2000). The directorate may be a way for independent AC members to improve their reputation (Fama & Jensen, 1983) as decision control experts (Abbott et al., 2000; Beasley, 1996; Fama & Jensen, 1983), as fair judges of the accuracy of reporting and control practices (Abbott et al., 2004), and as people who know how important decisions are (Beasley, 1996). Moreover, they have no interest in sacrificing their objectivity (Yang & Krishnan, 2005). 3) care to avoid legal liability (Abbott et al., 2000).

Indeed, independent AC is associated with several positive aspects that may boost entity value. For example, the lower levels of fraud in the financial statements (Beasley et al., 2000), the low cost of debts (Anderson et al., 2004), less likelihood of experiencing earnings restatement; misstatements are less because of their association (i.e., independent AC members) with increasing external audit quality as well as their association with strengthening internal control (Abbott et al., 2004), and their firms (i.e., firms where s/he sits on their ACs) incur high audit fees due to their concern (i.e., independent ACs directors) to ensure a high level of audit scope in order to preserve reputation capital as well as avoid being

associated with financial misrepresentation and thus the financial reporting process is likely to be improved (Abbott et al., 2003).
In contrast, Cohen et al. (2008) argue that entity management may make biassed decisions given their potentially strong relationships with independent directors on the AC. The independent AC is unable to call into question the practices adopted by management. Thus, it is only an ally of it (i.e., of management) or is described as a paper tiger without teeth. According to Mohammad et al. (2016), independent AC directors will not be able to question the entity's management or even take action against it. This is because these claims are in line with the managerial hegemony perspective, which says that independent members of the AC can only certify management procedures.
In summary, the Jordanian financial markets are presently undergoing a transformative phase in reinforcing the stringency of CG practices. Specifically, these companies are required to appoint a majority of independent directors to their ACs. Consequently, the current study endeavours to reassess the extent of the influence of independent ACs on AEM and REM. Undertaking such an evaluation within the Jordanian context offers a more comprehensive understanding of the feasibility of robust CG practices, especially concerning the independence of ACs. Furthermore, this research addresses a critical research gap by examining the relationship between the independence of ACs and REM, a facet that has been relatively unexplored. Accordingly, subsequent empirical research can confirm the proposed hypotheses.

H1a: AC independence is negatively related to AEM.
H1b: AC independence is negatively related to REM.

Audit committee meetings
Independent members and financial experts are not enough to make ACs effective; they also need to be active (Bédard et al., 2004). The Blue-Ribbon Committee has emphasised that time is one of the most valuable resources, so AC directors should spend it carrying out their duties; doing so means that ACs are effective (Abbott et al., 2003). The effectiveness of ACs, according to Kalbers and Fogarty (1993), may be a function of diligence or the perseverance of their members to execute their charges. The frequency of AC meetings, according to Menon and Williams (1994), is a signal of their diligence. ACs with frequent meetings are likely to be more diligent in performing their duties (Abbott et al., 2003), so the frequency of meetings is an important element that reflects ACs effectiveness (Abbott et al., 2003). In the same regard, Yang and Krishnan (2005) point out that achieving adequate monitoring requires holding frequent meetings to ensure quarterly reporting effectiveness as well as annual reporting. Accordingly, Bédard et al. (2004) indicate that between 3 and 4 meetings annually are consistent with best practices to maintain a constant level of activity for ACs that enables them to carry out their monitoring functions effectively. In short, ACs with frequent meetings are better placed to monitor issues such as EM (Xie et al., 2003).
Furthermore, ACs with frequent meetings are more likely to be more relevant and informed about current auditing issues Abbott et al (2003), so their impact on audit coverage will be up-to-date during the audit phases, both positively and proactively (Abbott et al., 2003). ACs with frequent meetings enhance entity value on many sides. For example, entity performance is improved, specifically if the meetings are in response to the turmoil periods the entity has encountered Vafeas (1999), entities' financial statements are less likely to be fraudulent Beasley et al (2000), entities' audited financial statements are less likely to be restated Abbott

