



مجلة الشروق للعلوم التجارية
ISSN: 1687/8523
Online :2682-356X
2007/12870
sjcs@sha.edu.eg
<https://sjcs.sha.edu.eg/index.php>
الترقيم الدولي
ترقيم دولي الكتروني
رقم الايداع بدار الكتب المصرية
البريد الالكتروني
موقع المجلة :



The Relationship Between Audit Firm Reputation and the Accuracy of Auditor's Opinion Concerning Going Concern: The Moderating Role of Exchange Rate Floatation

روان شريف محمد نصر الدين علي
باحث ماجستير - قسم المحاسبة والمراجعة
كلية التجارة - جامعة الاسكندرية
rowansherif@alexu.edu.eg

Keywords:

Auditor's going concern opinion accuracy, Audit firm reputation, Exchange Rate Floatation, liquidity, firm size, leverage, firm loss.

التوثيق المقترح وفقا لنظام APA :

Ali, rowan sherif Mohamed, (2024), The Relationship Between Audit Firm Reputation and the Accuracy of Auditor's Opinion Concerning Going Concern: The Moderating Role of Exchange Rate Floatation, Al-Shorouk Journal of Commercial Sciences, special volume, The Higher institute for Computers and Information Technology, Al-Shorouk Academy, page 639 – 680

أثر الإفصاح عن مخاطر التغيرات المناخية على قيمة الشركة وترشيد قرارات المستثمرين بالتطبيق على قطاع المقاولات والإنشاءات الهندسية

The Relationship Between Audit Firm Reputation and the Accuracy of Auditor’s Opinion Concerning Going Concern: The Moderating Role of Exchange Rate Floatation

مستجدات بيئة الاعمال في ظل تكنولوجيا المعلومات والتغيرات المناخية

Abstract

This research aims to study and test the relationship between audit firm reputation and auditor’s going concern opinion accuracy, and the extent to which this relationship is affected by adding a macro-economic variable which is exchange rate floatation, as a moderating variable, that took place in Egypt in March and November 2022. These relations were tested in the presence of four control variables that are determinants of the going concern opinion. These control variables are audit client firm liquidity, audit client firm loss, audit client firm size and audit client firm leverage.

The study was conducted on 654 firm-year observations for non-financial firms listed on Egyptian Stock Exchange (EGX) during the period 2017 – 2022. These firm-year observations encompass observations that received unqualified audit opinion regarding going concern and observations that received modified audit opinion regarding going concern.

The results indicated that there is a positive direction, insignificant effect of the audit firm reputation on auditor’s going concern opinion accuracy. And also the research results indicated that there is a positive direction, insignificant effect of the moderating variable, exchange rate floatation, on the relationship between audit firm reputation and auditor’s going concern opinion accuracy.

Keywords: Auditor’s going concern opinion accuracy, Audit firm reputation, Exchange Rate Floatation, liquidity, firm size, leverage, firm loss.

1. Introduction

According to agency theory that explains that there is a separation relationship between the agent (firm's management) and the principal (firm's owner). The theory states that this separation relationship can cause agency problems represented in the conflict of interest between the agent and the principal. These problems can be solved by the existence of a third party in the relationship who is an external independent auditor (hereafter, auditor).

External audit can be defined according to Arens et al., (2017), that it is a systematic process of obtaining and evaluating evidence concerning certain assertions regarding actions and events of a firm to confirm the degree of correspondence between these assertions and the established criteria according to financial reporting framework and report the results to interested parties in financial statements in the form of an audit report which is the final output of the audit process. Then, the purpose of an audit is to enhance the degree of confidence between the firm's management and all stakeholders such as: investors, shareholders, creditors, and government.

The audit process starts with engagement acceptance and ends with the final audit report issued by the auditor which includes his audit opinion about the of the financial statements of the audit client firm. Authors agreed that audit is a series of professional judgment decision, and the auditor depends on his professional experience and personal qualities (Stefan-Duicu and Stefan-Duicu, 2015) in making decisions about some courses of actions that are appropriate in the circumstances of the audit engagements (Gierbl, 2021)

Some of the decisions that require professional judgment during the audit process are: determining risk of material misstatement (RMM) and materiality according to ISA (315)¹, determining audit risk (AR), inherent risk (IR), control risk (CR), and detection risk (DR) according to ISA (330), determining key audit matters (KAM) according to ISA (701), determining going concern of the firm according to ISA (570), and determining sufficiency of audit evidence according to ISA (500).

¹ ISA: International standards on audit issued by International Auditing and Assurance Standard Board issued (IAASB)

One of the most important auditor's decisions using professional judgment is his decision about the continuity of the firm as a going concern. Going concern assumption is defined according to Conceptual Framework of Financial Reporting (IASB, 2014), IAS (1)² "presentation of financial statements", and ISA (570) "Going Concern" that the management is responsible for preparing financial statements under the assumption of going concern, which states that the firm will continue in its operations and activities in the foreseeable future for at least one year from the date of financial statements without being dissolved or liquidated. The auditor is also required to obtain sufficient and relevant evidence concerning the continuity of the firm as a going concern and issue an opinion on the appropriateness of the management's application of the going concern assumption as a financial basis.

