RELATIONSHIP BETWEEN DEGREE OF INTERNATIONALIZATION OF ENTERPRISES AND QUALITY OF FINANCIAL REPORTS IN CHINA: THE MODERATING ROLES OF AUDIT COMMITTEE CHARACTERISTICS

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Name – Surname	Mr. Li Tianbao
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ABSTRACT

The objectives of this research were to examine the relationship between the degree of internationalization and the financial reporting quality, along with whether the audit committee could modify this relationship. The aim was to offer guidance for international companies to enhance corporate governance and regulators to improve the audit committee system of listed companies.

The study employed Chinese listed manufacturing enterprises from 2014 to 2018 as the research samples, excluding those with missing data, ST and *ST status. A total of 721 enterprise samples were collected. Data were sourced from the CSMAR Database and CNINFO website. Multiple regression analysis was employed in the study, while Stata measurement software was utilized for data processing and analysis.

The study results revealed that the relationship between the degree of enterprise internationalization and earnings management followed a significant U-shaped pattern. In the early stages of enterprise internationalization, as the degree of internationalization increased, earnings management decreased. Conversely, in the later stages of internationalization, greater internationalization corresponded to increased earnings management. Additionally, it was found that audit committee experts with accounting firm experience could restrain earnings management in the initial internationalization stages, yet this inhibition was not substantial in the later stages. During the initial internationalization phase, higher remuneration for audit committee experts correlated with more restrained earnings management behavior for enterprises. However, in the later internationalization stages, higher expert remuneration facilitated earnings management behavior. Audit committee experts with overseas work experience could inhibit earnings management behavior in the later internationalization stages, but their influence was not significant in the early internationalization stages.

Keywords: internationalization, audit committee characteristics, moderating effect, financial report quality

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List of Abbreviations

AbsDA	earnings management
Fsts	the depth of internationalization
Nos	the breadth of internationalization
Indepen	audit committee independence
Fex	audit committee financial experts
Afe	audit committee experience in accounting firm
Rac	audit committee overseas background
Acs	remuneration of the audit committee
Size	firm size
Age	firm age
Lev	asset liability ratio
Roa	firm profitability
IR	proportion of inventory and accounts receivable
Cfo	net cash flow from operating
Soe	firm property right nature
Top1	equity concentration
One	the chairman and the general manager are the same person
Boardsize	firm board size
Mag	Management shareholding
Big4	the four major international accounting firms
OP	Auditor's opinion

CHAPTER 1
INTRODUCTION

1.1 Background and Statement of the Problems

The importance of transnational operation of enterprises in the increasingly integrated world economy is amazing. A 2014 report of the United Nations Conference on Trade and Development (UNCTAD) estimated that about half of the world's GDP comes from overseas subsidiaries of transnational corporations, and 70% of the total assets of the world's largest 100 transnational corporations are invested overseas. According to the Statistical Bulletin of China's Foreign Direct Investment in 2021 jointly issued by the Ministry of Commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange, China's foreign direct investment flow in 2021 was 178.82 billion US dollars, ranking the top three in the world for ten consecutive years.Therefore, in view of its economic importance, the quality of financial reports of transnational corporations deserves careful attention (Beuselinck, Cascino, Deloof, & Vanstraelen, 2019).

The distortion of financial report information is a world-class problem. Previously, the collapse of the world's largest companies, such as Enron, WorldCom and Adelphia Communications, shocked investors and stakeholders. They used extreme earnings management to manipulate financial statements, and provided bias to investors and stakeholders, and investors suffered huge losses (Florencea & Susanto, 2019). To this end, the United States formulated the Sarbanes Oxley Act. One of the most important measures is to make more specific and clear provisions on the functions of audit committees of listed companies, and strengthen the functions of independent directors and audit committees. It emphasizes the supervision of the company's internal control and the audit of the financial report issued by the accounting firm.

Although China's listed companies have only a history of more than 30 years, the financial fraud cases are shocking. Qiong Minyuan, Zheng Baiwen, Liming Shares, Lantian Shares, Yinguangxia and other cases have caused a very bad social impact. In order to improve the governance structure of listed companies and improve the quality of accounting information of listed companies, In 2002, the China Securities Regulatory

Commission issued the Governance Standards for Listed Companies, recommending that the board of directors of listed companies set up an audit committee. The independent directors should account for the majority and act as the convener. At least one independent director in the audit committee should be an accounting professional (Article 52). The main responsibilities of the audit committee are to review the company's financial information and its disclosure, and review the company's internal control system (Article 54). In 2008, the Ministry of Finance of the People's Republic of China issued the Basic Rules for Internal Control of Enterprises, which clearly stipulates that listed companies should establish an audit committee under the board of directors, which is responsible for reviewing the internal control of enterprises, supervising the effective implementation of internal control and self-evaluation of internal control, etc. The head of the audit committee should have corresponding independence, good professional ethics and professional competence (Article 13).

In 2013, the Shanghai Stock Exchange of China issued the Guidelines for the Operation of the Audit Committee of the Board of Directors of Listed Companies, which clearly stipulates that the members of the Audit Committee shall be appointed by the Board of Directors from among the members of the Board of Directors and shall be composed of three or more members (Article 7). In principle, the members of the audit committee shall be independent of the daily operation and management of the listed company, and the independent directors of the audit committee shall account for more than 1/2 of the total number of members of the audit committee (Article 8). All members of the Audit Committee must have professional knowledge and business experience that are competent for the duties of the Audit Committee (Article 9). The Audit Committee shall have a convener, who shall be held by an independent director and be responsible for presiding over the work of the Committee. The convener of the audit committee must have professional experience in accounting or financial management (Article 10). The main responsibilities of the audit committee are to supervise and evaluate the work of the external audit institution, review the financial reports of listed companies and express opinions on them (Article 13). The main responsibilities of the audit committee to review the financial reports of listed companies and give opinions on them are: to review the financial reports of listed companies and give opinions on the authenticity, completeness and accuracy of the financial reports; Pay special attention to the possibility of fraud, fraud and material misstatement related to financial reporting (Article 16).

In 2013, China proposed the "the Belt and Road" initiative, more and more Chinese enterprises have carried out international operations, and enterprises will face different operational risks and environmental risks. This will put forward new requirements on the management ability and risk control level of enterprises, and new challenges on how to ensure the quality of financial reports and protect the interests of investors.

Internationalized operation of enterprises will face different political environments, different economic environments, different legal systems, different accounting standards and different supervision methods in different countries or regions, which will affect the preparation quality of enterprise financial reports to varying degrees, as well as the ability and effect of the audit committee's supervision, This will lead to the fact that enterprise management is easy to manipulate different subsidiaries for earnings management or even financial fraud by taking advantage of institutional and regulatory differences in different countries (Beuselinck et al, 2019). The purpose of this paper is to study and solve these problems.

1.2 Research Questions and Hypotheses

There have been many previous studies on the relationship between enterprises' international operation, degree of internationalization, internationalization strategy and financial performance, with different views, such as positive correlation, negative correlation, U-shaped, inverted U-shaped, horizontal S-shaped, N-shaped and M-shaped relationships, but most scholars' studies have confirmed that international operation is conducive to enterprise development and performance improvement (Chen, 2014). Many scholars found that the international operation of enterprises helps enterprises to conduct earnings management(Beuselinck et al., 2019; Fan, 2008; Krull, 2004; Leuz et al., 2002; Riahi-Belkaoui & Picur, 2001; Sun, 2011; Li, 2012), thus reducing the quality of enterprise financial reports (Durnev, Li, & Magnan, 2017). Some scholars have also confirmed that international operation of enterprises can inhibit earnings management and improve the quality of financial reports (Feng, 2014; Wang, 2020; Zheng, 2018). The establishment of the enterprise audit committee is mainly aimed at financial fraud. It is hoped that an independent organization can curb this situation and improve the quality of the company's financial report. Studies by scholars at home and abroad have confirmed that the independence, activeness, financial professional background, overseas background, salary incentive, etc. of the audit committee will promote the improvement of the quality of corporate financial reports(Abbott et al., 2004; Archambeault & Dezoort, 2001; Sultana et al., 2015; Zhou, 2020; Wang, 2021.; Cai & Gao, 2009).

Based on the above discussion, the following main issues of this study are proposed:

Question 1: Will the international operation of enterprises affect the quality of financial reports, and how?

Question 2: Can the audit committee restrain the impact of international operations on the quality of financial reports?

In order to answer the above questions, the hypotheses are proposed as follows:

Hypothesis 1: When the degree of internationalization of enterprises is low, the degree of internationalization is negatively correlated with earnings management; With the improvement of the degree of internationalization, there is a significant positive correlation between the degree of enterprise internationalization and earnings management. The relationship between the degree of enterprise internationalization and earnings management is a significant U-shaped relationship.

Hypothesis 2: The stronger the independence of the audit committee, the less the impact of the internationalization of the enterprise on earnings management.

Hypothesis 3: The higher the proportion of financial experts in the audit committee, the less the impact of enterprise internationalization on earnings management.

Hypothesis 4: An audit committee with working experience in an accounting firm can reduce the impact of enterprise internationalization on earnings management.

Hypothesis 5: The higher the remuneration of the audit committee, the less the impact of enterprise internationalization on earnings management.

Hypothesis 6: An audit committee with overseas background can reduce the impact of enterprise internationalization on earnings management.

1.3 Purpose of the Study

The existing research on enterprise internationalization and financial report quality is mostly about how large multinational enterprises in developed countries conduct earnings management. Few people study how the internationalization of enterprises in developing countries in emerging economies affects the quality of financial reports， However, the moderating effect of the characteristics of the audit committee on the internationalization of enterprises and the quality of financial reports has not yet been studied.The purpose of this study is to explore how the internationalization of Chinese listed enterprises affects the quality of financial reports, whether the audit committee can adjust the relationship between the degree of enterprise internationalization and the quality of financial reports, so as to provide reference for the regulatory authorities to improve the audit committee system.

1.4 Scope of Study

This study selects all listed manufacturing companies with international operations in China from 2014 to 2018 as the samples, excluding the missing data sample, st and * St（St：The company has been operating at a loss for two consecutive years, with special treatment;* St:The company has been operating at a loss for three consecutive years, with early warning of delisting）.The company's financial data used in this study are from CSMAR database, and the data of overseas subsidiaries are from China research data service platform (CRDs). The characteristic data of the audit committee are collected manually from http://www.cninfo.com.

1.5 Definition of Terms

1.5.1 Internationalization

Different scholars have interpreted the connotation of internationalization from different angles, but no strict and unified definition has been reached yet. The definition of internationalization was earlier put forward by Vernon in 1966. He pointed out that enterprise internationalization is a dynamic concept, which varies with the life cycle of products. Enterprises first start their international operation by exporting products, and gradually move their factories to developing countries with lower production costs in order to reduce production costs. Later, it further reduced product costs by exporting technology. In the process of transferring production lines to reduce production costs, the degree of internationalization of enterprises was increased(Vernon, 1966). Carlson(1975), Johanson & Wiedersheim-Paul(1975), Johanson & Vahlne(1977) and other scholars believe that enterprise internationalization is the behavior of enterprises to continuously expand overseas markets in order to improve earnings, and it is a process of constant development and change of enterprises carrying out various business activities in multiple countries. Robinson et al.(1990) pointed out that enterprise internationalization is a purposefully exploring the international market, which is reflected in the gradual increase in the mobility of products and production factors of enterprises, which is the response of enterprises to the overall international market rather than the market of a specific country. According to Young & Lan(1997), the international operation of enterprises includes all the ways of transnational operation, such as direct export of products produced by enterprises, foreign direct investment, authorization of part or all of their production technology to other overseas enterprises for production and operation. Hitt et al.(1997) believe that enterprise internationalization is the result of enterprises' diversified operations in different overseas markets, and any one or more links of product R&D, production and sales that go beyond the domestic regional scope can be called internationalization. Annavarjula & Beldona(2000), on the basis of summarizing previous literature, defined internationalization from three aspects, namely, whether the business style and strategy of an enterprise are internationally-oriented, whether the enterprise operates overseas and whether the enterprise owns overseas assets. Welch & Luostarinen(1993), Karlsen et al.(2003), Lu & Li(2003), Zhao(2006) and other scholars believe that enterprise internationalization is a process in which enterprises continuously increase their input in international operation, including internalized internationalization and outward-oriented internationalization. Internalized internationalization mainly includes product import and processing, and purchase of patented technologies. Domestic joint ventures, subsidiaries or sub-enterprises of foreign enterprises, etc. Export-oriented internationalization mainly includes indirect or direct export of products, establishment of foreign joint ventures, technology transfer, establishment of overseas subsidiaries or sub-enterprises, etc.

Most domestic scholars believe that enterprise internationalization is the process of enterprises entering foreign markets. Yang & Yu(2008) pointed out that the internationalization of an enterprise is the behavior of whether an enterprise understands the overseas market and is willing to operate in the overseas market. Wang et al.(2009) believe that enterprise internationalization is a process in which enterprises constantly expand overseas markets in order to seek ways of revenue growth and adapt to global economic integration. Zhou & Li(2009) believe that enterprise internationalization is a dynamic process in which enterprises find their positioning in the global economy, make full use of global production resources and actively engage in international operations.

This article adopts scholars such as Welch & Luostarinen(1993), Karlsen et al.(2003), Lu & Li(2003), Zhao(2006) to explain internationalization. The internationalization studied in this paper is export-oriented internationalization, which mainly includes indirect or direct export of products, establishment of foreign joint ventures, technology transfer, establishment of overseas subsidiaries and sub-enterprises, etc. Because the annual reports of listed enterprises in China rarely disclose the total foreign assets, the country where the subsidiary is located and the number of overseas employees, and compared with developed countries, the internationalization degree of Chinese enterprises at the present stage is low. So this article uses the FSTS (overseas sales accounted for) and NOS (that is, the number of overseas subsidiaries of the enterprise) to measure the enterprise internationalization, This method is adopted by most scholars(Contractor et al., 2003; Lu & Beamish, 2004; Ruigrok et al., 2007; Zeng et al., 2016; Chen, 2014).

1.5.2 Earnings Management

About the basic connotation of earnings management, different scholars put forward their opinions from different angles. William K Scott proposed in the book Financial Accounting Theory that earnings management is a concrete embodiment of the economic consequences of the choice of accounting policies. It refers to "the behavior that maximizes the interests of operators or the market value of enterprises through the choice of accounting policies within the scope permitted by GAAP". Schipper(1989) believes that earnings management is actually an "information disclosure management" in which enterprise management purposefully controls the process of external financial reporting in order to obtain private interests. Wei(2000) gave a definition of earnings management from the perspective of "economic income view" and "information view" : Earnings management is a process in which enterprise management authorities make judgments and accounting choices when preparing financial reports and "structuring" transactions to change financial reports in order to mislead other users of accounting information to understand the business performance of enterprises or affect the results of contracts based on accounting data.

For measuring the degree of earnings management, there are linear total accrued profit models such as Healy model, DeAnglo model, Jones (1991) model, modified Jones model, Industry model(Dechow, Sloan, & Hutton, 1995), nonlinear accrual model(Ball & Shivakumar, 2006), and frequency distribution method (Burgstahler & Dichev, 1997). The most commonly used measurement method by domestic and foreign scholars when studying earnings management is the modified Jones model. Although the modified Jones model has some shortcomings, its applicability and universality are the best among the above methods (Mao & Shen, 2009), and the modified Jones model has the best estimation effect on the controllability accruals（Dechow et al.，1995）. Therefore, this study chooses the modified Jones model to calculate the controllable accrued profits, and uses its absolute value to measure the degree of earnings management of enterprises.

1.5.3 Audit Committee

According to the definition of SOX Act, the audit committee refers to the committee composed of the board of directors of the securities issuing company to supervise the audit of financial reports. The Guidelines for the Operation of the Audit Committee of the Board of Directors of Listed Companies issued by the Shanghai Stock Exchange of China stipulates that the audit committee is composed of three or more members of the board of directors, and independent directors should account for more than half of the total number of members of the audit committee. All members of the audit committee must have professional knowledge and business experience capable of performing the duties of the audit committee, and review the authenticity, integrity and accuracy of the financial report.

Studies by domestic and foreign scholars have confirmed that the independence of the audit committee, financial professional background, working background of accounting firms, overseas background and compensation incentive will promote the improvement of the quality of corporate financial reports.

An independent audit committee can maintain a fair and objective working attitude, and can effectively supervise the quality of financial information to ensure the truth and objectivity of financial reports. This study adopts the practice of most scholars and uses the proportion of independent directors to measure the independence of the audit committee (Abbott & Parker, 2000; De Vlaminck & Sarens, 2015; Cai & Gao, 2009).

The financial background of the audit committee, that IS, the professionalism of the audit committee, facilitates the supervision of the entire financial reporting process and facilitates communication with external auditors on financial audit issues. This study adopted the practice of most scholars and used the proportion of financial experts to measure the professionalism of the audit committee (Cohen et al., 2014; Rustam et al., 2013; Sultana et al., 2015; Zheng, 2018).

The working background of accounting firm enables audit committee experts to have financial accounting and audit expertise, so that they can more easily detect the financial risk and fraud risk of the company, and timely kill the earnings manipulation motive of management in the cradle. Moreover, they have a natural "affinity" and "tacit understanding" with auditors, and can effectively communicate with auditors, strengthen the cooperation with external auditors so as to jointly restrain the opportunistic behavior of management and give full play to the supervision function. This study adopts the practice of most scholars and uses dummy variables to represent the working background of the accounting firm of the audit committee, that is, the value is 1 when the expert of the audit committee has working experience of the accounting firm, and 0 otherwise (Zhang & Hu, 2013; Du & Lu, 2015).

The audit committee experts who have worked overseas are influenced by high ethical standards and the concept of knowing and abiding by the law. They may also integrate it into the corporate culture, which will psychologically affect the decision-making of the enterprise management. At the same time, they have a better understanding of the overseas business environment and are more likely to find fraud risks, thus reducing earnings manipulation and other immoral behaviors. This study adopts the practice of most scholars and uses dummy variables to measure the overseas work background of the audit committee, that is, when the audit committee has overseas work or learning experience, it is assigned a value of 1, otherwise it is 0 (Zhou et al., 2020).

The characteristics of the audit committee also include the audit committee's compensation incentives. Effective incentive mechanism can fully mobilize the enthusiasm of talents, so as to create more capital for the enterprise. Reasonable compensation incentive can make the audit committee play its functions more effectively, so as to effectively monitor the quality of financial information, supervise the effective operation of internal control, and play a more favorable role in the support of external auditors. In addition to compensation incentive and stock option incentive for audit committee in foreign companies, while our country's incentive to audit committee is mainly focused on compensation. In view of the different sizes of different companies, it is difficult to make a horizontal comparison if the average compensation of independent directors of the audit committee is directly measured. In this paper, the ratio of the average compensation of independent directors of the audit committee to the average compensation of top executives of the company is used to measure the compensation level of the audit committee.

