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Financial expertise and education on the audit committee and their  
impact on real earnings management

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**ABSTRACT**

We examine the relationship between financial expertise on the audit committee and real earnings management for 546 listed Australian Companies. The results show that financial expertise (accounting and finance experience and education) is negatively related to abnormal cash flows from operation and abnormal discretionary expense while having a positive relationship with abnormal production. Additionally, we differentiate financial experience and financial education components and find the results hold for financial education but not for financial experience. The findings suggest that audit committee members with financial education are more effective in monitoring management than members with financial experience.

**KEYWORDS:** Financial expertise, financial education, audit committee, real earnings management