et al (2004), entities' quarterly reports are less likely to be restated McMullen & Raghunandan (1996), and entities' quarterly reports are less likely to face SEC enforcement actions (McMullen & Raghunandan, 1996).
On the other hand, the number of AC meetings may not be an indicator, do not reflect its diligence Qamhan et al (2018), and may not be proactive but reactive. Their frequency increases due to the escalating problems (Vafeas, 1999). Likewise, Jensen (1993) alleges that the frequency of AC meetings increases due to the problems plaguing companies. In the case of EM, the number of AC meetings has gone up after longer periods of discretionary accrual (Ghosh et al., 2010). This suggests that ACs deal with problems as they arise as a response to reports of problems such as EM rather than as a preventative measure against EM.
In short, enhancing oversight functions is achieved through the diligence (i.e., frequent meetings) of ACs, which reduces opportunities for managers to manipulate accruals or real activities. However, such a link remains uncertain due to the paucity of empirical studies, specifically with regard to REM. Jordan has not received studies that give a picture to decision-makers from regulators and legislators about the benefit of repeating AC meetings that the AC is obligated to implement according to the Jordanian CG that entered into force starting in 2009, as well as its latest revisions in 2017. Accordingly, there is a need to investigate the extent to which diligent ACs are able, through the number of their meetings, to curb AEM and/or REM. Consequently, forthcoming empirical investigations may validate the following postulated hypotheses

H2a: AC meetings are negatively related to AEM.
H2b: AC meetings are negatively related to REM.

Audit Committee Financial Expertise
AC financial expertise is crucial in enhancing CG by ensuring transparency, accountability, and the integrity of financial reporting within an organisation (Al Lawati & Hussainey, 2021). Recent articles emphasise that an AC comprised of financial experts possesses the knowledge and skills necessary to oversee complex financial matters, ultimately safeguarding the interests of shareholders and stakeholders (Ali et al., 2022; Naheed et al., 2022; Agyei-Mensah, 2021; Al Lawati & Hussainey, 2021; Pathak et al., 2021). Financial experts within the AC can comprehend and scrutinise financial statements, enabling them to identify irregularities or discrepancies that might go unnoticed by less qualified members (Pathak et al., 2021). This expertise is vital in upholding the accuracy and reliability of financial reporting, a cornerstone of effective CG. They must be well-versed in accounting principles, regulatory requirements, and industry-specific nuances. Their proficiency allows them to engage in meaningful discussions with internal and external auditors, management, and the board of directors (Almasria, 2022). This constructive dialogue fosters a culture of financial accountability and transparency within the organisation. Their ability to assess the adequacy of internal controls and risk management practices contributes significantly to the overall governance framework (Ali et al., 2022).
Scandals involving major corporations like Enron in the USA have led regulators and lawmakers in various countries to require firms to have at least one financial expert in their AC (Choi et al., 2020). This is to ensure they fulfil their responsibilities and assess the validity of management's decisions, particularly those made by the CEO (Zalata et al., 2018). Effective monitoring of the financial reporting process by AC members with financial expertise helps reduce agency problems that may exist between managers and shareholders or among the

shareholders themselves (majority and minority). Likewise, ACs often have to deal with tricky auditing and accounting issues. To solve these problems, regulators require companies to have at least one financial expert[2] on their ACs. This person's job is to understand the different operational and financial issues the company's management is facing and to read and understand important financial statements (Abbott et al., 2004). Having someone with this kind of expertise on the ACs makes them more effective in controlling financial reporting (Krishnan & Visvanathan, 2008; Zhang et al., 2007). Financial expertise of ACs members is what affects, first and foremost, ACs effectiveness (AICPA & POB, 1993), specifically accounting and auditing (whether internal control expertise or those of external auditors) expertise. Accordingly, the supervisory role of ACs is likely to be improved by having accounting or finance experts sit on ACs (Al Lawati & Hussainey, 2021), and then agency problems and costs are likely to be reduced according to the agency theory (Krishnan & Visvanathan, 2008; Zhang et al., 2007; Fama & Jensen, 1983).

According to resource dependence theory (Hillman & Dalziel, 2003), obtaining external resources for the organisation is expected to rely on the valuable expertise, knowledge and experience of the directors. Therefore, AC's financial expertise is considered an effective means of oversight. Abbott et al. (2004), Chen and Zhang (2014), and Krishnan (2005) argue that effective ACs enhance the detection of material misstatements and the evaluation of internal controls by overseeing the financial reporting process more effectively and competently. Moreover, the presence of financial experts in the ACs is positively related to entity value. For example, Davidson III et al (2004) demonstrate a significantly positive reaction to stock prices. Abbott et al (2004, 2002) and Agrawal and Chadha (2005) find that financial reporting is less likely to experience fraud or restatement.

In the same regard, Abbott et al (2004) suggest that the expertise of ACs can improve monitoring effectiveness, leading to better financial reporting and decreased material misstatements. The first aspect is the effectiveness of internal controls, where internal controls acknowledge that they are working with financial experts in ACs who can understand the outcomes of their work (Abbott et al., 2004; Raghunandan et al., 2001). In other words, the financial knowledge of ACs' members ensures a robust system of internal controls and helps improve financial reporting (Naiker & Sharma, 2009). Second, because financial experts serving on ACs are aware of auditing risks and issues as well as plans to process and/or learn about them through the suggested audit procedures, they will support the broad scope of the external audit (Abbott et al., 2004; Beasley & Salterio, 2001).