1.6 Research Framework

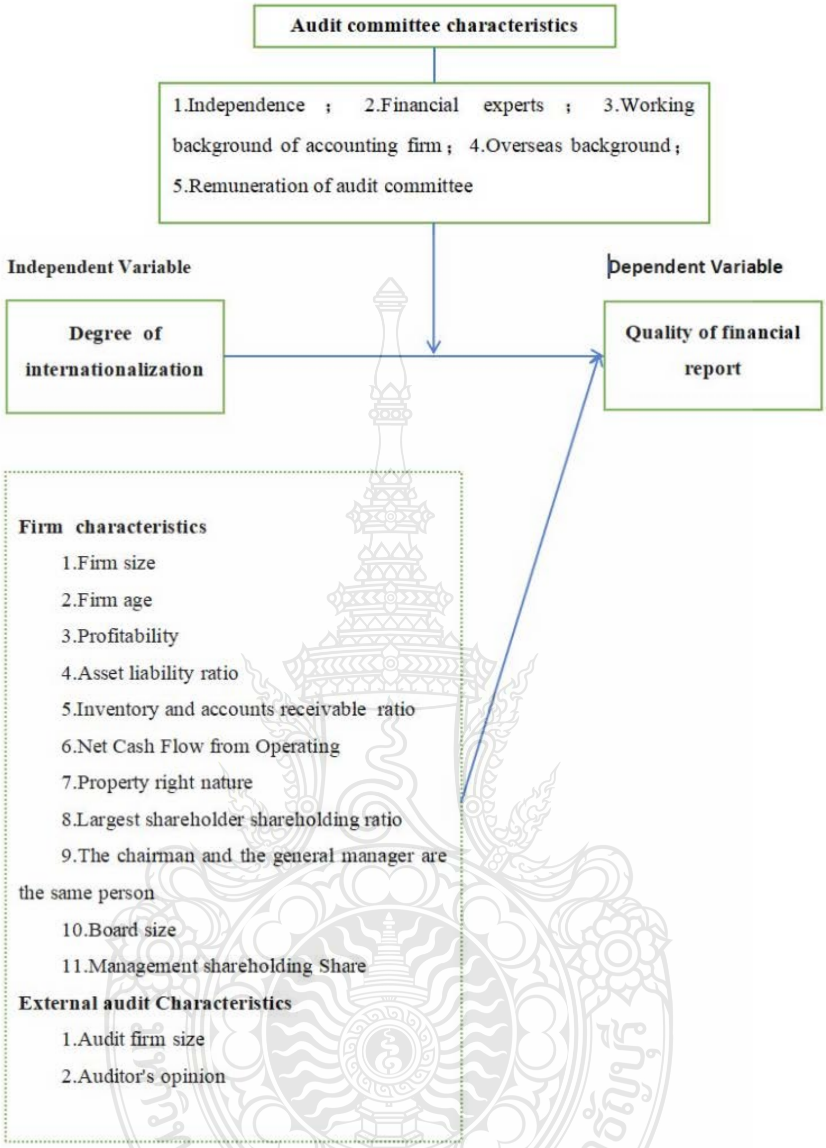

Figure 1.1 Research framework

1.7 Expected Results

This paper uses multiple linear regression analysis to study the relationship between the international operation of enterprises and the quality of financial reports, and introduces the characteristics of the audit committee as the moderating variable. The empirical results show that the relationship between the internationalization of enterprises and the quality of financial reports is not a positive or negative relationship as previously studied by scholars, but a more complex curve relationship. The study finds that the relationship between the degree of enterprise internationalization and earnings management is a significant U-shaped relationship. In the initial stage of enterprise internationalization, with the increase of the degree of internationalization, the degree of enterprise earnings management is declining. In the later stage of enterprise internationalization, with the increase of the degree of internationalization, the degree of enterprise earnings management is improving. This finding can explain why most western scholars study the relationship between enterprise internationalization and earnings management as a positive relationship, because most western scholars use the sample of large multinational enterprises in developed countries. These enterprises have a higher degree of internationalization, and the motivation and possibility of earnings management are greater. In order to solve the impact of enterprise internationalization on enterprise earnings management, this study discusses the regulatory role of the characteristics of the audit committee, and finds that: (1) audit committee experts with experience in accounting firms can inhibit the earnings management behavior of enterprises in the initial stage of internationalization, but not significantly inhibit the earnings management behavior of enterprises in the later stage of internationalization; (2) At the beginning of internationalization, the higher the remuneration of audit committee experts, the more restrained the earnings management behavior of enterprises; In the later stage of internationalization, the higher the remuneration of audit committee experts, on the contrary, it will help enterprises' earnings management behavior; (3) The audit committee experts with overseas work experience can inhibit the earnings management behavior of enterprises in the later stage of internationalization, but not significantly inhibit the earnings management behavior of enterprises in the early stage of internationalization; and (4) The independence of the audit committee and the proportion of financial experts do not play a significant role in inhibiting the effect of internationalization on earnings management.

1.8 Organization of the Study

The first chapter is the research introduction. It includes the research background, research objectives, research questions, research assumptions, research framework, research scope, definition of research objects, research results and the general introduction of the article.

The second chapter is literature review and related research theory introduction. It includes the research summary of the relationship between international operation and financial performance, the research summary of the relationship between international operation and financial report quality, and the research summary of the relationship between audit committee characteristics and financial report quality. It also includes 9 theories related to the research.

The third chapter is research methods. Including sample selection, data collection, variable measurement, research tools and research models.

The fourth chapter is empirical analysis. Descriptive statistical analysis, correlation test, variance inflation test, multiple regression analysis and robustness test were conducted on the sample data, and empirical tests were conducted on the research hypotheses one by one.

The fifth chapter is the research conclusion. It summarizes the main findings of the study and discusses the results of the study, and puts forward suggestions on the international operation of enterprises and the establishment of the audit committee system by the regulatory authorities of listed companies. At the same time, it points out the limitations of the study and the direction of future research.

CHAPTER 2
REVIEW OF THE LITERATURE

This chapter introduces the literature review related to the assumptions proposed in this study. The literature review includes two parts: relevant literature review and theoretical basis.

2.1 Related Literature

2.1.1 Research on the Relationship between International Operation and Financial Performance.

At present, there are many researches on the relationship between international operation, degree of internationalization, internationalization strategy and financial performance of enterprises, but there are many different views and conclusions (Chen, 2014), such as positive correlation, negative correlation, U-shaped, inverted U-shaped, horizontal S-shaped, N-shaped, M-shaped relationship, and even irrelevant. The specific classifications are as follows:

One is positive correlation. Classical foreign investment theories and many early studies support the linear positive correlation between the degree of enterprise internationalization and performance. According to (Grant, 1987), a foreign scholar, conducted an empirical study on 304 large manufacturing enterprises among the top 500 British overseas companies in 1972-1984, (1993) Kim et al.(1993)conducted an empirical study on 125 American enterprises in the Forbes list in 1982-1986, Tallman & Li(1996)conducted an empirical study on 192 large U.S. multinational manufacturing enterprises from 1982 to 1987, and Delios et al.(1999)conducted an empirical study on the cross-sectional data of 399 Japanese manufacturing enterprises in 1997, the results show that the degree of enterprise internationalization is significantly positively correlated with financial performance. Chinese scholars Xue & Zhou(2007) conducted an empirical study on China's listed manufacturing enterprises from 2002 to 2004; Yang & Zhang(2009)conducted an empirical study on 142 manufacturing enterprises in Jiangsu Province; Deng et al.(2014)conducted an empirical study on China's private enterprises from 2006 to 2010. The results show that the degree of internationalization positively affects the financial performance of enterprises.

The positive correlation can be explained by classical foreign direct investment (FDI) theory, such as monopoly advantage theory, internalization theory and international production compromise theory, which can well explain the motivation and advantages of enterprises' international operation. These enterprises have more monopoly advantages compared with host country enterprises, more location advantages compared with home country enterprises, and more internalization advantages compared with export and licensing enterprises.

The second is negative correlation. Collins(1990), a foreign scholar, conducted an empirical study on 133 enterprises ranked 76-225 in the world's top 500, and found that enterprises in developing countries would achieve worse performance in their international operations. An empirical study conducted by Denis et al.(2002) on 7520 American companies from 1984 to 1997 shows that as companies deepen their global diversification, the resulting costs outweigh corporate benefits. Geringer et al.(2000) conducted empirical research on Japanese multinational companies from 1977-1993, indicating that the deepening of internationalization has led companies to sacrifice more profitability. Chinese scholar Wang & Hu(2006) conducted an empirical study on 329 export enterprises selected from manufacturing listed companies in Shenzhen and Shanghai in 2004. The results show that internationalization of manufacturing enterprises has a negative impact on performance.

The reason why the degree of internationalization is negatively related to the financial performance of enterprises is that there are new entrants' burdens and outsiders' burdens when enterprises conduct international operations. When an enterprise invests overseas, it needs a lot of human and material resources to establish a subsidiary, which is the burden of new entrants. The business activity efficiency of the newly established subsidiary is far lower than that of the local enterprises in the host country. The establishment of the marketing network requires a lot of costs, which is the burden of outsiders.

The third is the inverted U-shaped relationship. Foreign scholars Hitt et al.(1997) conducted empirical research on 295 large and medium-sized transnational enterprises in 1998-1990, Michael Geringer et al.(1989) conducted empirical research on the top 100 large transnational enterprises in the United States and Europe in 1977-1981, and Chinese scholar Wang(2018) conducted empirical research on 89 Chinese enterprises participating in the "the Belt and Road" from 2013 to 2016, the relationship between the degree of internationalization and enterprise performance is in an inverted U shape - the financial performance of enterprises rises first and then decreases with the deepening of the degree of internationalization.

Most scholars use transaction cost theory to explain the inverted U-shaped relationship. That is, when the internationalization of enterprises exceeds a certain level, there will be excessive transaction costs, governance costs and coordination costs, such as inefficient resource allocation, excessive information processing burden, huge and complex management difficulties of organizations, and barriers to familiarity with political, economic and cultural environments of multiple host countries. These costs will cause the financial performance of an enterprise to change from positive to negative when it operates internationally.

The fourth is U-shaped relationship. Sullivan (1994), a foreign scholar, conducted an empirical study on 75 enterprises in seven industries in the United States from 1988 to 1990, showing a U-shaped curve relationship between them. Lu & Beamish (2004) conducted an empirical study on 164 small and medium-sized enterprises in Japan from 1986 to 1997, and also concluded that there is a similar U-shaped but more complex relationship between internationalization and enterprise performance. Chinese scholar Nie et al.(2016) conducted an empirical study on 3966 large mixed samples of Chinese listed heavy industrial enterprises from 2011 to 2015, Zhang & Chen (2017) conducted an empirical study on 738 samples of 180 Chinese listed manufacturing enterprises from 2010 to 2014, Chen & Huang (2018) conducted an empirical study on 671 samples of Chinese listed manufacturing enterprises from 2009 to 2016, and Li & Sheng (2020) conducted an empirical study on 444 samples of Chinese listed construction enterprises from 2009 to 2018, the above results indicate that the degree of internationalization has a U-shaped relationship with corporate financial performance.

The reason for the U-shaped curve relationship is that subsidiaries newly established overseas will face the burden of outsiders and newcomers, and enterprises will invest a lot of costs in the initial stage of international operation. These factors will greatly reduce enterprise performance. With the deepening of internationalization, enterprises will gain more international market knowledge, become more experienced in internationalization, and the diseconomies of scale and scope will gradually transform into economies of scale and scope, the improvement of product cost performance and service quality enables enterprises to have greater competitive advantages and better performance.

The fifth is the S-shaped relationship. Lu & Beamish (2004), a foreign scholar, conducted an empirical study on 1489 Japanese enterprises from 1986 to 1997 and proposed that the relationship between internationalization and performance is an S-shaped cubic relationship that transcends linear and quadratic curves. Wang et al.(2016), Chinese scholar, conducted an empirical study on the cross-sectional data of 1,735 samples of listed Chinese manufacturing enterprises in 2014. Zhao (2017) selected 429 listed Chinese manufacturing enterprises from 2011 to 2015 as samples to conduct an empirical study. The above results show that there is a horizontal S-shaped relationship between the degree of internationalization and financial performance.

The explanation of the S-type relationship is that the international operation of enterprises is a combination of benefits and costs. The costs and benefits of different enterprises are different at different stages. For enterprises at the initial stage of internationalization, the costs of internationalization are greater than the benefits. After overcoming the burdens of outsiders and newcomers, the benefits of enterprises at the middle stage begin to exceed the costs and reach the stage of high internationalization, With the rapid increase of coordination costs and governance costs, the cost of enterprise internationalization is once again higher than the income. Therefore, the relationship between the degree of internationalization and the financial performance of enterprises shows a clear three-stage dynamic change.

The sixth is the N-shaped relationship. A foreign scholar, Contractor et al. (2003), conducted an empirical study on panel data of 103 large multinational companies in 11 categories of the service industry from 1983 to 1988, Ruigrok et al. (2007)

conducted an empirical study on 87 Swiss companies with high degree of internationalization in 5 industries from 1998 to 2005, and Elango et al. (2013) conducted an empirical study on 506 large multinational service industries in the United States from 2000 to 2005, Fan & Liu (2018), a Chinese scholar, conducted empirical research on the samples of the world's top 500 companies and China's top 500 companies from 2011 to 2013, and both obtained the results of a N-shaped relationship between internationalization and performance.

The curve trend of N-shaped relationship is just opposite to that of horizontal S-shaped relationship. At the initial stage of internationalization, the expansion of market scope and "freshness" make the enterprise's income more than its cost, and the enterprise's performance rises first. However, with the continuous deepening of the enterprise's international operation, the initial sense of freshness is gone. At the same time, the burden of new entrants and outsiders brought to the enterprise by the newly entered market is gradually emerging. The cost of the enterprise is greater than the income, and the performance is declining. After constant running in with the new market, after solving various cost problems and accumulating some international experience, the enterprise's income once again exceeded the cost, and its performance rose, showing a N-shaped change.

The seventh is the M-shaped relationship. Zheng et al. (2016), Chinese scholar, studied the characteristic panel data of 140 small and medium-sized enterprises in China's automobile industry from 2005 to 2009, and the results showed that there were four distinct stages in the internationalization process of enterprises. The correlation between the degree of internationalization and the financial performance of enterprises was different in these four stages, and the two showed an M-shaped curve relationship. Zeng Deming believes that when an enterprise carefully chooses the initial international market, export or other forms of international business, and continuously improves the degree of internationalization, the financial performance of the enterprise will show four stage characteristics: "initial globalization benefits", "internationalization burden", "economies of scale" and "excessive dilemma".

Table 2.1 A summary of previous studies on the relationship between internationalization and firm performance

Author&Year	Source	Sample	Internationalization measure	Firm performance measure	Correlation
Grant (1987)	Journal of International Business Studies	304 large manufacturing firms in UK, 1972-1984	FSTS	ROS, ROA, ROE	Positive
Geringer et al. (1989)	Strategic Management Journal	200 large multinational manufacturing firms in US&UK, 1977-1981	FSTS	ROS, ROA	Inverted U-shaped
Collins (1990)	Journal of International Business Studies	133 world's top 500 enterprises firms, 1976-1985	FSTS	ROI	Negative
Kim et al. (1993)	Strategic Management Journal	125 firms in US, 1982-1986	Fitting values of internationalization assets and sales	ROA	Positive
Sullivan (1994)	Journal of International Business Studies	75 firms in US,1988-1990	Fitting values of internationalization breadth and depth	ROS, ROA	U-shaped
Tallman and Li (1996)	Academy of Management Journal	192 large multinational manufacturing firms in US, 1982-1987	NOC	ROS	Positive
Hitt et al. (1997)	The Academy of Management Journal	295 large multinational firms，1998-1990	NOS、NOC	ROA	Inverted U-shaped
Delios et al. (1999)	Strategic Management Journal	399 manufacturing firms in Japan，1997	NOS、NOC	ROE	Positive
Geringer et al. (2000)	Strategic Management Journal	108 firms in Japan, 1977-1993	FSTS	ROS, Sales Growth	Negative
Lu and Beamish (2001)	Strategic Management Journal	164 smes in Japan, 1986-1997	NOS、NOC	ROS, ROA	U-shaped

Table 2.1 A summary of previous studies on the relationship between internationalization and firm performance (Cont.)

Author&Year	Source	Sample	Internationalization measure	Firm performance measure	Correlation
Denis et al. (2002)	The Journal of Finance	7520 firms in US, 1984-1997	Industrially diversified firm-years, number of industrial segments, sales-based Herfindahl index, FSTS	Market value of total capital, long-term debt/total assets, EBIT/sales, capital expenditures/sales, R&D/sales and advertising/sales	Negative
Contractor et al. (2003)	Journal of International Business Studies	103 Multinational firms in service industry, 1983-1988	FSTS, FETE, OSTS	ROS, ROA	N-shaped
Lu and Beamish (2004)	The Academy of Management Journal	1489 firms in Japan, 1986-1997	NOS、NOC	Tobin`s Q	S-shaped
Wang and Hu(2006)	Systems engineering	329 listed manufacturing firms in China, 2004	FSTS	Net profit margin on sales	Negative
Ruigrok et al. (2007)	Management International Review	87 firms in Swiss, 1998-2005	FSTS	ROA	N-shaped
Xue and Zhou (2007)	Nankai Management Review	listed manufacturing firms in China，2004	Tobin`s Q	ROA	Positive
Yang and Zhang (2009)	Economic research	142 manufacturing firms in China, 2006-2007	Fitting values of internationalization breadth and depth	Fitting values of four factors: sales volume, revenue, net income growth and overall performance	Positive
Elango et al. (2013)	Decision Sciences	506 Multinational firms in service industry in US, 2000-2005	$1-\mathrm{IDi}^2$ where ID represents the percentage of a firm sales across the five geographic regions of the world, FSTS	ROEt/Standard Deviation Return on Equity($_{t-1,t,t+1}$)	N-shaped

Table 2.1 A summary of previous studies on the relationship between internationalization and firm performance

Author&Year	Source	Sample	Internationalization measure	Firm performance measure	Correlation
Deng et al. (2014)	Nankai Management Review	733 private firms in China, 2006-2010	FSTS+FATA)/ 2	ROA, Tobin`s Q	Positive
Wang et al. (2016)	Soft science	1735 listed manufacturing firms in China, 2014	FSTS	ROA	S-shaped
Nie et al. (2016)	Enterprise economic	3966 listed heavy industrial firms in China, 2011-2015	FSTS	ROA	U-shaped
Zeng et al. (2016)	Science of Science and Management of S.& T.	140 automobile industry firms in China, 2005-2009	FSTS	ROE	M-shaped
Zhao (2017)	Beijing Jiaotong University	429 listed manufacturing firms in China, 2011-2015	FSTS	ROA	S-shaped
Zhang and Chen (2017)	International business	180 listed manufacturing firms in China, 2010-2014	FATA	ROA	U-shaped
Wang (2018)	Xinjiang State Farms Economy	89 firms in China, 2013-2016	(FSTS+FATA+FETE) /3	ROA	Inverted U-shaped
Fan and Liu(2018)	Journal of Management Sciences in China	Fortune 500 companies and Fortune 500 companies in China, 2011-2013	FATA, FSTS	ROS	N-shaped
Chen & Huang (2018)	Journal of Technical Economics & Management	671 listed manufacturing firms in China, 2009-2016	FSTS	ROA	U-shaped
Li and Sheng (2020)	Journal of Hubei University of Education	48 listed Construction firms in China, 2009-2018	FSTS	ROA、ROE	U-shaped

Note：

FSTS：Foreign Sales to Total Sales；FATA：Foreign Assets to Total Assets；FETE：Foreign Employees to Total Employees；

OSTS：Overseas Subsidiaries to Total Subsidiaries；NOS：Number of Overseas Subsidiaries；NOC：Number of Countries Hosting Overseas Subsidiaries；

ROS：Return on Sales；ROA：Return on Assets；ROE：Return on Common Stockholder`s Equity；ROI：Return on Investment；

Tobin`s Q：Market price (stock price)/ replacement cost of the firm

2.1.2 Research on the Relationship between International Operation and Financial Report Quality

There are few studies directly on the relationship between the degree of enterprise internationalization and the quality of financial reports, and scholars also hold different views on the relationship.

(1) The research of foreign scholars has almost confirmed that the international operation of enterprises will promote enterprises to conduct earnings management or increase the possibility of financial restatement, which will lead to the reduction of the quality of enterprise financial reports:

Collins et al. (1998) studied 577 multinational manufacturing enterprises in the United States from 1984 to 1992 and found that when the domestic tax rate was low, the differential tax rate between the United States and foreign countries might encourage managers to transfer the taxable income to the United States to obtain maximum profits. This provides early evidence for the revenue management of multinational enterprises from the perspective of taxation.

Riahi-Belkaoui & Picur (2001) studied the impact of transnational operations on earnings information content and accounting choices. The author believes that the complexity of the business operation of transnational corporations increases the degree of information asymmetry between shareholders and management, which provides the management of transnational corporations with the opportunity to manipulate earnings. On the basis of the theory of international operation, the author studies the opportunities of international diversification brought about by transnational corporations and the motivation of management to use controllable accruals for adjustment. The results show that the degree of international operation is positively related to the explanatory power of earnings on stock returns, as well as to the extent of adjustment of accrued profits. This verifies the author's hypothesis that the level of transnational operation will affect the content of earnings information and the range of adjustment of discretionary accruals. This provides a reference for later research on earnings management of transnational corporations.

Leuz et al. (2002) conducted a global earnings management study on a sample of more than 8000 companies from 31 countries from 1990 to 1999, and proved that earnings management is more likely to occur in companies in countries where investor protection is weak. The reason is that the ability of internal managers to transfer resources for their own interests is limited by the legal system that protects the power of external investors.

Krull (2004) 's research on American multinationals from 1993 to 1999 showed that the company used the name of "permanent income reinvestment" to manage its income to meet analysts' estimates. However, the evidence does not support avoiding income decline or smoothing income through income management.

Fan (2008) took American transnational corporations from 1991 to 2006 as a sample, and studied whether the companies carried out earnings management in overseas earnings, and whether the earnings management model had changed after the adoption of SFAS 131. The results showed that the purpose of managing overseas earnings was to avoid losses, not to avoid revenue reduction. Domestic income cannot avoid losses. On average, she did not find a significant difference in loss avoidance behavior between the periods before and after FAS 131.

Dyreng et al. (2012) used the sample of 2067 transnational companies in the United States from 1994 to 2009 to test where companies managed their earnings. It was found that companies with a large number of overseas businesses in countries with weak rule of law had more overseas earnings management than companies with subsidiaries in regions with strong rule of law. Profitable companies with extensive tax avoidance subsidiaries had more revenue management than other companies, and revenue management was concentrated in foreign revenue. The author also finds that the possibility of financial restatement is higher in countries with weak rule of law, but it has nothing to do with the possibility of financial restatement in tax havens.

Durnev et al. (2017) conducted a unique large sample survey of 18377 companies headquartered in 15 countries with the most stringent legal system and with subsidiaries or affiliates in overseas financial centers from 1998 to 2013, and found that compared with similar companies without overseas financial center business, the quality of financial reports of such companies was low. With the increasing popularity of overseas financial center characteristics, companies are more likely to conduct accrual and actual earnings management at the same time. More importantly, after decomposing the characteristics of overseas financial centers into opportunities for tax avoidance, regulatory arbitrage and confidentiality policies, the author finds that, in addition to tax avoidance, regulatory arbitrage and confidentiality policies of overseas financial centers have a significant impact on the quality of financial reports.

Beuselinck et al. (2019) studied the position of earnings management within the company with the data of 2156 multinational corporations in 89 countries from 2002 to 2010 as samples. It is found that transnational corporations manage their consolidated income through carefully planned reporting strategies of subsidiaries that exert significant influence on them. Specifically, the influence of headquarters on earnings management of subsidiaries increases with the degree of integration of subsidiaries and the degree of earnings management opportunities. Multinational corporations have taken advantage of regulatory arbitrage opportunities arising from the quality differences of transnational institutions. Multinational corporations headquartered in jurisdictions with stricter regulation manage their revenues through subsidiaries in countries with weaker regulation. At the same time, the author gives suggestions on strengthening transnational coordination in the aspect of regulatory design.

(2) The research of domestic scholars holds two opposite views. Some scholars believe that international operation will help improve the quality of financial reports, while others believe that international operation will reduce the quality of financial reports:

Sun (2011) studied 1248 samples of Chinese listed companies from 2005 to 2009 and found that there was a positive correlation between the degree of international operation and the degree of earnings management, that is, the higher the export volume of listed companies, the higher the degree of earnings management.The author believes that international operation needs more capital costs to support its operation, and the company has a stronger motivation for earnings management to try to meet or exceed the analyst's prediction in order to obtain more financing opportunities. At the same time, international operation intensifies the problem of information asymmetry, which leads to more "moral hazard" and "adverse selection", and the management's motivation for earnings management to maximize personal interests increases.

Li (2012) studied 525 Chinese listed companies in 2007 and found that there was a positive correlation between the degree of transnational operation and ownership concentration and the degree of earnings management.The reason is that multinational companies have greater flexibility in income tax earnings management. Through internal trade and related transactions between parent companies and subsidiaries or between branches established in different countries, multinational companies can use the flexibility of transfer pricing to realize the flow of profits from high-tax countries to low-tax countries, thus reducing the tax burden on the whole, improving profits and realizing the management of earnings.

Tao (2012) studied 925 listed companies in China's manufacturing industry from 2008 to 2010 and found that adopting international business strategies would reduce the quality of earnings. This is because Chinese enterprises are still in the initial stage of international operation and development, and their international investment, production and operation capabilities are weak, and their competitiveness in participating in the international market is poor. In the stock market, the performance is the decline of stock prices, which leads to the decline of earnings quality.

Feng (2014) studied 2910 Chinese listed companies from 2008 to 2012 and found that the internationalization strategy can promote the improvement of earnings quality.The explanation given by the author is that earnings management is risky, such as the relatively serious risk of stock price collapse, and the financial reports of international enterprises will receive more attention and analysis at home and abroad. Therefore, enterprises operating internationally are more motivated to improve the reliability of their reports, so earnings quality will be higher.

Zheng (2018) studied 8838 samples of Chinese listed companies from 2012 to 2016 and found that the earnings quality of enterprises with international operations was significantly higher than that of enterprises with non-international operations. And with the deepening of international operation, the earnings quality of international enterprises shows a better trend.

Wang (2020) studied 1535 Chinese listed companies from 2008 to 2017 and found that the diversified operation strategy of Chinese listed companies, whether industrial diversification, international operation or both, can significantly inhibit accrued earnings management, and compared with multi-industry operation strategies, the international operation strategy has a greater and more significant inhibitory effect on accrued earnings management.The author's explanation is that when multiple segments of a diversified enterprise are subject to earnings management, companies with diversified industries may generate incompletely related cash flows, while companies with international operations may be affected by exchange rate fluctuations of different countries and incompletely related. Therefore, the accrued profits generated by different operating segments tend to offset each other, making it difficult for the management to manage earnings from a certain direction. At this time, from the perspective of the group company as a whole, diversification has reduced the operating space of accrued earnings management.

The research on international operation and financial report quality in foreign countries is more in-depth than that in China. Foreign scholars almost agree that international operation will lead to the improvement of enterprise earnings management. This is because the international operation environment is complex, the information asymmetry is increased, the agency cost is increased, and the supervision is more difficult, and the enterprise or management takes measures to maximize the benefits. Some domestic scholars also hold the same view. On the other hand, some domestic scholars hold opposite views. They believe that the expansion of international business allows Chinese enterprises to break the domestic business restrictions, learn from the production, technology and related concepts of developed countries, constantly improve the level of enterprise management, and use cheap labor and preferential tax resources in developing countries to improve performance. At the same time, by improving the quality of financial reports to attract more attention from potential investors, the international reputation has been continuously improved. Scholars at home and abroad have different views because they look at problems at different stages of enterprise development. Most foreign studies focus on transnational enterprises in developed countries such as the United States and Europe. These enterprises have a high degree of internationalization, while domestic studies focus on Chinese enterprises in developing countries. Most Chinese enterprises are in the primary stage of internationalization.

Table 2.2 A summary of previous studies on the relationship between internationalization and financial reporting quality

Author & Year	Source	Sample	Internationalization measure	Financial reporting quality	Correlation
Riahi-Belkaoui（2001）	Managerial Finance	100 anufacturing and service firms from US, 1994-1998	FSTS	Abnormal accrual, AAC, is defined as the current-period accrual less the expected normal accrual, where the difference is standardized by the beginning period stock price.	Negative
Sun（2011）	Master's Thesis of the University of International Business and Economics	1248 firm samples from China,2005-2009	FSTS	Modified Jones model	Negative
Li（2012）	Journal of Sichuan University of Administration	525 firms from China,2007	FSTS	Modified Jones model	Negative
Tao（2012）	Master's Thesis of Nanjing University of Technology	925 manufacturing firm samples from China,2008-2010	Dummy variable：If the overseas sales revenue is not 0, then the value is 1, otherwise the value is 0	Earnings response coefficient	Negative
Feng（2014）	Master's Thesis of the University of International Business and Economics	2910 firm samples from China, 2008-2012	Dummy variable：If the overseas sales revenue is not 0, then the value is 1, otherwise the value is 0	Earnings response coefficient	Positive

Table 2.2 A summary of previous studies on the relationship between internationalization and financial reporting quality (Cont.)

Author & Year	Source	Sample	Internationalization measure	Financial reporting quality	Correlation
Durnev（2017）	Journal of Business Finance & Accounting	18377 offshore firms from 15 countries,1998-2013	1 for an offshore firm, and 0 otherwise; the ratio of OFC subsidiaries or affiliates out of the total subsidiaries or affiliates of an offshore firm; the subsidiary weighted offshore attitude indexes.	Five proxies of financial reporting quality: accrual-based earnings management (|DAC|), accruals quality (AQDD), modified accruals quality (AQW), earnings persistence (EQP), and real earnings management (A_REM).	Negative (offshore firms exhibit lower financial reporting quality)
Zheng（2018）	Master's Thesis of Southwestern University of Finance and Economics	8838 firm samples from China, 2012-2016	FSTS	Modified Jones model	Positive
Beuselinck（2019）	The Accounting Review	2156 Multinational firms from 89 countries, 2002-2010	Country-level variables、Subsidiary firm-level controls、MNC-parent firm-level variables.	Performance-adjusted modified Jones model	Negative

2.1.3 Research on the Relationship between Audit Committee Characteristics and Financial Report Quality

2.1.3.1 Overseas Research

The United States was the first country to propose the audit committee system. At first, the establishment of the audit committee was mainly aimed at financial fraud and fraud. It was hoped that an independent organization could curb this situation and improve the authenticity and reliability of the company's financial information. This system has been strongly supported by relevant institutions, and a large number of scholars have begun to study its characteristics, mainly from the perspective of effectiveness, size, independence, professionalism, activeness, etc.

1) Effectiveness

Collier (1993) found through empirical tests that enterprises without an audit committee or without an independent audit committee are more prone to financial fraud and financial fraud. Simon & Kar (2001) found that listed companies that set up the audit committee were more active in disclosing high-quality information. Gibbins et al. (2001) found that the establishment of the audit committee can better solve the negotiation problems in accounting and auditing. Archambeault & Dezoort (2001) found that the existence of the audit committee can improve the communication between the management and the external audit institutions and improve the financial quality. Abbott et al. (2004) found that the existence of the audit committee had indeed played a restraining role based on the companies with financial restatements. Krishnan (2005) found that the existence of the audit committee is beneficial to the improvement of the enterprise supervision system when analyzing the internal supervision role of the audit committee. The above studies believe that the audit committee plays a certain role in ensuring the quality of financial reports and the independence of auditors, but some scholars do not think so. They believe that the audit committee does not have clear and standard operating guidelines. And contrary to the theory, the audit committee did not weaken the false financial information. Even when the audit committee was established, the investing public did not get rid of the influence of financial fraud, and still had doubts about the quality of financial reports (Beasley, 1996).

2) Size

A large number of studies believe that the size of the audit committee can have an impact on the financial report. Felo et al. (2003) found that the scale characteristics of the audit committee are beneficial to the effective exertion of its functions, so as to curb the occurrence of false financial information and ensure the quality of financial reports. Abbott & Parker (2000) empirically studied the relationship between the characteristics of the audit committee and the restatement of financial statements. The study found that the expansion of scale can inhibit the occurrence of financial restatement. Naiker & Sharma (2009) empirically tested that when the number of audit committee members is large, the weaknesses of the internal control system can be reduced. Ghosh et al. (2010) found that the more members of the audit committee, the wider their total knowledge and the wider the scope of problems they are able to deal with.

3) Independence

A large number of studies have concluded that if the number of external directors among the members of the audit committee is large, the management of the enterprise will have less behavior in modifying the financial statements, and the effect on improving financial quality will be more obvious. Abbott & Parker (2000) selected the corresponding matching companies based on 78 companies investigated by the SEC, analyzed the differences in the characteristics of the audit committee of each sample, and concluded that if its members were all independent directors, the phenomenon of financial fraud would be insignificant. De Vlaminck & Sarens (2015) selected 60 companies from 2008-2009, all of them Belgian companies. Taking this as an object, this paper studies the role of audit committee characteristics in the context of the country's political and economic environment. Empirical research shows that the independence of audit committees does have an impact on the improvement of financial reporting quality.

4) Professionalism

The members of the Audit Committee have relevant financial knowledge, which is conducive to the supervision of the whole process of financial reporting and the communication with external auditors on financial audit issues. Dhaliwal et al. (2006) analyzed the impact of audit committee members with different knowledge backgrounds on the earnings quality of enterprises, and found that only members with financial backgrounds affect the earnings quality of enterprises. Rustam et al. (2013) made an empirical study on the function of the audit committee and concluded that when more members have relevant financial knowledge, they can play a reverse role in the untruthfulness of financial information. Cohen et al. (2014) believes that the quality of the financial information disclosed by enterprises is related to the professionalism of the members of the audit committee. Sultana & Mitchell Van der Zahn (2015) found that the presence of financial experts among audit committee members can help them better monitor financial reporting and internal control, thereby increasing the robustness of earnings.

5) Activeness

This feature is usually studied at the same time as the independence and professionalism of the audit committee. Ghosh et al. (2010) found that the more active the audit committee is, the more effective it can restrain earnings management. Rustam et al. (2013) pointed out in the study that the more audit committee meetings, the less financial information fraud.

6) Other Factors

Yermack (2004) found that salary incentive can affect the degree of effort of independent directors. Giving incentive compensation to independent directors of listed companies can improve their work enthusiasm, promote independent directors to be more dutiful, and help improve the quality of financial reports.

2.1.3.2 Domestic Research

In 1999, Chinese scholars began to study the audit committee. At the beginning, the research content was mainly about the introduction of foreign audit committee system, and the preliminary thinking on the establishment of audit committee in China on this basis. The research method has transited from theoretical research to empirical research. Recently, empirical analysis has been used to study the effectiveness and characteristics of audit committees in China.

1) Effectiveness

Wu & Li (2006) studied whether the audit committee could have an impact on financial information by taking the listed companies in 2002-2004 as a sample. The empirical study shows that the establishment of audit committees by listed companies can indeed affect the financial information of enterprises. It is also believed that the establishment of the audit committee benefits from the requirements of the board of directors and other authorities. Wang & Tu (2006) pointed out that the existence of the company's audit committee can increase the probability of enterprises obtaining standard audit opinions. Fu & Qi (2012) found when empirically testing the function of the audit committee, that even the enterprises that have established the audit committee failed to weaken earnings management. Wang & Yuan (2015) studied the audit committee and its influence and believed that the audit committee played an important role in improving the quality of financial reports, improving the internal control system and selecting external audit institutions. Liu & Han (2015) selected 8 years of listed company data to study the relationship between the audit committee and the quality of accounting earnings. The research results show that the existence of the audit committee has not had a positive impact on the improvement of the quality of accounting earnings.

2) Size

The research results of Zheng & Liu (2008) show that when the audit committee has advantages in scale, it can play a role in restraining earnings manipulation, but it does not pass the significance test. Yang (2014) took the logistics industry as the object, and found that the advantages of the size of the audit committee can guarantee the higher audit quality. Pan (2018) found that more reliable and useful information can be disclosed while the scale is expanding.

3) Independence

Wang & Guan (2006) found through empirical research that the audit committee with a high level of independence can effectively supervise the behavior of management authorities and internal audit institutions, thus ensuring high-quality information disclosure. When Li & Chen (2006) studied the audit committee, they found that the more fully its supervision function played under a high level of independence, the lower the probability of annual report patching. Cai & Gao (2009) concluded that the stronger the independence of the audit committee, the more independent it will be from the influence of the management, so as to objectively and fairly point out its shortcomings and reduce the situation of earnings manipulation. He & Xu (2016) believed that the independence of the audit committee at a high level could help enterprises obtain standard unqualified audit opinions. Huang (2018), when studying the impact of the audit committee on internal control, concluded that its independence had no significant impact on the effectiveness of internal control, and believed that there was a phenomenon of "vase directors" in the audit committee.

4) Professionalism

Tu (2010) found that if the independent director is an accounting professor from an institution, the greater the probability that an enterprise will be issued a standard unqualified opinion. When Liu (2012) studied the relationship between the characteristics of the audit committee and the quality of accounting information, he found that the role of professionalism was not obvious. Liu & Yao (2014) believed that the key to the role of the audit committee is that the members of the audit committee have sufficient professional knowledge and ability. Zheng & Liu (2018) found that the more professional, the timelier and more comprehensive the discovery of internal control defects. Pan (2018) found that the professional characteristics of the audit committee have no significant impact on the quality of corporate performance disclosure, which may be related to its lack of practical experience.

5) Activeness

Liu (2008) found in his research on the activity of the audit committee that the activity had no significant impact on the information quality, so it could be inferred that the content of the audit committee meetings was invalid in actual work, and most of them were after the event meetings. Yu (2010) found that most of the audit committee meetings of enterprises were mere formality and did not solve the substantive problems, which could not guarantee the quality of financial information. Zhang & Ma (2011) concluded from the empirical test that the more times the audit committee meets, the better the function is performed, and the more reliable the information is. Chen (2018) studied the listed companies that set up audit committees, and found that there was a relationship between the audit fees of listed companies and the audit committees. The more diligent and active the audit committees, the more they can stimulate the listed companies' high requirements for external audit quality, and thus pay higher audit fees.

6) Other Factors

Zhou et al. (2020) researched on Chinese listed companies from 2008 to 2016 and found that the audit committee with overseas background can significantly improve the quality of internal control, thereby promoting the improvement of the quality of financial reports. Wang (2021) studied the relationship between the remuneration of the director of the audit committee and the audit quality with a sample of Shanghai and Shenzhen A-share listed companies from 2010 to 2018, and found that the increase of the remuneration of the director of the audit committee can significantly improve the audit quality. The working background of the accounting firm enables the experts of the audit committee to have expertise in financial accounting and auditing (Du & Lu, 2015), so that they can more easily detect the company's financial risks and fraud risks (Zhang & Hu, 2013), and timely strangle the management's earnings manipulation motivation in the cradle.