Indeed, Abbott et al (2003) demonstrate that ACs with financial experts are positively correlated with high audit fees due to their awareness of the proposed audit procedures (to address risks as well as audit issues), so they provide support to the external auditors when negotiating with management about the audit scope and issues, proceeding from the keenness of financial experts sitting on ACs to ensure a higher grade of audit coverage in order to preserve their reputation capital as well as avoid association with financial misstatements, and subsequently the financial reporting process is likely to be improved (Abbott et al., 2003). Put differently, the management-auditor relationship is under the control of ACs whose financial experts (Abbott et al., 2003). Additionally, knowledgeable ACs are able to identify

[2] "The BRC states that accounting or financial management expertise may be demonstrated by employment experience in finance or accounting, a CPA certification or comparable experience, or a position as a CEO or other senior officer with financial oversight responsibilities" (Abbott et al., 2004).

management-external auditor disagreements and comprehend auditor conclusions (DeZoort & Salterio, 2001; DeZoort, 1998). In fact, expert AC members are more likely to make decisions similar to those of auditors than their non-experts' counterparts (DeZoort, 1998) and are more likely to be aware of the risks that external auditors may face (DeZoort & Salterio, 2001). Third, financial experts serving on ACs can promptly correct any fundamental errors they find. On the other hand, if a committee is entirely composed of financial experts, the committee will be less productive due to their lack of a wide range of other competencies to achieve their effective goals (He et al., 2009).
In conclusion, the Jordanian environment has been characterised by a deficiency in empirical studies that comprehensively examine the extent to which the presence of financial experts on ACs influences REM. Recent studies conducted in different contexts have also produced intriguing findings. Some studies have reported a lack of correlation between financial experts within ACs and REM, while others have yielded mixed results when investigating AEM. This collective body of evidence underscores the need for further investigation to validate the impact of financial directors' presence in ACs on both AEM and REM. This is especially pertinent in the wake of recent regulations, whether in accordance with the CG Code in 2009 (or its latest reform in 2017), which require (or obligate) firms listed on the ASE to include at least one financial expert in the field of accounting or finance within their ACs. The current study will expand these lines of inquiry, which will contribute significantly to the deep analysis and understanding of CG dynamics in Jordan and potentially shed light on best practices for enhancing financial reporting integrity and reducing manipulation practices within the country's corporate landscape. The following hypotheses can therefore be validated through subsequent empirical research

H3a: AC financial expertise is negatively related to AEM.
H3b: AC financial expertise is negatively related to REM.

Conclusion
This paper aims to create a theoretical framework to guide future empirical verification of how the effectiveness of the AC, based on independence, activity level (number of meetings), and financial expertise, impacts EM (accrual and actual) in Jordan. A negative correlation is anticipated between the AC's effectiveness (across its three characteristics) and EM, which is crucial for maintaining the quality of financial reporting. Regardless of the outcomes of future empirical research, it will be beneficial for Jordanian legislators and regulators to identify effective CG mechanisms to enhance them and address weak ones to maintain investor confidence.
Hopefully, this theoretical research will generate several novel contributions to the existing body of literature concerning EM and CG. To begin with, most theoretical and empirical investigations pertaining to the attributes of the AC and EM were carried out in developed economies. Developing economies received comparatively less attention for such studies. The results of research conducted in developed countries cannot be generalized to developing economies due to differences in several factors, such as institutional, social, economic, political, legislative, and firm-specific structures. So, creating theoretical research that explains how ACs stop opportunistic practices like EM makes researchers want to verify it empirically, especially in a developing country like Jordan with its unique national context. Additionally, research on EM in Jordan is limited and has primarily concentrated on AEM, neglecting REM. This gap hinders a comprehensive understanding of EM, as REM has

substantial impacts on companies over time through its influence on operational, investment, and financing activities. For this reason, the current theoretical research encourages researchers to select the two types of EM when conducting empirical research on how CG tools like the AC affect them.
Lastly, Jordanian studies on CG and EM have mostly looked at how AC mechanisms worked to reduce EM right after the CG Code went into effect in 2009. These studies have no consideration for the idea that the quality of CG mechanisms gets better over time. In addition, there were significant changes made to CG in 2017. This theoretical research recommends that future empirical studies should consider recent governance revisions and exclude the first five years after CG issuance. This theoretical research suggests that researchers are likely to empirically investigate the period from 2014 to 2019. Jordanian listed companies may accommodate CG code compliance by excluding the years 2009 to 2013. The chosen time frame considers recent updates and enables comparisons of how CG worked in the pre- and post-CG reform periods.

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