From the research of domestic and foreign scholars, it can be concluded that the independence, activeness, financial professional background, working background of accounting firms, overseas background, salary incentive, etc. of the audit committee will promote the improvement of the quality of corporate financial reports.

2.2 Basic Theory

2.2.1 Monopoly Advantage Theory

The monopoly advantage theory was first put forward by Canadian economist Hymer in his doctoral thesis in 1960. Based on the analysis of 43 years' foreign investment data of American enterprises, it is concluded that almost all of the products of American enterprises that invest abroad have a certain monopoly advantage in the host country, which is more competitive than similar enterprises in the host country, so that they can obtain excess profits overseas. This is the motivation for enterprises to adhere to foreign investment for many years(Hymer, 1960). Later, Hymer's mentor Kindlerberg further improved and developed the theory. He believes that some enterprises have certain monopoly advantages because of the defects in the market. The foreign direct investment of enterprises stems from the market defects, that is, the incompleteness of the market. The incompleteness of the market includes the incompleteness of production factors and commodity markets, the incompleteness of the market caused by economies of scale, the incompleteness of the market caused by economic systems and policies, and the incompleteness of the market caused by domestic taxes and import and export tariffs. For transnational enterprises, they are not only faced with the political, economic and cultural differences of the host country and cognitive barriers in specific overseas markets, but also with the competition of host country enterprises. To compensate for these disadvantages, they must have one or more advantages over similar enterprises in the host country, such as trademarks, patent technology, marketing skills, proprietary technology, management skills, financing channels and economies of scale, so that they can stand out in the market competition in the host country.

2.2.2 Product Life Cycle Theory

The product life cycle theory was first proposed by Vernon R, a professor of Harvard University in 1966. Like any life body going through the process of birth, growth, maturity and decay, products also have their own life cycle, including the introduction period, growth period, maturity period and decline period. The advantages of products vary with their life cycles(Vernon, 1966). Due to the different economic development of different countries, the life cycle of products in different countries is different. In the product introduction period, consumers and the market are very unfamiliar with new products, and new enterprises need to increase marketing efforts. At this stage, a large amount of costs will be invested in publicity and promotion, with little profit. In the growth period of products, new products have been successfully tested and accepted by more and more consumers. Enterprises have increased investment, mass production, continuously expanded market share, developed rapidly, reduced costs, became more competitive, and developed economies of scale. At the same time of occupying a certain domestic market share, they began to export, expand overseas markets, and obtain excess profits. In the mature period of products, as the product technology continues to mature, similar and homogeneous products enter the market with fierce competition. The technical advantages of domestic products disappear, costs rise, prices fall, and profits decrease significantly. Enterprises are forced to move their production lines to countries with low raw materials and labor force for production, or even split the product production lines into different stages and distribute them in the countries with the lowest cost in the corresponding production stages, in order to further reduce costs, expand market share, and make small profits but quick turnover. Finally, the product entered a recession. Vernon's product life cycle theory analyzes the different behaviors of enterprises at different stages of the product life cycle, which lays a theoretical foundation for the enterprise's international business strategy.

2.2.3 Internalization Theory

The internalization theory was derived from the new firm theory of R.H. Coase by (Buckley & Casson, 1976), British economists. The theory believed that under the premise of the incompleteness of an enterprise's external market, an enterprise's product production would go through multiple links, and there would be transactions of multiple intermediate products, even if these intermediate products were distributed in different countries. If these intermediate products were traded outside the enterprise, It will face external market risks such as asymmetric information, sharp price fluctuations, and high transaction costs. In order to maximize profits, enterprises should reduce the transaction costs of intermediate products to the greatest extent. This requires enterprises to invest in different countries where intermediate products are distributed, and convert external transactions of intermediate products into internal transactions of enterprises. In the internal market of enterprises, buyers and sellers fully understand the technology, quality, price and other information of intermediate products, which greatly reduces market risk and transaction costs and maximizes the profits of enterprises.

2.2.4 Information Asymmetry Theory

The theory of information asymmetry was developed by George A. Akerlof, A Michael Spence and Joseph Eugene Stiglitz proposed that in market economic activities, due to the difference in the understanding of relevant information between the trading parties, the party with sufficient information is often in a more favorable position, which may conceal important information or raise the transaction price from the other party with insufficient information or at a disadvantage, thus resulting in an imbalance of interests between the trading parties.

The problem of information asymmetry not only exists in the market, but also in enterprises, and it is more significant in diversified enterprises. A large number of studies have shown that corporate diversification is a major example of the agency relationship between shareholders and managers. Generally speaking, diversified companies tend to be more opaque due to their larger scale, more complex organizational structure, and the occurrence and confirmation of various transactions, More information asymmetry problems have arisen (Burch & Nanda, 2003; Chang & Yu, 2004; Denis et al., 1997; Doukas et al., 2000; Doukas & Pantzalis, 2003; Kim, 2003; Liu & Qi, 2008; Rodríguez-Pérez & van Hemmen, 2010). Information asymmetry is specifically reflected in, for example, the management of a diversified company has a detailed grasp of the cash flow of each operating segment, while investors outside the company can only see the company level's rough estimate of the cash flow of each segment. Therefore, the conversion and merger of foreign currency transactions between accounting statements will make the financial statements of diversified companies opaque to external investors, and their book profits will transmit less information related to the company value. To some extent, the financial data of diversified companies are more opaque than those of centralized companies. These factors provide favorable conditions for earnings management activities.

2.2.5 Principal-agent Theory

The principal-agent theory is put forward on the basis of information asymmetry theory. This theory is one of the main contents of the contract theory of institutional economics, which was evolved from the proposition of separation of enterprise ownership and management rights proposed by American economists Burleigh and Means in 1932. The principal-agent relationship refers to that one or more actors appoint and employ other actors to serve them according to an explicit or implicit contract, and grant them certain decision-making rights, and pay them corresponding remuneration according to the quantity and quality of services provided by the latter. In this process, the authorizer is the principal and the authorized person is the agent. The concept of principal-agent in modern sense was first put forward by Ross in 1973. "If the agent of both parties exercises certain decision-making rights on behalf of the principal, the agency relationship will follow."

The ownership and management rights of modern enterprises are separated. The owners and shareholders of enterprises transfer the management rights of enterprises to professional managers who have professional knowledge reserves and are more sensitive to changes in the external capital environment. They supervise the performance of the managers by signing a series of contracts with them, while the shareholders themselves reserve the right to claim the residual value of the enterprises, This forms the principal-agent relationship between the enterprise owner and the management.

It can be seen from this that since it is the management who holds the actual management right in the enterprise, they are more directly involved in the daily business decisions of the enterprise, and have a clearer understanding of the work efficiency, actual ability and profit target completion of various departments of the enterprise, as well as changes in the external capital environment of the enterprise Shareholders and other stakeholders are in the position of information advantage when playing games on issues such as the business status or strategic decision-making choices of enterprises, and have greater discourse power. However, because there may be a deviation between the managers' personal interest goals (a short-term goal compared to the enterprise) and the realization of the long-term value goals of the enterprise or the goal of maximizing shareholders, the management may have opportunistic behaviors, such as making biased strategic choices or seeking to maximize their own interests by interfering in the daily business decisions to affect the generation of enterprise profit indicators and other activities.

2.2.6 Corporate Governance Theory

With the rapid development of economy, the tide of socialized division of labor surges in, and the scale of enterprises also increases, which brings problems such as the inconsistency of information between managers and owners, so as to solve the conflicts between managers and owners and protect the interests of owners. Owners have developed a series of restraint mechanisms for the supervision of managers, which constitute the corporate governance structure. The theory of corporate governance mainly emphasizes how to use this binding system more effectively and wisely to maintain the benefits of the subject. The main contribution of this theory is to be able to better balance the interests of enterprise stakeholders. It aims to protect shareholders' benefits according to a series of responsibilities and rights mechanisms designated by national laws and regulations(Li et al., 2007).

Corporate governance is internal and external. Internal governance includes board system, strategy implementation and organization design. External governance mainly refers to maintaining the company through laws and regulations. In order to solve the problem of information, the owner made a statement to report the operating conditions to him regularly. However, the preparation subject of the financial report is generally subject to the management, so the authenticity and objectivity of the financial report can hardly be guaranteed. In this case, the role of the external audit institution is in harmony with its own position. However, because the fees of external audit institutions come from enterprises, their independence is threatened. External auditors often collude with managers, resulting in false disclosure of financial reports and affecting the decision-making judgment of investors and stakeholders. As the internal governance system of the Company, the Board of Directors is endowed with relevant rights by shareholders, such as implementing the resolutions of the Board of Shareholders, deciding on the relevant affairs of the Company, and supervising and dismissing the management personnel. Because the responsibilities of the board of directors are more complicated, the supervision of the board of directors on management personnel is still lacking. In order to effectively supervise the authenticity of financial report information, they hope to perform their duties with the help of external audit institutions. As mentioned above, the role and independence of the external audit intermediary must also be lack of enforceability. Of course, the Board of Supervisors, as an internal corporate governance system, also plays a certain role, but after all, its members have an interest transmission relationship with the company's management, and it is difficult to ensure that its supervisory role can be effectively played. Thus, in order to deal with these difficulties, the Board of Directors has set up an audit committee to supervise the affairs of managers. On the one hand, the Audit Committee has an absolute say in the selection of external audit institutions, rather than selecting intermediaries and institutions that have an interest relationship with the management to ensure the independence of auditors. On the other hand, when there is a conflict between the management and the assurance personnel, the audit committee has the right to coordinate the relationship between the external auditor and the management from the perspective of shareholders, which will also give more support to the external auditor, so that the external auditor will not agree with the subject's management due to the limitation of its audit costs, which will ensure the credibility of information and maintain the interests of stakeholders. In addition, the audit committee can also provide effective suggestions on how to modify and create a feasible internal control system, so as to ensure the normal operation of the company.

2.2.7 Contract Theory

Jensen and Meckling analyzed in detail the information asymmetry caused by the separation of two weights(Jensen & Meckling, 1976). In order to solve the contradiction between the owner and the operator, such as moral hazard and adverse selection, the owner needs to take corresponding effective measures. The representative ones are supervision and incentive. As one of the more effective means, if the role of compensation contract can be reasonably and appropriately played, then it will have a more significant incentive role for agents and urge them to do their best to provide services for enterprises. However, to a certain extent, the salary incentive system also urges agents to take earnings management measures to cover up the real situation of the enterprise, so that they can obtain greater benefits. Theoretically, the adoption of an appropriate compensation contract system is an important part of the company's internal governance, which helps to measure the agent's performance and effort. Similarly, a reasonable remuneration system also has a significant incentive role in promoting the role of the audit committee (Yermack, 2004; Wang, 2021).

2.2.8 Branding Theory

The theory of branding originated from the field of biology. Newborn animals will follow the movement of animals they saw for the first time. Biologists define this congenital tendency as branding, which will still have an impact on the subsequent living environment. In the field of organizational research, the organizational structure is determined by its initial external environment, and the organization will be continuously affected by this environment. Marquis and Tilcsik believe that the three key elements of the branding mechanism are: (1) the sensitive period, the focus subject has a sensitive stage; (2) Branding is formed, and the focus subject is affected by the environment to form its matching characteristics; (3) Continuous impact, branding will also have a continuous impact when the environment changes(Marquis & Tilcsik, 2013). The branding theory holds that in a specific "sensitive" period of the environment, the focus subject will have a "mark" that matches its characteristics after long-term contact with the environment, and these "marks" will have a continuous impact on the focus subject even when the environment changes. Branding theory has made relatively many empirical research achievements in the field of organizational behavior, and has played an important role in explaining the economic consequences of managers' behavior characteristics.

2.2.9 Behavior Consistency Theory

The main connotation of behavior consistency theory is that individuals' behaviors or behavior styles in different external environments are similar and stable. In the field of corporate governance, the theory of behavior consistency mainly discusses the impact of managers' special experiences and habits in life on their management behavior, which provides a theoretical basis for studying the relationship between individual experiences and corporate governance. It is generally believed that individual behavior is determined by situational requirements and individual characteristics. The research content of the theory of behavior consistency is mainly a single individual behavior at first, and then expands to the cross situation consistency of individual behavior style. The research on behavioral consistency theory mainly focuses on the relationship between the special experiences of senior executives and the economic consequences of their management behaviors. According to the behavioral consistency theory, the attitude of senior executives (including independent directors) towards risk is largely endogenous from their personal experiences. Risk preference or risk aversion determines how individuals capture information, analyze information and make behavioral decisions. Special experiences influence the financial behavior of the company by shaping the senior executives' risk attitude, and this influence has a lasting effect, For example, the audit committee with overseas background will help to improve the quality of financial reports (Zhou et al., 2020).

The above theories can effectively explain the motivation of enterprises' internationalization, the opportunities and challenges faced by enterprises' internationalization, the causes of enterprises' internationalization earnings management, and how the audit committee promotes the improvement of the quality of financial reports, laying a theoretical foundation for subsequent research.

CHAPTER 3
RESEARCH METHODOLOGY

This paper mainly studies the impact of the degree of internationalization of enterprises on the quality of financial reports. In order to answer the questions raised in the study and test the hypothesis. This chapter mainly introduces the selection of samples, the source of data, the composition of variables and the setting of statistical models.

3.1 Population and Samples

By the end of 2021, there were 4682 listed companies in China (according to the statistics of China Listed Companies Association), and about 2000 listed companies have carried out international business, of which more than 1000 are manufacturing enterprises (according to the statistics of guotai'an data). Therefore, this paper selects Chinese manufacturing listed companies as the research sample.

The accounting standards for business enterprises in China was formulated by the Ministry of Finance and implemented on January 1, 2007. It was revised in 2014. In June 2008, China promulgated the basic norms of enterprise internal control, which clearly stipulates that listed companies shall establish audit committees under the board of directors, and defines the relevant responsibilities and powers of audit committees. China put forward the "the Belt and Road" initiative in 2013, and initiated the establishment of the Asian infrastructure investment bank and the Silk Road Fund in 2014 to help Chinese enterprises "go global" and carry out international operations. Therefore, 2014 is selected as the starting year of this study sample.

At the end of 2019, the COVID-19 virus began to spread in China. The Chinese government insisted on putting people's lives first and took a series of strict measures nationwide to combat the epidemic from January to April 2020. The audit and disclosure of annual reports of almost all listed companies in China were greatly affected. In order to eliminate the impact of COVID-19 force majeure factors on the quality of financial reports of listed companies, 2018 was selected as the termination year of the study sample.

This study selects all listed manufacturing companies with international operations in China from 2014 to 2018 as the sample, excluding the missing data sample, st and * St. The company's financial data used in this paper are from CSMAR database, and the data of overseas subsidiaries are from China research data service platform (CRDs). The characteristic data of the audit committee are collected manually from http://www.cninfo.com.

3.2 Data Collection

Table 3.1 shows the sample selection process of 721 listed manufacturing enterprises with international operations. First, download the data of all listed manufacturing enterprises from 2014 to 2018 in CSMAR database. After deleting st and * ST enterprises, the listed entrepreneurs who carry out international operations will get the final 721 listed enterprises after excluding the listed enterprises with missing data from the audit committee.

Table 3.1 Sample selection process

Sample Selection Process	Number of Firms
Number of listed manufacturing enterprises from 2014 to 2018	1595
After deleting st and * St enterprises	1426
Exclude enterprises that have not carried out international operations	1033
Exclude listed companies with missing audit committee data	996
Final sample	721

3.3 Variables in the Study

3.3.1 Dependent Variable

Financial reporting quality (AbsDA)

The analysis of earnings management often focuses on the use of discretionary accruals by the management. After comparing the linear total accruals models such as Healy model, DeAnglo model, Jones (1991) model, modified Jones model and Industry model, Dechow et al. (1995) believes that the modified Jones model has the best estimation effect on controllable accruals.Most scholars use earnings management to measure the quality of financial reports,When Chinese scholars study earnings management, they also use the modified Jones model most (Zhang et al., 2022). This paper draws on the relevant research on earnings management and uses the manipulative accrued profit estimated by the annual revised Jones model as the proxy variable of earnings management. Refer to Jones model revised by Dechow et al. (1995),The specific model is as follows:

$$\frac{TA_{i,t}}{A_{i,t-1}} = \beta_0 \frac{1}{A_{i,t-1}} + \beta_1 \frac{\Delta REV_{i,t}}{A_{i,t-1}} + \beta_2 \left(\frac{PPE_{i,t}}{A_{i,t-1}}\right) + \varepsilon_{i,t} \qquad (1)$$

$$NDA_{i,t} = \hat{\beta}_0 \frac{1}{A_{i,t-1}} + \hat{\beta}_1 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} + \hat{\beta}_2 \left(\frac{PPE_{i,t}}{A_{i,t-1}}\right) \qquad (2)$$

$$DA_{i,t} = \frac{TA_{i,t}}{A_{i,t-1}} - NDA_{i,t} \qquad (3)$$

i: represents the company;

t: represents the time;

TA: Total accrued profit = operating profit - net cash flow from operating activities;

△ REV: change in operating income;

△ REC : changes in accounts receivable;

PPE : net fixed assets ;

A_{t-1}: eliminate scale effect and use total assets at the end of t-1 year;

NDA: Non discretionary accruals;

DA: Manipulate accrued profits.

Formula (1) Carry out industry by industry and year by year regression to get the regression coefficient. Bring it into formula (2) to get the non controllable accrued profit NDA. Then bring it into formula (3) to get the modified controllable accrued profit DA.

In this paper, the absolute value of DA is used as the proxy variable of the degree of earnings management, which is recorded as | DA |. The larger the absolute value, the higher the degree of earnings management and the lower the quality of financial reports. The smaller the absolute value, the lower the degree of earnings management and the higher the quality of financial reports.

3.3.2 Independent Variable

Internationalization (Fsts & Nos):

Many scholars have tried to measure the degree of internationalization in different ways. After sorting out, the measurement indicators are classified into three categories (Chen, 2014):

The first category is the performance-based internationalization depth indicator. The most representative indicators are: Fsts, that is, the proportion of overseas sales in total sales (Contractor et al., 2003; Ruigrok et al., 2007; Tallman & Li, 1996; Li & Sheng, 2020; Fan & Liu, 2018), Fata, that is, the proportion of overseas assets in total assets (Gomes & Ramaswamy, 1999; Fan & Liu, 2018), Fete is the proportion of overseas employees in the total number of employees (Contractor et al., 2003; Kim et al., 1993). Gomes (1999) and others believe that Fsts focuses on measuring the dependence of multinational enterprises on overseas markets, while FATA focuses more on measuring the dependence of multinational enterprises on overseas production.

The second category is based on the internationalization breadth index of subsidiaries. The most representative ones are: OSTS refers to the proportion of overseas subsidiaries in all subsidiaries (Contractor et al., 2003), NOS refers to the number of overseas subsidiaries of enterprises (Dau, 2013; Vermeulen & Barkema, 2002), and NOC refers to the number of countries where overseas subsidiaries are distributed (Hashai & Delios, 2012; Tallman & Li, 1996). For enterprises, the breadth of internationalization means greater national diversity, that is, operational complexity (Lu & Beamish, 2004; Morck & Yeung, 1991) .

The third category is composite indicators. Goerzen & Beamish (2003) proposed a two-dimensional measurement method of internationalization degree: internationalization is divided into IAD (International assets dispersion) and CED (Country environment diversity). The IAD is measured by entropy method, NOS and NOC, while the CED is measured by four entropy values, including economic freedom, global competitiveness, political restrictions and cultural diversity.

Considering the availability of data and the intuitiveness of indicators, this study adopts Fsts, an indicator reflecting the depth of internationalization (that is, the proportion of overseas sales in total sales), and Nos, an indicator reflecting the breadth of internationalization (that is, the number of overseas subsidiaries of the enterprise).

3.3.3 Moderating Variables

Scholars have tried to explain the role of the audit committee from different angles. This study selects the independence, professionalism, overseas background and remuneration of the audit committee as the adjustment scalar.

(1) Independence (Indepen): The independent audit committee can maintain a fair and objective working attitude, effectively supervise the quality of financial information, and ensure the authenticity and objectivity of financial reports. This paper uses the proportion of independent directors in the audit committee to measure the independence of the audit committee (Abbott et al., 2004; De Vlaminck & Sarens, 2015; Cai & Gao, 2009).

(2) Financial experts (Fex)

Proportion of financial experts among the members of the Audit Committee, the larger the index, the stronger the financial expertise of the audit committee. Among them, financial experts are those who meet one of the following conditions: have the professional qualification or senior title of certified public accountant, senior accountant, certified tax agent and so on; Rich practical experience in finance, such as CFO, chief accountant or department head in accounting, finance and audit departments; Professor, associate professor with rich financial theory knowledge or Ph.D. graduated from relevant accounting major (Zheng & Liu, 2018).

(3) Experience in accounting firm (Afe)

The working background of the accounting firm enables the experts of the audit committee to have financial accounting and auditing expertise, so that they can more easily detect the financial risks and fraud risks of the company, and timely strangle the earnings manipulation motivation of the management in the cradle. This paper uses dummy variables to measure.If one of the members of the audit committee has working experience in an accounting firm, it is assigned a value of 1; otherwise, it is assigned a value of 0 (Zhang & Hu, 2013; Du & Lu, 2015).

(4) Overseas background (RAC)

The audit committee experts with overseas work experience are influenced by high ethical standards and the concept of knowing and abiding by the law. They have a better understanding of the overseas business environment and are more likely to find fraud risks, thus reducing the immoral behaviors such as earnings manipulation. There are three ways to measure: when the audit committee has overseas background, that is, when it has overseas worked background or learning background, RAC12 is assigned 1, otherwise it is 0; when the audit committee has overseas worked background, RAC1 is assigned 1, otherwise it is 0; when the audit committee has overseas learning background, RAC2 is assigned 1, otherwise it is 0.(Zhou et al., 2020).

(5) Remuneration of the audit committee (Acs)

Reasonable salary incentive can enable the audit committee to perform its functions more effectively, so as to effectively monitor the quality of financial information. Considering that many members of the audit committee of listed companies have senior executives, and the salary levels of different companies are quite different, this study chooses to measure the salary level of the audit committee by using the ratio of the average salary of independent directors in the audit committee to the average salary of senior executives (Kong, 2016).

3.3.4 Control Variables

Referring to the variables used by domestic and foreign scholars in the relevant research on the quality of financial reports, this study selects the variables commonly used by scholars as the control variables, as follows:

(1) Firm size (Size):The larger the company is, the more complex its operation and management is, and the more complex its organization is, which leads to the increasingly serious agency problem of the company and the higher possibility of improper earnings management. This paper uses the natural logarithm of the company's total assets at the end of the period to measure (Klein, 2002).

(2) Firm age (Age) is equal to the natural logarithm of the listing age， According to the empirical results of Lv et al. (2021), this indicator is positively related to earnings management.

(3) Asset liability ratio (Lev)：When the company is faced with a high debt ratio, the management authorities will have more incentive to conceal their own adverse information in order to ease the pressure of contractual provisions, and will be more inclined to engage in earnings management to avoid financial crisis. This paper uses the percentage of total liabilities at the end of the period divided by total assets to measure (Eli et al., 2000).

(4) Profitability (Roa): Operating performance has a very important impact on the degree of earnings management of the company. When the company's operating performance is poor, listed companies may use earnings management to cover up the cause of loss or performance decline. This paper uses the ratio of net profit to average total assets to measure (Beuselinck et al., 2019)

(5) Proportion of inventory and accounts receivable (IR), which is equal to the sum of inventory and accounts receivable divided by total assets, According to the empirical results of Lv et al. (2021), this indicator is positively related to earnings management.

(6) Net cash flow from operating (Cfo): Listed companies lacking cash flow are more inclined to adjust their accrual earnings management level upward. This paper uses the ratio of net cash flow generated from operating activities to total assets at the end of the period to measure (Lv et al., 2021).

(7) Property right nature (Soe): The state shares in Chinese listed companies are "dominant" and lack of external control threats, so there are controlling shareholders who damage the interests of listed companies. Such companies are more likely to engage in financial reporting fraud. This paper uses dummy variables to measure, take 1 if it is a state owned enterprise, otherwise take 0 (Liu & Du, 2003).

(8) Equity concentration (Top1): This indicator measures the equity concentration of the company, and its impact on the accrued earnings management has not been determined in the existing relevant literature. Zhang et al.(2018) think it is positively correlated, while Li (2019) think it is negatively correlated.

(9) The chairman and the general manager are the same person (One). This indicator determines whether the chairman of the board of directors is also the general manager. If the two positions are combined, the management has greater power, and the

more likely it is that the accounting option can be freely used to manage the accrued earnings. If the CEO is the chairman of the company, take 1, otherwise take 0 (Zhang et al., 2018).

(10) Board size(Boardsize):The larger the board of directors is, the more perfect the corporate governance structure is, the more strict the supervision of the management is, and the possibility of earnings management is smaller. This paper uses natural logarithm of total number of directors to measure (Zhang et al., 2018).

(11) Management shareholding (Mag): According to the empirical results of Li (2019), this indicator is negatively related to earnings management.

(12) Audit firm size (big4): If the company's annual report is audited by the four major international accounting firms, take 1, otherwise take 0. According to the empirical results of Zhang et al.(2022), this indicator is negatively related to earnings management.

(13) Auditor's opinion(OP): If the auditor gives a standard unqualified opinion, the value is 1; otherwise, it is 0,According to the empirical results of Zhang et al.(2022), this indicator is negatively related to earnings management.

All variables in regression models are summarized and presented in Table 3.2

Table 3.2 Variables definitions

Variable types	**Variable name**	**Measurement of variables**
Dependent variable (Quality of financial report)	AbsDA	The earnings quality of listed companies is measured by the manipulated accrued profit, which is calculated by the modified Jones model, which represents the degree of earnings management of the company.
Independent variables (Degree of internationalization)	Fsts	The proportion of overseas sales to total sales.
	Nos	Number of overseas subsidiaries, joint ventures and associates at the end of the year
Moderating variable (Audit committee characteristics)	Indepen	Proportion of independent directors in the audit committee.
	Fex	Proportion of financial experts among the members of the audit committee
	Afe	An audit committee member with experience in an accounting firm is assigned a value of 1, otherwise it is assigned a value of 0.

Table 3.2 Variables definitions (Cont.)

Variable types	Variable name	Measurement of variables
	RAC1, RAC2, RAC12	There are three ways to measure: when the audit committee has overseas background, that is, when it has overseas worked background or learning background, RAC12 is assigned 1, otherwise it is 0; When the audit committee has overseas worked background, RAC1 is assigned 1, otherwise it is 0; When the audit committee has overseas learning background, RAC2 is assigned 1, otherwise it is 0
	Acs	The ratio of the average compensation of independent directors on the audit committee to the average compensation of corporate executives
Control variables	Size	Expressed as the natural logarithm of total assets at the end of the period
	Age	Expressed in logarithm of the number of years since the establishment of the listed company
	Roa	Net profit /average total assets
	Lev	Percentage of total liabilities divided by total assets at the end of the period
	IR	Which is equal to the sum of inventory and accounts receivable divided by total assets
	Cfo	Ratio of net cash flow from operating activities to total assets at the end of the period
	Soe	Take 1 if it is a state-owned enterprise, otherwise take 0.
	Top1	Shareholding ratio of the largest shareholder
	One	The chairman and the general manager are the same person. If the CEO is the chairman of the company, take 1, otherwise take 0.
	Boardsize	The natural logarithm of the total number of directors
	Mag	Management shareholding Share
	Big4	If the company's annual report is audited by the four major international accounting firms, take 1, otherwise take 0.
	Op	If the auditor gives a standard unqualified opinion, the value is 1; otherwise, it is 0.

3.4 Hypotheses and Models

It can be seen from the previous literature review that most foreign studies focus on transnational enterprises in developed countries such as the United States and Europe, which have a high degree of internationalization, while domestic studies focus on Chinese enterprises in developing countries. Compared with developing countries, developed countries have advantages in knowledge technology and production efficiency (Qian, Li, & Rugman, 2013). Entering developed countries or regions for operation has also become one of the characteristics of Chinese enterprises in the early stage of international operation (Zheng, 2018). Developed countries are more advanced and perfect in investor protection (Morck, Yeung, & Yu, 2000), laws and regulations (Fernandes & Ferreira, 2009), system design (Khanna & Rivkin, 2001), and other aspects. The freedom of market opening and information transparency are high, which can weaken the problem of information asymmetry in international enterprises, and thus alleviate the agency problem between shareholders (principals) and managers (agents) (Shroff, Verdi, & Yu, 2014), At the same time, the market supervision in developed countries is more strict, and the cost of enterprises' violation is higher, and the financial fraud of enterprises operating internationally will be suppressed. Due to the existence of various risks such as natural environment, government policies, laws and regulations, market competition, cultural differences, etc.(Grant, 1987), the uncertainty of the initial stage of international operation is highlighted. In order to alleviate the problem of information asymmetry and agency costs, the principal (shareholder) is bound to strengthen the supervision of the agent (manager), and the motivation of the manager's earnings management is suppressed. In order to carry out international operation, enterprises should first internationalize their accounting. They should be able to provide true, fair, comparable accounting information that can meet the needs of domestic and foreign investors and creditors in accordance with international accounting standards. At the initial stage of internationalization, enterprises often face the realistic dilemma of low capital channels and high capital costs. However, a large number of studies have shown that the improvement of the quality of enterprise accounting information can help reduce the cost of enterprise capital and ease the financing constraints (Botosan, 1997; Guo et al., 2014), which will promote enterprises to continuously improve the quality of financial reporting and reduce financial restatement and earnings management. With the deepening of enterprises' international operation, enterprises have mastered more market information and accumulated more market knowledge and experience (Johanson & Vahlne, 1977), so that they can better cope with the complex situation in the process of international operation, give full play to their own advantages, improve the financial performance of enterprises, and further weaken the motivation of earnings management.

With the continuous improvement of the degree of international operation, the business uncertainty faced by enterprises has also increased. The degree of information asymmetry increases with the number of branches of international operation (Bushman, Piotroski, & Smith, 2004), and the complexity of operation increases with the proportion of international business and business dispersion of enterprises. When the internationalization of enterprises exceeds the appropriate level, it will result in excessive information processing burden, organizational complexity, management difficulties, inefficiency of resource allocation, and familiar obstacles to the political and cultural environment of many host countries (Chen, 2014). The transaction cost, coordination cost and supervision cost of managers will increase significantly (Griffiths & Zammuto, 2005; Whitley, 1999), which will lead to the diseconomies of enterprise scale, Profit declined (Chen, 2014). The geographical distance (Ellis, 2008), customers, competitors, regulations (Brahm & R., 1994), culture (Gomez-Mejia & Palich, 1997) and other differences brought by international operation will make the company's business environment more complex, which increases the degree of information asymmetry between shareholders and managers and reduces the transparency of the company's information. Managers of international operation of enterprises have greater discretion (Hambrick & Abrahamson, 1995; Roth & O'Donnell, 1996). They can use information advantages to reduce the degree of information disclosure, and can also use the institutional differences and regulatory differences of different countries to manage the income (Beuselinck et al., 2019), thus increasing the possibility of moral hazard and adverse selection of managers. When the internationalization of enterprises exceeds a certain degree, As the financial performance of enterprises declines, managers are likely to conduct earnings management for the purpose of maximizing their own interests, resulting in a decline in the quality of financial reports. Based on the above analysis, the following assumptions are proposed:

Hypothesis 1: When the degree of internationalization of listed manufacturing enterprises is low, the degree of internationalization is significantly negatively correlated with earnings management; with the improvement of the degree of internationalization, there is a significant positive correlation between them. The relationship between the degree of internationalization of enterprises and earnings management is a significant U-shaped relationship.

As an important institutional arrangement in the corporate governance structure, the audit committee can improve the quality of internal control and financial information disclosure, and can effectively alleviate the principal-agent problems caused by contractual relationships (Wang et al., 2019). The independent audit committee can maintain an objective and impartial working attitude, effectively supervise the modification of financial statements by managers, and inhibit the occurrence of financial fraud (Abbott & Parker, 2000). The stronger the independence of the audit committee, the more it can be immune from the influence of the management, dare to point out the earnings manipulation behavior of enterprises (Cai & Gao, 2009), and help enterprises obtain standard unqualified audit opinions (He & Xu, 2016).Based on the above analysis, the following assumptions are proposed:

Hypothesis 2: The stronger the independence of the audit committee, the less the impact of enterprise internationalization on earnings management.

The audit committee members' financial professional knowledge and ability is the key to the audit committee to play its role (Liu & Yao, 2014). The more professional the audit committee is, the more timely and comprehensive it can find out the internal control defects (Zheng & Liu, 2018), effectively monitor the authenticity of financial information (Dellaportas, Rochmah Ika, & Mohd Ghazali, 2012; Song & Windram, 2004), and inhibit managers' earnings manipulation (Sultana et al., 2015). The financial expertise of the Audit Committee can provide a professional perspective to review the information provided in the financial statements, find problems and correct them in a timely manner. More importantly, the Audit Committee can effectively communicate with the external auditors. Even in case of disagreement, the Audit Committee can make full use of its own financial knowledge to make independent judgments and scientific decisions, and improve the quality of financial information disclosure and financial reporting. Based on the above analysis, the following assumptions are proposed:

Hypothesis 3: The more financial experts on the audit committee, the less the impact of enterprise internationalization on earnings management.

The working background of the accounting firm enables the experts of the audit committee to have expertise in financial accounting and auditing (Du & Lu, 2015), so that they can more easily detect the financial risks and fraud risks of the company (Zhang & Hu, 2013), and timely strangle the managers' earnings manipulation motivation in the cradle. Moreover, they have a natural "cordiality" and "tacit understanding" with the auditors, and can communicate with the auditors efficiently, strengthen cooperation with the external auditors, so as to jointly curb the opportunistic behavior of managers and give full play to the supervision function. On the other hand, benefiting from previous audit experience, they are more sensitive to risks. In order to reduce their own reputation losses after the company's earnings management behavior is exposed, they are more cautious in the supervision of the quality of financial reports (Gong & Kang, 2016). Therefore, the audit committee experts with experience in accounting firms can play their supervisory role, inhibit the company's earnings management behavior. Based on the above analysis, the following assumptions are proposed:

Hypothesis 4: An audit committee with working experience in an accounting firm can reduce the impact of enterprise internationalization on earnings management.

According to the contract theory, reasonable salary incentives can help auditors better play their governance role (Zheng et al., 2017). Giving incentive remuneration to audit committee experts can improve their enthusiasm and effort (Yermack, 2004), improve the efficiency of supervision over the company's management (Hermalin & Weisbach, 1995), and they are willing to devote sufficient working time and energy to perform their duties (Du & Zhang, 2004). To some extent, the remuneration of the audit committee experts represents their reputation and ability. A reasonable and fair remuneration level can promote the audit committee experts to pay more attention to their reputation, conscientiously perform their duties, effectively supervise the quality of internal control and financial reporting, timely detect and correct the opportunistic behavior of managers, prevent fraud risks, and strengthen the communication and exchange between internal and external audits, Improve the audit quality and curb earnings manipulation. Based on the above analysis, the following assumptions are proposed:

Hypothesis 5: The higher the remuneration of the audit committee, the less the impact of enterprise internationalization on earnings management.

Whether the audit committee can perform its duties efficiently depends largely on the personal characteristics and abilities of the audit committee experts. Based on the branding theory and behavioral consistency theory, the overseas work experience of audit committee experts is their unique life experience, which is obviously a process of "branding". They will form matching characteristics in terms of cognition and ability, and as a specific human resource feature, have an important and continuous impact on their participation in enterprise supervision and management. The audit committee experts with overseas work experience usually have a good educational background and professional knowledge, a strong sense of ethics and social responsibility, rich experience and forward-looking vision, and have a certain "star effect" in the Chinese capital market (Song & Wen, 2016). They need to pay more energy and economic costs to work overseas. Public opinion and themselves have higher requirements and expectations for them, They are more motivated to maintain their social status and reputation and can play a more effective role in governance. The work experience and learning background of the audit committee experts with overseas work experience are more overseas, and their political ties with the local government may be relatively weak, making the audit committee more independent. The overseas developed capital market has a better legal system, a higher level of investor protection and a higher efficiency of contract execution. Affected by the overseas environment, this part of the audit committee experts have a stronger sense of ethics and investor protection (Conyon, Haß, Vergauwe, & Zhang, 2019), and are better able to prevent financial fraud and other corrupt behaviors. At the same time, they have a better understanding of the overseas operating market, and have the ability to curb managers' earnings manipulation. Based on the above analysis, the following assumptions are proposed:

Hypothesis 6: An audit committee with overseas background can reduce the impact of enterprise internationalization on earnings management.

According to the internationalization theory, referring to Lu and Beamish(2001), Nie et al.(2016), Zhang and Chen(2017), Chen and Huang(2018), Li and

Sheng(2020) and other studies, this paper uses the fixed effect model.To test hypothesis 1A and 1B, the model is set as follows:

$$AbsDA=\beta_0+\beta_1Fsts+\beta\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Fsts^2+\beta\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Fsts^2+\beta_3Fsts^3+\beta\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1 Nos+\beta_2\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1 Nos+\beta_2 Nos^2+\beta\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1 Nos+\beta_2 Nos^2+\beta_3 Nos^3+\beta\sum Controls+\sum Year$$

To test the intermediary effect of audit committee characteristics (hypotheses2A-6B) ,The model is set as follows:

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Indepen+\beta_3Indepen*Fsts+\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Fex+\beta_3Fex*Fsts+\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Afe+\beta_3Afe*Fsts+\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Rac1+\beta_3Rac1*Fsts+\sum Controls+\sum Year$$

$$AbsDA=\beta_0+\beta_1Fsts+\beta_2Acs+\beta_3Acs*Fsts+\sum Controls+\sum Year$$

This study uses multiple regression analysis method and stata measurement software for data processing and analysis. The specific empirical results are detailed in the next chapter.

CHAPTER 4
RESEARCH RESULT

The objective of this chapter is to address the results of the multiple regression models used to test the hypotheses as presented in Chapter3. The results, theoretical concepts and the previous empirical studies are also discussed in this chapter.

4.1 Descriptive Statistics

Table 4.1 shows the regression results using raw data.

Table 4.1 Descriptive statistics

Variables	(1) N	(2) Mean	(3) SD	(4) Min	(5) Max
AbsDA	3,605	0.0504	0.0504	1.22e-06	0.549
Fsts	3,605	0.221	0.217	1.39e-11	0.998
Indepen	3,605	0.669	0.0856	0	1
Fex	3,605	0.425	0.216	0	1
Afe	3,605	0.333	0.471	0	1
Rac1	3,605	0.176	0.381	0	1
Rac2	3,605	0.231	0.422	0	1
Rac12	3,605	0.319	0.466	0	1
Acs	3,605	0.166	0.312	0.00259	17.72
Lev	3,605	0.414	0.187	0.0174	1.290
Roa	3,605	0.0404	0.0623	-0.710	0.399
IR	3,605	0.272	0.127	0.0174	0.819
Soe	3,605	0.269	0.443	0	1
One	3,605	0.298	0.457	0	1
Mag	3,605	0.134	0.182	0	0.892
Top1	3,605	0.336	0.139	0	0.850
Big4	3,605	0.0427	0.202	0	1
Cfo	3,605	0.0477	0.0607	-0.313	0.484
Op	3,605	0.987	0.115	0	1
Size	3,605	1.125e+10	2.466e+10	3.126e+08	3.752e+11
Age	3,605	17.29	5.228	5	51
Boardsize	3,605	8.520	1.668	4	17
Nos	3,605	2.822	7.195	0	134

It can be seen from the above table 4.1 that the minimum value of the internationalization depth (Fsts) of listed manufacturing enterprises in China is close to 0, the maximum value is 0.998, the standard deviation is 0.217, and the average value is

0.221; The minimum value of internationalization breadth (Nos) is 0, the maximum value is 134, the standard deviation is 7.195, and the average value is 2.822. This shows that China's manufacturing listed enterprises have a low degree of internationalization, which is in the initial stage of internationalization on the whole, and the degree of internationalization of each enterprise varies greatly, which shows that the internationalization path of China's manufacturing listed enterprises is changing and developing for a long time.

In order to alleviate the multicollinearity problem caused by the independent variable square root and the interaction term, all predictor variables are mean-centered. The descriptive statistical results are shown in Table 4.2

Table 4.2 Descriptive statistical results after Mean-Centered

Variable	(1) N	(2) Mean	(3) Std. Dev.	(4) Min	(5) Max
c AbsDA	3605	0	0.05	-0.05	0.499
c Fsts	3605	0	0.217	-0.221	0.776
c Nos	3605	0	7.195	-2.822	131.178
c Indepen	3605	0	0.086	-0.669	0.665
c Fex	3605	0	0.216	-0.425	0.575
c Afe	3605	0	0.471	-0.333	0.667
c Rac1	3605	0	0.381	-0.176	0.824
c Rac2	3605	0	0.422	-0.231	0.769
c Rac12	3605	0	0.466	-0.319	0.681
c Acs	3605	0	0.312	-0.163	17.552
c Size	3605	0	2.466e+10	-1.094e+10	3.639e+11
c Lev	3605	0	0.187	-0.396	0.876
c Roa	3605	0	0.062	-0.75	0.358
c IR	3605	0	0.127	-0.255	0.547
c Soe	3605	0	0.443	-0.269	0.731
c One	3605	0	0.457	-0.297	0.703
c Mag	3605	0	0.182	-0.134	0.758
c Boardsize	3605	0	1.668	-4.52	8.48
c Top1	3605	0	0.139	-0.336	0.515
c Big4	3605	0	0.202	-0.043	0.957
c Cfo	3605	0	0.061	-0.36	0.436
c Age	3605	0	5.228	-12.293	33.707
c Op	3605	0	0.115	-0.987	0.013

Table 4.3 Correlation analysis

Variable	AbsDA	Fsts	Nos	Indepen	Afe	Rac1	Acs	Size	Age	Roa	Lev	IR	Cfo	Soe	Top1	One	Boardsize	Mag	Big4	op
AbsDA	1.000																			
Fsts	-0.045***	1.000																		
Nos	-0.006	0.281***	1.000																	
Indepen	-0.005	-0.033**	0.079***	1.000																
Afe	-0.021	0.013	-0.030*	-0.011	1.000															
Rac1	0.004	0.033**	0.084***	0.022	0.013	1.000														
Acs	0.025	-0.047***	-0.060***	-0.013	-0.020	-0.012	1.000													
Size	-0.029*	-0.093***	0.361***	0.110***	-0.104***	0.089***	-0.015	1.000												
Age	0.023	-0.008	0.013	0.052***	-0.002	0.055***	-0.047***	0.180***	1.000											
Roa	-0.168***	-0.018	0.000	-0.010	-0.001	0.021	-0.042**	0.041**	-0.043***	1.000										
Lev	0.094***	-0.030*	0.203***	0.028*	-0.047***	-0.007	0.013	0.529***	0.150***	-0.306***	1.000									
IR	0.099***	0.000	0.043***	-0.019	-0.015	-0.034**	-0.021	-0.068***	-0.013	-0.068***	0.227***	1.000								
Cfo	-0.142***	0.054***	-0.005	-0.006	-0.017	0.035**	-0.017	0.022	-0.012	0.390***	-0.140***	-0.259***	1.000							
Soe	-0.060***	-0.090***	0.015	0.099***	-0.139***	-0.036**	-0.026	0.331***	0.230***	-0.089***	0.272***	0.084***	-0.066***	1.000						
Top1	-0.049***	-0.013	0.007	0.012	-0.029*	0.024	-0.040**	0.039**	-0.056***	0.137***	-0.044***	-0.002	0.100***	0.040**	1.000					
One	0.032*	0.058***	-0.004	-0.006	0.028*	0.005	0.024	-0.143***	-0.063***	0.055***	-0.098***	-0.009	0.017	-0.260***	0.055***	1.000				
Boardsize	-0.054***	-0.055***	0.031*	-0.002	0.023	-0.033**	0.006	0.302***	0.083***	0.056***	0.170***	-0.011	0.039**	0.268***	-0.060***	-0.160***	1.000			
Mag	0.006	0.104***	0.002	-0.017	0.065***	-0.021	0.042**	-0.330***	-0.237***	0.071***	-0.280***	0.032*	-0.012	-0.415***	0.080***	0.193***	-0.146***	1.000		
Big4	-0.039**	0.003	0.133***	0.085***	0.017	0.100***	0.043**	0.291***	0.089***	0.031*	0.129***	-0.054***	0.073***	0.104***	0.040**	-0.057***	0.065***	-0.101***	1.000	
Op	-0.107***	-0.006	-0.031*	0.021	-0.005	-0.016	0.000	0.015	-0.030*	0.197***	-0.081***	0.000	0.060***	0.032*	0.076***	0.01[illegible]	0.009	-0.008	0.025	1.00

****p<0.01,**p<0.05,*p<0.1*

4.2 Correlation Analysis

As shown in the table4.3, the correlation coefficient between independent variables is less than 0.529, which indicates that the correlation coefficient between independent variables is low and there is no serious multicollinearity.

4.3 Multicollinearity Test

Table 4.4 Variance inflation factor

	VIF(1)	VIF(2)	VIF(3)	VIF(4)	VIF(5)	VIF(6)	VIF(7)	VIF(8)
Fsts	1.030	2.160	2.560	3.230	9.740	3.170	4.430	2.610
$Fsts^2$		2.140	12.680	9.540	9.160	3.320	6.040	2.570
$Fsts^3$			14.830					
Fsts_Indepen				8.670				
$Fsts^2$_Indepen				8.890				
Indepen				1.890				
Fsts_Fex					9.250			
$Fsts^2$_Fex					9.250			
Fex					1.700			
Fsts_Afe						3.140		
$Fsts^2$_Afe						3.960		
Afe						1.700		
Fsts_Acs							9.100	
$Fsts^2$_Acs							8.930	
Acs							7.170	
Fsts_Rac1								2.570
$Fsts^2$_Rac1								3.290
Rac1								1.700
Size	1.880	1.880	1.880	1.900	1.900	1.900	1.910	1.920
Lev	1.840	1.850	1.850	1.850	1.850	1.850	1.850	1.860
Roa	1.440	1.440	1.440	1.450	1.440	1.440	1.450	1.440
Soe	1.430	1.430	1.430	1.440	1.440	1.460	1.430	1.440
Mag	1.350	1.360	1.360	1.360	1.360	1.360	1.360	1.360
Cfo	1.280	1.280	1.280	1.290	1.280	1.280	1.280	1.280
IR	1.210	1.210	1.210	1.210	1.210	1.210	1.220	1.210

Table 4.4 Variance inflation factor (Cont.)

	VIF(1)	VIF(2)	VIF(3)	VIF(4)	VIF(5)	VIF(6)	VIF(7)	VIF(8)
Boardsize	1.170	1.170	1.170	1.170	1.170	1.180	1.170	1.180
Big4	1.100	1.100	1.100	1.110	1.110	1.110	1.110	1.110
Age	1.100	1.100	1.100	1.100	1.110	1.100	1.100	1.100
One	1.100	1.100	1.100	1.100	1.100	1.100	1.100	1.100
Top1	1.060	1.070	1.070	1.070	1.070	1.070	1.070	1.070
Op	1.050	1.050	1.050	1.060	1.050	1.050	1.050	1.050
Mean VIF	1.289	1.423	2.944	2.741	3.122	1.800	2.932	1.659

In order to avoid such problems as model estimation distortion or difficulty due to multicollinearity, multicollinearity test is required before regression analysis. In order to alleviate the multicollinearity problem caused by the independent variable square root and the interaction term, all predictor variables are mean-centered. Variance inflation factor (VIF) test was performed on the variables. The test results are shown in the table 4.3. except for the variance inflation factor greater than 10 after the introduction of $fsts^3$ in model 3, the variance inflation factors of the variables in the other models are all less than 10, which indicates that the introduction of $Fsts^3$ will lead to multicollinearity problems, while other models do not have multicollinearity problems.

4.4 Hausman Test

Hausman test is conducted on the set hypothesis test model to test whether the fixed effect model or the random effect model is used. The test results are shown in Figure 4.1 below:

hausman fe re

	Coefficients (b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
Fsts	-.1090125	-.0605399	-.0484726	.0218581
Fsts2	.094474	.0653113	.0291627	.025425
Size	.0102595	-.0002805	.01054	.0030542
Age	-.0228189	.0051215	-.0279404	.0107668
Roa	-.192064	-.1124491	-.0796149	.0103058
Lev	.0382909	.0182208	.0200701	.0101271
IR	.0411294	.0277389	.0133905	.0154142
Cfo	-.0244753	-.0490643	.024589	.0094604
Soe	-.0152233	-.0106491	-.0045742	.0104297
Top1	-.0294556	-.0088099	-.0206457	.0170202
One	-.0032772	.0022022	-.0054794	.0026525
Boardsize	-.0020076	-.0075333	.0055258	.0089449
Mag	-.018936	-.0016054	-.0173305	.0123982
Big4	-.0190125	-.0058954	-.0131171	.0107221
Op	.0018049	-.0228285	.0246334	.0035058

```
                   b = consistent under Ho and Ha; obtained from xtreg
    B = inconsistent under Ha, efficient under Ho; obtained from xtreg

 Test:  Ho:  difference in coefficients not systematic

             chi2(15) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                      =      140.59
            Prob>chi2 =      0.0000
```

Figure 4.1 Hausman test

As shown in Figure 4.1: Prob>chi2 =0.0000, and the p-value of Hausman test is 0.0000, so the null hypothesis is strongly rejected, which indicates that the fixed effect model should be used.

4.5 Empirical Test Results

In order to test the proposed hypothesis, this study uses the measurement software stata14.0 to conduct multiple regression analysis by using the fixed effect model in the panel model. In order to alleviate the interference of potential heteroscedasticity and serial autocorrelation on the estimation results, this paper adopts robust standard error estimation in the following regression. In order to eliminate the impact of sample outliers on the study, all variables were shrink-tailed at the 1% and 99% quantiles. To alleviate multicollinearity issues, all predictor variables were mean-centered.

4.5.1 Test Results of the Relationship between Enterprises' Internationalization and Earnings Management

Table 4.5 Model selection

VARIABLES	(1) AbsDA	(2) AbsDA	(3) AbsDA	(4) AbsDA	(5) AbsDA	(6) AbsDA
Fsts	-0.035**	-0.064***	-0.060***			
	(-2.445)	(-4.083)	(-3.834)			
$Fsts^2$		0.097**	0.165*			
		(2.484)	(1.940)			
$Fsts^3$			-0.126			
			(-0.890)			
Size	0.008*	0.008*	0.008*	0.009**	0.009**	0.009**
	(1.810)	(1.922)	(1.921)	(2.199)	(2.146)	(2.146)
Age	0.014	0.012	0.013	0.009	0.009	0.009
	(0.531)	(0.474)	(0.487)	(0.328)	(0.328)	(0.324)
Roa	-0.154***	-0.157***	-0.157***	-0.150***	-0.150***	-0.149***
	(-3.602)	(-3.654)	(-3.661)	(-3.514)	(-3.511)	(-3.488)
Lev	0.045***	0.044***	0.045***	0.045***	0.045***	0.044***
	(2.811)	(2.774)	(2.777)	(2.777)	(2.773)	(2.750)
IR	0.037	0.038	0.038	0.035	0.036	0.036
	(1.408)	(1.457)	(1.470)	(1.347)	(1.363)	(1.374)
Cfo	-0.014	-0.016	-0.016	-0.015	-0.015	-0.016
	(-0.460)	(-0.527)	(-0.541)	(-0.512)	(-0.501)	(-0.522)
Soe	-0.014	-0.013	-0.013	-0.015	-0.014	-0.014
	(-0.872)	(-0.836)	(-0.843)	(-0.960)	(-0.927)	(-0.879)
Top1	-0.024	-0.028	-0.027	-0.022	-0.022	-0.022
	(-1.079)	(-1.240)	(-1.203)	(-0.971)	(-0.998)	(-1.004)
One	-0.003	-0.004	-0.004	-0.003	-0.003	-0.003
	(-0.938)	(-1.029)	(-1.012)	(-0.921)	(-0.924)	(-0.936)
Boardsize	-0.001	-0.003	-0.003	0.000	-0.000	-0.000
	(-0.090)	(-0.258)	(-0.269)	(0.005)	(-0.015)	(-0.021)
Mag	-0.015	-0.016	-0.015	-0.016	-0.015	-0.015
	(-0.998)	(-1.068)	(-1.025)	(-1.035)	(-1.032)	(-1.022)
Big4	-0.018**	-0.019**	-0.019**	-0.019**	-0.019**	-0.019**
	(-2.236)	(-2.368)	(-2.428)	(-2.295)	(-2.339)	(-2.275)
Op	-0.006	-0.006	-0.006	-0.007	-0.007	-0.007
	(-0.508)	(-0.512)	(-0.509)	(-0.554)	(-0.556)	(-0.557)
Nos				-0.007	-0.013	-0.020
				(-1.582)	(-1.556)	(-2.044)
Nos^2					0.002	0.013
					(0.729)	(1.268)
Nos^3						-0.003
						(-1.070)
Constant	-0.161	-0.167	-0.170	-0.182*	-0.181*	-0.188*
	(-1.466)	(-1.503)	(-1.531)	(-1.676)	(-1.661)	(-1.724)
Observations	3,605	3,605	3,605	3,605	3,605	3,605

Table 4.5 Model selection (Cont.)

VARIABLES	(1) **AbsDA**	(2) **AbsDA**	(3) **AbsDA**	(4) **AbsDA**	(5) **AbsDA**	(6) **AbsDA**
R-squared	0.052	0.055	0.055	0.049	0.049	0.049
Number of id	721	721	721	721	721	721
Year	YES	YES	YES	YES	YES	YES
r2_a	0.047	0.050	0.050	0.044	0.044	0.044
F	4.068***	4.467***	4.324***	3.917***	3.846***	3.840***

Robust t-statistics in parentheses ***p<0.01,**p<0.05,*p<0.1

```
Fixed-effects (within) regression               Number of obs     =      3,605
Group variable: id                              Number of groups  =        721

R-sq:                                           Obs per group:
     within  = 0.0548                                         min =          5
     between = 0.0176                                         avg =        5.0
     overall = 0.0213                                         max =          5

                                                F(19,720)         =       4.47
corr(u_i, Xb)  = -0.5136                        Prob > F          =     0.0000

                                 (Std. Err. adjusted for 721 clusters in id)
------------------------------------------------------------------------------
             |               Robust
       AbsDA |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        Fsts |  -.0635517   .0155668    -4.08   0.000    -.0941134     -.03299
       Fsts2 |   .0970197    .039053     2.48   0.013     .0203483     .173691
        Size |   .0084122   .0043771     1.92   0.055    -.0001812    .0170056
         Age |   .0124857   .0263412     0.47   0.636    -.0392291    .0642004
         Roa |  -.1566559   .0428675    -3.65   0.000     -.240816   -.0724958
         Lev |   .0444983   .0160427     2.77   0.006     .0130022    .0759943
          IR |   .0376438   .0258405     1.46   0.146    -.0130878    .0883755
         Cfo |  -.0159276   .0302169    -0.53   0.598    -.0752514    .0433961
         Soe |  -.0127998   .0153023    -0.84   0.403    -.0428422    .0172426
        Top1 |  -.0275412   .0222151    -1.24   0.215    -.0711553    .0160728
         One |  -.0035559   .0034569    -1.03   0.304    -.0103428    .0032309
   Boardsize |  -.0028458   .0110237    -0.26   0.796    -.0244882    .0187966
         Mag |  -.0158461   .0148347    -1.07   0.286    -.0449705    .0132782
        Big4 |  -.0188199   .0079482    -2.37   0.018    -.0344243   -.0032155
          Op |  -.0061527   .0120177    -0.51   0.609    -.0297466    .0174413
             |
        Year |
        2015 |   .0003362   .0027363     0.12   0.902    -.0050358    .0057083
        2016 |  -.0051727     .00406    -1.27   0.203    -.0131435    .0027981
        2017 |  -.0074883   .0054007    -1.39   0.166    -.0180913    .0031146
        2018 |  -.0062095   .0067293    -0.92   0.356     -.019421     .007002
             |
       _cons |   -.166744   .1109091    -1.50   0.133    -.3844878    .0509999
-------------+----------------------------------------------------------------
     sigma_u |  .03111124
     sigma_e |  .04338383
         rho |  .33960938   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Figure 4.2 Hypothesis 1 regression results

As shown in Table 4.5 and Figure 4.1, in Model 1, the coefficient of internationalization degree (Fsts) is significantly negative at the level of 5%, and the F value is 4.068. In Model 2, the coefficient of the first-order term of the degree of internationalization (Fsts) is significantly negative at the level of 1%, and the coefficient of the quadratic term of the degree of internationalization ($Fsts^2$) is significantly positive at the level of 5%, with an F value of 4.467. In Model 3, the coefficient of the primary term of the degree of internationalization (Fsts) is significantly negative at the level of 1%, the coefficient of the quadratic term of the degree of internationalization ($Fsts^2$) is significantly positive at the level of 10% and the coefficient of the cubic term of the degree of internationalization ($Fsts^3$) are not significant, with an F value of 4.324. In models 4-6, the coefficients of internationalization degree (Nos, Nos^2, Nos^3) are not significant. It can be seen from the above that the coefficients of Model 2 are significant and the F value is the largest. The regression residuals of the model basically conform to the normal distribution. According to the theory and model setting of enterprise internationalization, Model 2 should be selected as the research model.

In Model 2, the coefficient of the first-order term of internationalization degree (Fsts) is significantly negative at the level of 1% (β_1=-0.064,$p<0.01$), and the coefficient of the quadratic term of internationalization degree ($Fsts^2$) is significantly positive at the level of 5%(β_2=0.097,$p<0.05$). This shows that there is a significant U-shaped relationship between the degree of internationalization of listed manufacturing enterprises and their earnings management. According to the coefficients of β_1 and β_2, it can be further obtained that the inflection point of the U-shaped curve between the degree of internationalization of enterprises and earnings management is 32.99%. In other words, when the degree of internationalization of enterprises is not yet 32.99%, for example, the degree of internationalization of enterprises is 20%, under the premise that other conditions remain unchanged, every 1% increase in the degree of internationalization of enterprises, Earnings management will reduce 2.52%; When the degree of internationalization reaches the infling-point of 32.99%, for example, when the degree of internationalization is 60%, under the premise that other conditions remain unchanged, every 1% increase in the degree of internationalization will increase earnings management by 5.24%.This can be explained by information asymmetry theory, principal-agent theory and internationalization theory. Therefore, Hypothesis 1 is verified.

4.5.2 Test Results of the Impact of Audit Committee Characteristics on the Relationship between Enterprise Internationalization and Earnings Management

Table 4.6 Hypothesis 2-5 regression results

VARIABLES	(1) AbsDA	(2) AbsDA	(3) AbsDA	(4) AbsDA
Fsts	-0.063***	-0.064***	-0.063***	-0.057
	(-4.090)	(-4.174)	(-4.066)	(-1.646)
$Fsts^2$	0.097**	0.097**	0.095**	0.022
	(2.510)	(2.484)	(2.474)	(0.562)
Indepen	0.014			
	(0.568)			
Fsts_Indepen	0.034			
	(0.294)			
$Fsts^2$_Indepen	0.076			
	(0.285)			
Size	0.008*	0.008*	0.008*	0.009*
	(1.908)	(1.932)	(1.943)	(1.946)
Age	0.013	0.012	0.010	0.010
	(0.490)	(0.453)	(0.388)	(0.370)
Roa	-0.157***	-0.157***	-0.155***	-0.158***
	(-3.665)	(-3.668)	(-3.643)	(-3.665)
Lev	0.044***	0.044***	0.044***	0.045***
	(2.771)	(2.728)	(2.781)	(2.792)
IR	0.037	0.039	0.037	0.037
	(1.427)	(1.490)	(1.442)	(1.421)
Cfo	-0.015	-0.016	-0.014	-0.017
	(-0.505)	(-0.527)	(-0.463)	(-0.551)
Soe	-0.013	-0.012	-0.012	-0.013
	(-0.860)	(-0.790)	(-0.777)	(-0.830)
Top1	-0.028	-0.027	-0.029	-0.028
	(-1.267)	(-1.237)	(-1.335)	(-1.267)
One	-0.004	-0.004	-0.004	-0.004
	(-1.021)	(-1.089)	(-1.024)	(-1.067)
Boardsize	-0.001	-0.003	-0.003	-0.003
	(-0.129)	(-0.230)	(-0.267)	(-0.270)
Mag	-0.016	-0.015	-0.016	-0.016
	(-1.073)	(-1.023)	(-1.082)	(-1.050)
Big4	-0.019**	-0.019**	-0.016**	-0.019**
	(-2.360)	(-2.409)	(-2.069)	(-2.265)
Op	-0.006	-0.007	-0.006	-0.005
	(-0.498)	(-0.551)	(-0.502)	(-0.461)

Table 4.6 Hypothesis 2-5 regression results (Cont.)

VARIABLES	(1) AbsDA	(2) AbsDA	(3) AbsDA	(4) AbsDA
Fex		-0.005		
		(-0.666)		
Fsts_Fex		-0.062		
		(-1.549)		
$Fsts^2$_Fex		0.085		
		(0.700)		
Afe			-0.006	
			(-1.445)	
Fsts_Afe			-0.046**	
			(-2.471)	
$Fsts^2$_Afe			0.054	
			(0.930)	
Acs				0.015
				(0.726)
Fsts_Acs				-0.283*
				(-1.839)
$Fsts^2$_Acs				0.449**
				(2.214)
Constant	-0.170	-0.167	-0.161	-0.147
	(-1.523)	(-1.503)	(-1.450)	(-1.309)
Observations	3,605	3,605	3,605	3,605
R-squared	0.055	0.056	0.058	0.056
Number of id	721	721	721	721
Year	YES	YES	YES	YES
r2_a	0.050	0.050	0.052	0.050
F	3.955***	3.924***	4.206***	3.960***

Robust t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

It can be seen from Table 4.6 above that in Model 1, the first-order interaction term coefficient (Fsts_Indepen) and quadratic interaction term coefficient ($Fsts^2$_Indepen) of audit committee independence and enterprise internationalization degree are not significant. The first-order interaction term coefficient (Fsts_Fex) and quadratic interaction term coefficient ($Fsts^2$_Fex) of the proportion of financial experts in the audit committee and the internationalization degree of enterprises are also not significant. Neither Hypothesis 2A nor 3A holds.

Fixed-effects (within) regression		Number of obs =	3,605
Group variable: id		Number of groups =	721
R-sq:		Obs per group:	
within = 0.0578		min =	5
between = 0.0161		avg =	5.0
overall = 0.0214		max =	5
		F(22,720) =	4.21
corr(u_i, Xb) = -0.5189		Prob > F =	0.0000

(Std. Err. adjusted for 721 clusters in id)

AbsDA	Coef.	Robust Std. Err.	t	P>|t|	[95% Conf.	Interval]
Fsts	-.0629151	.0154725	-4.07	0.000	-.0932917	-.0325386
Fsts2	.0952815	.0385175	2.47	0.014	.0196615	.1709016
Afe	-.0059954	.0041481	-1.45	0.149	-.0141392	.0021483
Fsts_Afe	-.0455494	.0184358	-2.47	0.014	-.0817436	-.0093551
Fsts2_Afe	.0541322	.0582056	0.93	0.353	-.0601409	.1684052
Size	.0084587	.0043525	1.94	0.052	-.0000863	.0170038
Age	.0102292	.0263851	0.39	0.698	-.0415718	.0620301
Roa	-.1549393	.0425279	-3.64	0.000	-.2384328	-.0714457
Lev	.0444267	.0159742	2.78	0.006	.0130651	.0757882
IR	.0370723	.0257161	1.44	0.150	-.0134153	.0875599
Cfo	-.0139745	.0301893	-0.46	0.644	-.0732441	.045295
Soe	-.0120715	.0155396	-0.78	0.438	-.0425798	.0184368
Top1	-.0294458	.0220641	-1.33	0.182	-.0727635	.0138719
One	-.0035053	.0034239	-1.02	0.306	-.0102273	.0032166
Boardsize	-.0029366	.0110063	-0.27	0.790	-.0245448	.0186716
Mag	-.0159201	.0147178	-1.08	0.280	-.044815	.0129747
Big4	-.0163877	.0079216	-2.07	0.039	-.0319398	-.0008355
Op	-.0060196	.0119926	-0.50	0.616	-.0295643	.017525
Year						
2015	.0004505	.0027559	0.16	0.870	-.0049601	.0058611
2016	-.0050053	.004105	-1.22	0.223	-.0130645	.0030538
2017	-.0072736	.0054574	-1.33	0.183	-.0179879	.0034407
2018	-.0058338	.0067919	-0.86	0.391	-.0191681	.0075005
_cons	-.1610623	.1111053	-1.45	0.148	-.3791914	.0570667
sigma_u	.03132834					
sigma_e	.04333856					
rho	.34320607	(fraction of variance due to u_i)				

Figure 4.3 Hypothesis 4 regression results

As shown in Table 4.6 and Figure 4.3, In Model 3, the first-order interaction term coefficient (Fsts_Afe) of audit committee with working experience in accounting firms and the internationalization degree of enterprises is significantly negatively correlated at the level of 5%, while the quadratic interaction term coefficient ($Fsts^2$_Afe) of audit committee with the internationalization degree of enterprises is insignificant. This shows that audit committee experts with working experience in accounting firms can inhibit the earnings management behavior of enterprises in the early stage of internationalization, but has no significant effect on inhibiting the earnings management behavior in the later stage of internationalization. Hypothesis 4 is partially verified.

```
Fixed-effects (within) regression               Number of obs     =      3,605
Group variable: id                              Number of groups  =        721

R-sq:                                           Obs per group:
     within  = 0.0560                                         min =          5
     between = 0.0185                                         avg =        5.0
     overall = 0.0223                                         max =          5

                                                F(22,720)         =       3.96
corr(u_i, Xb)  = -0.5089                        Prob > F          =     0.0000

                                 (Std. Err. adjusted for 721 clusters in id)
------------------------------------------------------------------------------
             |               Robust
       AbsDA |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        Fsts |  -.0570975   .0346864    -1.65   0.100    -.1251961    .0110012
       Fsts2 |   .0217164   .0386558     0.56   0.574    -.0541752    .0976079
         Acs |    .015346   .0211429     0.73   0.468    -.0261631    .0568551
    Fsts_Acs |  -.2834574    .154095    -1.84   0.066    -.5859866    .0190718
   Fsts2_Acs |   .4488666   .2027686     2.21   0.027     .0507783    .8469548
        Size |   .0085585   .0043974     1.95   0.052    -.0000747    .0171917
         Age |    .009817   .0265616     0.37   0.712    -.0423304    .0619644
         Roa |  -.1577507   .0430403    -3.67   0.000    -.2422501   -.0732513
         Lev |   .0446386   .0159903     2.79   0.005     .0132454    .0760317
          IR |   .0365561   .0257269     1.42   0.156    -.0139525    .0870648
         Cfo |  -.0166867   .0302867    -0.55   0.582    -.0761475    .0427741
         Soe |  -.0126777   .0152693    -0.83   0.407    -.0426554    .0173001
        Top1 |   -.028108    .022192    -1.27   0.206    -.0716767    .0154607
         One |  -.0037027   .0034691    -1.07   0.286    -.0105135     .003108
   Boardsize |   -.002971    .011016    -0.27   0.787    -.0245984    .0186563
         Mag |  -.0157307   .0149822    -1.05   0.294    -.0451447    .0136833
        Big4 |  -.0185778   .0082037    -2.26   0.024    -.0346838   -.0024718
          Op |  -.0054523   .0118302    -0.46   0.645     -.028678    .0177734
             |
        Year |
        2015 |    .000431   .0027414     0.16   0.875    -.0049511     .005813
        2016 |  -.0050523   .0040904    -1.24   0.217    -.0130828    .0029782
        2017 |  -.0073093   .0054531    -1.34   0.181    -.0180153    .0033967
        2018 |  -.0058891   .0068202    -0.86   0.388     -.019279    .0075008
             |
       _cons |  -.1468459   .1121848    -1.31   0.191    -.3670943    .0734026
-------------+----------------------------------------------------------------
     sigma_u |  .03100547
     sigma_e |  .04337913
         rho |  .33813201   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Figure 4.4 Hypothesis 5 regression results

As shown in Table 4.6 and Figure 4.4,In Model 4, the first-order interaction term coefficient (Fsts_Acs) between the remuneration of experts in the audit committee and the internationalization degree of enterprises is significantly negatively correlated at the level of 10%, and the quadratic interaction term coefficient ($Fsts^2$_Acs) between the remuneration of experts in the audit committee and the internationalization degree of enterprises is significantly positively correlated at the level of 5%. The more can restrain enterprise earnings management behavior; In the later stage of enterprise internationalization, the higher the remuneration of audit committee experts is, the better the earnings management behavior of enterprises is. Hypothesis 5 is partially verified.

Table 4.7 Hypothesis 6 regression results

	(1)	**(2)**	**(3)**
VARIABLES	**AbsDA**	**AbsDA**	**AbsDA**
Fsts	-0.062***	-0.064***	-0.063***
	(-3.986)	(-4.052)	(-4.073)
$Fsts^2$	0.097***	0.098**	0.103***
	(2.646)	(2.497)	(2.745)
Rac1	0.007		
	(1.638)		
Fsts_Rac1	0.008		
	(0.355)		
$Fsts^2$_Rac1	-0.144**		
	(-2.380)		
Size	0.007*	0.008*	0.008*
	(1.698)	(1.918)	(1.852)
Age	0.014	0.012	0.012
	(0.517)	(0.472)	(0.465)
Roa	-0.151***	-0.157***	-0.154***
	(-3.561)	(-3.652)	(-3.604)
Lev	0.047***	0.044***	0.045***
	(2.916)	(2.767)	(2.812)
IR	0.036	0.038	0.042*
	(1.438)	(1.487)	(1.647)
Cfo	-0.016	-0.016	-0.016
	(-0.542)	(-0.531)	(-0.526)
Soe	-0.014	-0.013	-0.012
	(-0.926)	(-0.832)	(-0.805)
Top1	-0.027	-0.028	-0.027
	(-1.256)	(-1.245)	(-1.240)
One	-0.003	-0.004	-0.003
	(-0.980)	(-1.026)	(-0.975)
Boardsize	-0.003	-0.003	-0.004
	(-0.302)	(-0.267)	(-0.325)
Mag	-0.014	-0.016	-0.015
	(-0.982)	(-1.067)	(-1.014)
Big4	-0.019**	-0.019**	-0.019**
	(-2.408)	(-2.354)	(-2.406)
Op	-0.006	-0.006	-0.006
	(-0.479)	(-0.507)	(-0.502)
Rac2		0.001	
		(0.234)	
Fsts_Rac2		0.001	
		(0.046)	

Table 4.7 Hypothesis 6 regression results (Cont.)

VARIABLES	(1) AbsDA	(2) AbsDA	(3) AbsDA
$Fsts^2$_Rac2		-0.013	
		(-0.236)	
Rac12			0.004
			(1.147)
Fsts_Rac12			0.003
			(0.161)
$Fsts^2$_Rac12			-0.094
			(-1.682)
Constant	-0.147	-0.166	-0.159
	(-1.316)	(-1.506)	(-1.440)
Observations	3,605	3,605	3,605
R-squared	0.059	0.055	0.057
Number of id	721	721	721
Year	YES	YES	YES
r2_a	0.053	0.049	0.051
F	4.084***	4.027***	4.009***

Robust t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

```
Fixed-effects (within) regression               Number of obs     =      3,605
Group variable: id                              Number of groups  =        721

R-sq:                                           Obs per group:
     within  = 0.0590                                         min =          5
     between = 0.0203                                         avg =        5.0
     overall = 0.0248                                         max =          5

                                                F(22,720)         =       4.08
corr(u_i, Xb)  = -0.4923                        Prob > F          =     0.0000

                                 (Std. Err. adjusted for 721 clusters in id)
------------------------------------------------------------------------------
             |               Robust
       AbsDA |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        Fsts |  -.0622969   .0156305    -3.99   0.000    -.0929837   -.0316102
       Fsts2 |   .0965284   .0364797     2.65   0.008     .0249092    .1681477
        Rac1 |   .0066277    .004046     1.64   0.102    -.0013157     .014571
   Fsts_Rac1 |   .0078684   .0221383     0.36   0.722    -.0355948    .0513317
  Fsts2_Rac1 |  -.1438581   .0604327    -2.38   0.018    -.2625035   -.0252127
        Size |   .0073656    .004338     1.70   0.090    -.0011511    .0158822
         Age |   .0135856   .0262755     0.52   0.605    -.0380002    .0651714
         Roa |  -.1511979   .0424642    -3.56   0.000    -.2345663   -.0678296
         Lev |   .0465866   .0159775     2.92   0.004     .0152184    .0779547
          IR |   .0363435   .0252704     1.44   0.151     -.013269     .085956
         Cfo |  -.0162361   .0299544    -0.54   0.588    -.0750446    .0425724
         Soe |  -.0141641   .0153009    -0.93   0.355    -.0442037    .0158755
        Top1 |  -.0274801   .0218784    -1.26   0.210    -.0704333     .015473
         One |  -.0033806   .0034482    -0.98   0.327    -.0101504    .0033891
   Boardsize |  -.0033011   .0109466    -0.30   0.763    -.0247921      .01819
         Mag |   -.014195   .0144618    -0.98   0.327    -.0425874    .0141975
        Big4 |  -.0185471   .0077008    -2.41   0.016    -.0336658   -.0034284
          Op |  -.0056538   .0118006    -0.48   0.632    -.0288215     .017514
             |
        Year |
        2015 |   .0004174   .0027341     0.15   0.879    -.0049504    .0057852
        2016 |  -.0050467   .0040493    -1.25   0.213    -.0129966    .0029031
        2017 |  -.0074537   .0054139    -1.38   0.169    -.0180825    .0031752
        2018 |  -.0061248   .0067535    -0.91   0.365    -.0193838    .0071342
             |
       _cons |  -.1466841     .11148    -1.32   0.189    -.3655489    .0721806
-------------+----------------------------------------------------------------
     sigma_u |  .03064195
     sigma_e |  .04331137
         rho |  .33356821   (fraction of variance due to u_i)
------------------------------------------------------------------------------
```

Figure 4.5 Hypothesis 6 regression results

As shown in Table 4.7 and Figure 4.5, in Model 1, the coefficient of the interaction term between the audit committee with overseas work experience and the internationalization degree of enterprises (Fsts_Rac1) is not significant, and the coefficient of the interaction term between the audit committee with overseas work experience and the internationalization degree of enterprises ($Fsts^2$_Rac1) is significantly negatively correlated at the level of 5%. The coefficient of the interaction term of the internationalization degree of enterprises in Model 2 and Model 3 is not significant. This shows that audit committee experts with overseas work experience can inhibit the earnings management behavior of enterprises in the later stage of internationalization, but has no significant effect on inhibiting the earnings management behavior of enterprises in the early stage of internationalization. Hypothesis 6 is partially verified.

4.6 Robustness Test

4.6.1 Replace Dependent Variable

To increase the stability of the results, we use different dependent variables for robustness analysis, referring to Ball & Shivakumar's(2006) nonlinear accrual model, which incorporates asymmetry in the identification of gains and losses, and can explain more changes in accruals than the equivalent linear specification. The specific model is as follows:

$$ACC_{i,t} = \alpha_0 + \alpha_1 CFO_{i,t-1} + \alpha_2 CFO_{i,t} + \alpha_3 CFO_{i,t+1} + \alpha_4 DCFO_{i,t} + \alpha_5 DCFO_{i,t} \times CFO_{i,t} + \varepsilon$$

$ACC_{i,t}$=operating profit - net cash flow from operating activities;

$CFO_{i,t-1}$、$CFO_{i,t}$ and $CFO_{i,t+1}$ represents the net cash flow from operating activities of company i for periods t-1, t, and t+1, respectively;

$DCFO_{i,t}$： When CFO_t-CFO_{t-1}<0 take 1, otherwise it is 0;

ε： regression residuals are manipulative accruals.

The greater the absolute value of the residuals (DES), the greater the space for earnings management, and the lower the quality of accounting information.

Table 4.8 Regression results with the dependent variable replaced

VARIABLES	(1) DES	(2) DES	(3) DES	(4) DES
Fsts	-0.083***	-0.084***	-0.044	-0.076***
	(-3.162)	(-2.841)	(-1.367)	(-2.874)
$Fsts^2$	0.064*	0.063	0.007	0.064*
	(1.808)	(1.590)	(0.146)	(1.805)
Afe		-0.005		
		(-1.008)		
Fsts_Afe		-0.003		
		(0.088)		
$Fsts^2$_Afe		0.002		
		(0.046)		
Acs			0.005	
			(1.569)	
Fsts_Acs			-0.261**	
			(-2.493)	
$Fsts^2$_Acs			0.401**	
			(2.382)	
Rac				0.009
				(1.637)
Fsts_Rac1				-0.026
				(-0.665)
$Fsts^2$_Rac1				-0.013
				(-0.255)
Control	YES	YES	YES	YES
Observations	3,590	3,590	3,590	3,590
R-squared	0.093	0.094	0.096	0.096
Number of id	720	720	720	720
Year	YES	YES	YES	YES
r2_a	0.089	0.089	0.090	0.091
F	5.751***	5.128***	5.576***	5.164***

Robust t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

As shown in Table 4.8, in Model 1, the coefficient of the first-order term of the degree of internationalization of enterprises (Fsts) is significantly negative at the level of 1%, and the coefficient of the quadratic term of the degree of internationalization of enterprises ($Fsts^2$) is significantly positive at the level of 10%, indicating that the degree of internationalization of enterprises has a significant U shaped relationship with corporate earnings management, and the conclusion of Hypothesis 1 is robust.

In Model 3, the coefficient of the first-order term (Fsts_Acs) between the remuneration of experts in the audit committee and the internationalization degree of enterprises is significantly negatively correlated at the level of 5%, and the coefficient of the quadratic interaction term ($Fsts^2$_Acs) between the remuneration of experts in the audit committee and the internationalization degree of enterprises is significantly positively correlated at the level of 5%. The more can restrain enterprise earnings management behavior; In the later stage of enterprise internationalization, the higher the remuneration of audit committee experts is, the better the earnings management behavior of enterprises is. The conclusion of Hypothesis 5 is robust.

In Model 2, although the coefficient of the interaction term (Fsts_Afe) between audit committees with work experience in accounting firms and the degree of internationalization of enterprises is not significant, the sign is negative; In Model 4, although the coefficient of the quadratic interaction term ($Fsts^2$_Rac1) between audit committees with overseas work experience and the degree of internationalization of enterprises is not significant, the sign is negative. Therefore, it can be considered that some conclusions of Hypothesis 4 and Hypothesis 6 are robust.

4.6.2 Considering the Influence of the Four Major Accounting Firms

The International Big Four accounting firms are the four most famous accounting firms in the world, representing high audit quality and able to timely detect and suppress corporate earnings management behavior. To mitigate the potential influence of Big Four accounting firms on the international earnings management of enterprises, we deliberately omitted companies audited by these Big Four firms from our sample. The regression outcomes are presented in Table 4.9.

Table 4.9 Regression results to eliminate the influence of the big four.

VARIABLES	(1) AbsDA	(2) AbsDA	(3) AbsDA	(4) AbsDA
Fsts	-0.101***	-0.077***	-0.060	-0.105***
	(-3.724)	(-2.648)	(-1.630)	(-3.832)
Fsts2	0.085**	0.065*	0.020	0.099***
	(2.462)	(1.852)	(0.493)	(2.995)
Afe		0.005		
		(1.005)		
Fsts_Afe		-0.071*		
		(-1.942)		
Fsts2_Afe		0.059		
		(1.142)		
Acs			0.012	
			(0.550)	
Fsts_Acs			-0.301*	
			(-1.869)	
Fsts2_Acs			0.489**	
			(2.304)	
Rac1				-0.002
				(-0.300)
Fsts_Rac1				0.061
				(1.336)
Fsts2_Rac1				-0.127**
				(-2.184)
Control	YES	YES	YES	YES
Observations	3,451	3,451	3,451	3,451
R-squared	0.057	0.060	0.059	0.061
Number of id	699	699	699	699
Year	YES	YES	YES	YES
r2_a	0.052	0.054	0.053	0.055
F	4.433***	4.321***	3.976***	4.039***

Robust t-statistics in parentheses *** $p<0.01$, ** $p<0.05$, * $p<0.1$

Within Model 1, it's noteworthy that the coefficient associated with the first-order term of internationalization degree (Fsts) demonstrates significant negativity at the 1% significance level. Simultaneously, the coefficient linked to the quadratic term of internationalization degree (Fsts2) exhibits meaningful positivity at the 5% significance level. This observation strongly suggests the existence of a significant U-shaped relationship between the degree of internationalization and corporate earnings management.

Furthermore, Models 2 through 4 consistently yield results where the significance of each interaction term's coefficient aligns with our research findings. This reinforces the robustness of the conclusion regarding the moderating effect of audit committee characteristics.

CHAPTER 5
CONCLUSION AND RECOMMENDATIONS

The final chapter of this dissertation deals with the conclusion, discussion and recommendations of the study. This includes the research methodology and main conclusion, a discussion of the findings, as well as the theoretical and practical contributions. In addition, the limitations of the study and suggestions for future research are given in this chapter.

5.1 Conclusion

The purpose of this study was to investigate the impact of the degree of internationalization on the quality of financial reporting in the context of China's listed manufacturing enterprises, and how the audit committee moderates the impact of the degree of internationalization on the quality of financial reporting. This study used the listed manufacturing companies in China from 2014 to 2018 as the sample group, excluding the enterprises with abnormal operation of ST and *ST, and eliminating the enterprise samples with missing data, finally obtained 721 samples of listed manufacturing enterprises. The corporate financial data used in this study come from the CSMAR database, and some audit committee personality data were manually collected from http://www.cninfo.com. The method of statistical analysis was multiple linear regression, and the econometric software Stata14 was used for empirical analysis.

This study aimed to answer the following research questions:

Research question 1: How does the international operation of enterprises affect the quality of financial reporting?

Research Question 2: Can audit committee characteristics; comprising audit committee independence, financial professional background, accounting firm background, overseas background and compensation incentive; inhibit the impact of enterprises' international operation on financial reporting quality?

The purposes of this study were to explore how the internationalization degree of Chinese listed enterprises affected the quality of financial reporting, and whether the audit committee can regulate the relationship between the internationalization degree of enterprises and the quality of financial reporting.

Based on the questions and objectives raised in the study, the following hypotheses were developed:

Hypothesis 1: when the degree of internationalization is low, the degree of internationalization is significantly negatively correlated with earnings management; As the degree of internationalization increases, there is a significant positive correlation between the two, and the relationship between the degree of internationalization and earnings management is a significant U-shaped relationship.

Hypothesis 2: The stronger the independence of audit committee is, the more it can reduce the impact of enterprise internationalization on earnings management.

Hypothesis 3: The higher the proportion of financial experts in the audit committee is, the more it can reduce the impact of enterprise internationalization on earnings management.

Hypothesis 4: Audit committees with experience in accounting firms can reduce the impact of firm internationalization on earnings management.

Hypothesis 5: The higher the remuneration of the audit committee is, the more it can reduce the impact of enterprise internationalization on earnings management.

Hypothesis 6: Audit committees with overseas background can reduce the impact of firm internationalization on earnings management.

5.2 Findings and Discussion

The significant findings and discussion of this study were given as follows:

5.2.1 Impact of Enterprise Internationalization Degree on Financial Reporting Quality

In order to study how the degree of enterprise internationalization affected the quality of financial reporting, the empirical results of 721 listed manufacturing enterprises showed that there was a statistically significant U-shaped relationship between the degree of enterprise internationalization and enterprise earnings management, which supports Hypothesis 1. This result was supported by Zheng (2018), who believed that the flexibility brought by the international market to the operation of enterprises and the diversification brought by the investment portfolio attracted more investors in the international capital market, and the more attention gained from this would bring better growth opportunities to enterprises, and enterprises operating internationally would be motivated to improve the quality of financial reporting. The perfect regulatory system in foreign countries weakened the motivation of corporate earnings management. Fu (2019) found that the quality of accounting information had a positive relationship with the internationalization degree of enterprises, and this impact was mainly played by alleviating financial constraints.

In the later stage of enterprise internationalization, with the improvement of the degree of internationalization, the degree of enterprise earnings management was improving, which was supported by Sun (2011), Li (2012), Dyreng (2012) and Beuselinck (2019). According to Sun (2011), international operations required more capital costs to support their operations, and companies had stronger earnings management motivation to meet or exceed analysts' forecasts as much as possible in order to obtain more financing opportunities. The motivation of management to conduct earnings management in order to maximize personal self-interest increased. Li (2012) found that multinational corporations had greater flexibility in income tax earnings management. Through internal trade and related transactions between the parent company and subsidiaries or between branches established in different countries, multinational companies can use the flexibility of transfer pricing to realize profits from countries with high tax rates. The flow of countries with low tax rates can reduce the tax burden as a whole, increase profits, and achieve surplus management.

Dyreng (2012) found that companies with a large number of overseas businesses in countries with weak rule of law had more overseas earnings management than companies with subsidiaries in regions with strong rule of law. Beuselinck (2019) found that multinational companies took advantage of the regulatory arbitrage opportunities arising from the difference in the quality of multinational institutions.

The above results confirm that the degree of internationalization of enterprises has different impacts on the quality of financial reporting in different stages. This finding solves the problem of inconsistent views of previous scholars.

Despite the above conclusion, it is necessary to explain the low R^2. By comparing the literature on international operation and earnings management, it is found that whether studying the samples of enterprises in western developed countries or developing countries, the low R^2 may be caused by different measurement methods of earnings management. When the modified Jones model is used to measure the degree of earnings management (Sun, 2011; Li, 2012; Zheng, 2018; Dyreng, 2012), the R^2 is generally not more than 0.15. When other measures are used, such as the earnings response coefficient (Tao, 2012; Feng, 2014) and the performance adjusted modified Jones model (Beuselinck et al., 2019), R^2 is generally above 0.2. Therefore, a low R^2 does not affect the conclusions reached in this paper.

5.2.2 Moderating Effect of Audit Committee Characteristics

In order to explore whether the audit committee can moderate the relationship between the degree of internationalization of enterprises and the quality of financial reports, the characteristics of the audit committee are introduced as moderating variables.

(1) Audit committee independence and the proportion of financial experts play an insignificant role in regulating enterprises' international earnings management. Neither Hypothesis 2 nor 3 holds. This may be because for enterprises with international operation, it is not enough for the audit committee to have only independence and financial professional ability. The complexity of international operation limits the role of the audit committee, so the audit committee needs not only independence and professional ability, but also other characteristics.

(2) The audit committee with working experience in accounting firms can inhibit the earnings management behavior of enterprises in the early stage of internationalization, but has no significant effect on inhibiting the earnings management behavior of enterprises in the later stage of internationalization. Hypothesis 4 is partially verified. This result is supported by Zhang and Hu (2013).

The reason why it does not significantly inhibit the earnings management behavior in the later stage of enterprise internationalization may be that the proportion of internationalized business, business dispersion and the number of branches increase excessively in the later stage of enterprise internationalization (Bushman et al., 2004), and the uncertainty and complexity of enterprise operation increase greatly, which aggravates the degree of information asymmetry. This greatly weakens the effectiveness of audit committee supervision.

(3) The higher the remuneration of audit committee experts is, the more it can inhibit the earnings management behavior of enterprises in the early stage of internationalization. Hypothesis 5 is partially verified. This result is supported by Magilke et al. (2009) and Kong (2016). Magilke et al. (2009) use experimental markets to examine stock-based compensation's impact on the objectivity of participants serving as audit committee members. The authors compare audit committee member reporting objectivity under three regimes: no stock-based compensation, stock-based compensation linked to current shareholders, and stock-based compensation linked to future shareholders. Experiments have shown that student participants serving as audit committee members prefer biased reporting when compensated with stock-based compensation. Audit committee members compensated with current stock-based compensation prefer aggressive reporting, and audit committee members compensated with future stock-based compensation prefer overly conservative reporting. The author found that audit committee members who do not receive stock-based compensation are the most objective. In summary, stock-based compensation impacts audit committee member preferences for biased reporting.

The research of Kong (2016) confirmed that there was an inverted U-shaped relationship between the remuneration level of the audit committee and its regulatory effectiveness. That is to say, under a certain salary level, the effectiveness of the audit committee's supervision will increase with the increase of salary.

The above results show that reasonable compensation incentives can promote audit committee members to play a better supervisory role, but when the compensation level of audit committee is high, there may be opinion buying behavior.

(4) The audit committee with overseas work experience can inhibit the earnings management behavior of enterprises in the later stage of internationalization, but has no significant effect on inhibiting the earnings management behavior of enterprises in the early stage of internationalization. Hypothesis 6 is partially verified. This result is supported by Feng (2020) and Zhou (2020).

Feng (2020) found that the cognition, ability and motivation of independent directors with overseas experience have advantages in participating in corporate governance. Compared with the overseas work experience of independent directors, the overseas study experience of independent directors has a stronger negative impact on real earnings management. Zhou (2020) empirically analyzed the impact of overseas returnees in the audit committee on the quality of internal control, and found that the overseas returnees in the audit committee significantly improved the quality of internal control.

Audit committees with overseas work experience are not significantly effective in suppressing earnings management behavior in the early stages of enterprise internationalization. This may be because, in the early stages of enterprise internationalization, the proportion and dispersion of overseas business branches and overseas businesses are relatively small, overseas business operations are simple, the operational risks faced are small, and the degree of information asymmetry is low. At this time, the role of audit committees with overseas work experience is not significant.

5.3 Contributions of the Study

5.3.1 Theoretical Contributions

This study examines the relationship between the degree of internationalization of firms and the quality of financial reporting, and whether audit committees can moderate this relationship. The results show that there is a significant U-shaped relationship between the degree of internationalization and earnings management. After introducing the characteristics of audit committee as moderator, it was found that audit committee with accounting firm experience can inhibit the earnings management behavior of enterprises in the early stage of internationalization. The audit committee with overseas work experience can inhibit the earnings management behavior of enterprises in the later stage of internationalization. The higher the compensation of audit committee experts is, the more it can inhibit the earnings management behavior of enterprises in the early stage of internationalization.

This study provides theoretical implications for the existing literature in three meaningful ways.

First of all, most scholars believe that the international operation of enterprises will make it easy for the management of enterprises to take advantage of the institutional differences and regulatory differences in different countries to manage earnings, and at the same time increase the possibility of financial restatement. Some scholars have also proved that the international operation of enterprises can inhibit the earnings management behavior of enterprises and improve the quality of financial reporting. In order to fill this gap, this study sets up three mathematical models that can reflect the different stages of the internationalization of enterprises. This supports the theory of firm internationalization.

Secondly, in China, a developing country, in the early stage of enterprises' international operation, enterprises are motivated to continuously improve the quality of financial reporting in order to reduce the cost of capital and alleviate financing constraints. The higher market freedom in developed countries weakens the problem of information asymmetry in international enterprises, and the perfect supervision system inhibits the financial fraud of enterprises. However, in the later stage of enterprises' internationalization, the complexity of the business environment increases the degree of information asymmetry, reduces the transparency of corporate information, intensifies the principal-agent problem, and increases the possibility of managers' moral hazard and adverse selection. When the internationalization operation of enterprises exceeds the appropriate level, it will lead to large governance costs and diseconomies of scale, and the financial performance of enterprises will decline, so managers will conduct earnings management to maximize their own interests. The above enriches the information asymmetry theory and the principal-agent theory.

Thirdly, the audit committee can moderate the relationship between the degree of internationalization of enterprises and the quality of financial reports, which fills the gap in this research field.

(1) Audit committee with working experience in accounting firms can inhibit earnings management behavior in the early stage of internationalization, but has no significant effect on inhibiting earnings management behavior in the later stage of internationalization. Although the work background of accounting firms enables audit committee experts to have expertise in financial accounting and auditing, and can

effectively cooperate with external auditors to jointly suppress opportunistic behavior of managers, in the later stages of enterprise internationalization, there are too many branches of the enterprise, and a large amount of business is scattered in different countries and regions, resulting in excessive information processing burden. The complexity of the operating environment exacerbates the degree of information asymmetry. This increases agency cost, thereby inhibiting the role of the audit committee. This enriches the theory of corporate governance.

(2) Audit committee with overseas work experience can inhibit the earnings management behavior of enterprises in the later stage of internationalization, but has no significant effect on inhibiting the earnings management behavior of enterprises in the early stage of internationalization. In the early stage of enterprise internationalization, there are few overseas branches, the proportion and dispersion of overseas business, and it is difficult to supervise enterprise earnings management. At this time, the role of audit committee with overseas work experience is not obvious. In the later stage of internationalization, the audit committee with overseas work experience has good professional knowledge, rich overseas experience and forward-looking vision. Moreover, they can use their familiarity with overseas market environment to effectively restrain managers' motivation of earnings management. This enriches the theory of imprinting and behavioral consistency.

(3) The higher the remuneration of experts in the audit committee is, the more it can inhibit the earnings management behavior of enterprises in the early stage of internationalization. However, excessive salary incentive will lead audit committee to take risks for its own interests, weaken its supervisory function, and even collude with agents to encourage earnings management behavior. This supports the contract theory.

5.3.2 Managerial Implications

Our evidence has several implications for policy makers, firms and stakeholders.

For policy makers, these results show that the internationalization of enterprises will affect the quality of financial reporting, and policy makers should consider the possibility of strengthening supervision of enterprises with a high degree of internationalization. As for the characteristics of audit committee, our results can help policy makers to consider the characteristics of international operation of enterprises when formulating the audit committee system of listed companies. It is beneficial to further improve the financial reporting quality of listed companies to formulate targeted implementation rules of audit committee system, and consider the factors such as overseas work background, accounting firm experience and reasonable salary incentive.

For enterprises with international operations, they should further improve their governance structure. In hiring audit committee experts, the board of directors should first consider their overseas work experience, and then consider their work experience in accounting firms. In order to cope with the negative impact of the complexity of overseas business environment on the quality of financial reporting, it is helpful to boost investor confidence and promote the healthy development of enterprises.

For investors, they should pay attention to the degree of internationalization of enterprises, as enterprises with a higher degree of internationalization are more likely to manipulate management returns. To some extent, this can ensure the authenticity and integrity of the data disclosed in the financial report, enhance the credibility of the quality of the financial report, and avoid blind investment.

5.4 Research Limitations and Recommendations for Further Research

5.4.1 Research Limitation

First of all, the research samples of this dissertation only select Chinese listed manufacturing enterprises as the research samples, without considering other industries such as construction and service industries.

Secondly, as the total amount of foreign assets, the countries where subsidiaries were located and the number of overseas employees were rarely disclosed in the annual reports of Chinese listed enterprises, this paper only uses the proportion of overseas sales and the number of overseas subsidiaries to measure the internationalization degree of enterprises.

Finally, this paper only considers the moderating effect of five audit committee characteristics, which may not fully reflect the role of audit committee.

5.4.2 Recommendations for Further Research

First of all, in terms of sample selection, future research should consider more industries, expand to enterprises in different countries and regions, and extend the time span.

Secondly, future research should measure the internationalization degree and financial reporting quality of enterprises from multiple dimensions, such as the proportion of foreign assets, the proportion of foreign subsidiaries, the proportion of foreign employees or comprehensive indicators. The number of financial regulatory penalties, accounting conservatism, earnings reflection coefficient and audit opinions should be adopted to measure the quality of financial reports.

Thirdly, future research should consider more audit committee characteristics, such as the number of meetings held by the audit committee, which can reflect the degree of diligence of audit committee experts. Gender, age, special professional background or work experience of audit committee members can more comprehensively reflect the characteristics of audit committee.

Finally, future research could focus on the moderating role of the board of supervisors, which is the permanent supervisory body of the company. The supervisors of the Supervisory Committee are elected by the shareholders' general meeting and perform supervisory functions on behalf of the shareholders' general meeting. The main functions and powers of the board of supervisors include the supervision and inspection of the company's financial accounting activities, so the board of supervisors is likely to restrain the impact of the internationalization degree of enterprises on the quality of financial reports.

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