While the auditor is making a professional judgment and decision about the continuity of the firm and before issuing his opinion about going concern, he takes into consideration some determinants that affects his accuracy of going concern opinion (GCO). These determinants can be related to the audit firm or the auditor himself or can be related to the audit client firm being audited (Pham, 2022; Mukhtaruddin et al., 2018; Amr, 2017). Some of the determinants that are related to the **auditor himself** are: auditor's experience and professional qualification, audit fees and auditor rotation. Concerning the determinants that are related to the **audit firm** are: the audit firm size, audit firm reputation, audit tenure, litigation risk. And concerning the determinants related to the **audit client firm** are: financial condition, profitability, incurring loss, liquidity ratio, leverage ratio, growth rate, audit client firm size, frequency of BOD meetings, management overconfidence, and degree of corporate governance commitment.

As the accuracy of the audit report is measured according to previous studies (Carson et al., 2013) by type I and type II misclassification errors, then litigation risk and audit firm reputation motivates the audit firm to issue an accurate audit report (Osman, 2021). Thus, one of the most important determinants that affects the auditor's going concern opinion accuracy is the audit firm reputation.

² IAS: International Accounting Standards issued by International Accounting Standards Board (IASB).

Audit firm reputation can be defined according to (Badawy and Zaki, 2023; Osman, 2021; Lin, 2020; Aronmwan et al., 2018) as the image set by stakeholders of the firm regarding its performance through a set of financial and non-financial aspects associated with the firm during a certain period of time as a result of its surrounding environment. A good firm reputation increases the stakeholders' trust and confidence in the performance of the firm.

According to (Mukhtaruddin et al., 2018; Nordholm and Björkstrand, 2014; Öhman and Nilsson, 2012; Anadarajan, 2008; Guiral et al., 2008) audit firm reputation is a proxy for measuring audit quality. As the audit firm is responsible for providing high quality audited information for the users of financial statements, because it is believed that the auditor will be keener and more careful while conducting the audit to ensure the credibility and ensure that financial statements are free from errors. So, audit firm provides high audit quality because they have the motivation to retain their reputation. Accordingly, previous studies relate audit firm reputation with audit firm size (Badawy and Zaki, 2023; DeAnglo, 1981). This correlation maybe because stakeholders have more trust and credibility in Big 4 audit firms than small audit firms ,as they believe that Big 4 audit firms have characteristics that is associated with the high audit quality such as: highly trained and experienced auditors, availability of peer review, and high investment in technology that allows them to detect errors and misstatements efficiently and issue accurate audit opinion (Badawy and Zaki, 2023; Mukhtaruddin et al., 2018).

That's why audit firm reputation can be referred to and measured by the audit firm size. The audit firms are classified into different tiers, the first tier includes audit firms that belong to Big 4, second tier includes audit firms that belong to Big 10, the third tier includes audit firms that belong to Big 20, and local audit firms (Badawy and Zaki, 2023).

Meanwhile, there are other factors that may affect the auditor's going concern opinion. These factors might be related to the macroeconomic variables, such as: registration and deletion rules, inflation, exchange rate flotation, GDP, interest rates, financial soundness indicators, and employment rates.

This research will focus only on the effect of the exchange rate floatation, that took place in Egypt in October 2022, on the relationship between audit firm reputation and auditor's going concern opinion accuracy.

The problem of this research is as the going concern opinion issued by the auditor is a matter of judgment as previously mentioned, and this opinion is issued based on several different determinants. One of the most important determinants of going concern opinion is the audit firm reputation. This relationship may differ because of the changes due to macroeconomic variables in Egypt such as exchange rate floatation that the Egyptian government decided in March and October 2022.

Based on the above discussion, the problem of this research lies in answering empirically two questions which are:

- 1- Is there a significant relationship between audit firm reputation and going concern opinion accuracy?**
- 2- Can this relationship be modified by macroeconomic variables as exchange rate floatation?**

The objective of this research is to address and test the impact of audit firm reputation on the auditor's going concern opinion accuracy and whether this effect might differ according to the exchange rate floatation that took place in October 2022. These relationships will be tested empirically on a sample of non-financial firms listed on the Egyptian Stock Exchange (EGX) during the period from 2017 to 2022.

The remainder of this research is organized as follows **Section 2:** includes the theoretical review which analyzes previous literature and derivation of the research hypothesis. **Section 3:** describes the research variables, methodology and design of the empirical study. **Section 4:** presents the analysis of the results of the empirical study. **Section 5:** includes the conclusion, limitations, recommendations, and implications for future research.

2. Literature Review and Hypotheses Development

2.1 Accuracy of Auditor's Opinion Concerning Going Concern

Going concern is a professional term used in the accounting field to evaluate whether enterprises can achieve normal operation and sustainable development (Jan, 2021). Where the management is required to issue a personal judgment on the going concern of the firm to continue in its operations and activities in the future, while the auditor is required to issue a professional judgment on the accuracy of the going concern opinion.

From **the financial accounting perspective**, relevance and faithful representation are the fundamental characteristics of information that is reported in the financial statements according to the Conceptual framework of Financial Reporting (IASB, 2010), management of the firm is required by IAS (1) "Presentation of financial statements" to prepare financial statements of the firm under the assumption of going concern, that states that: the firm will continue in its operations for the foreseeable future for at least one year from the date of issuing financial statements without being dissolved or liquidated and disclose whether there is a material uncertainty about the continuity of the firm and (Chi and Chu, 2021), and therefore there is no uncertainty about the continuity of the firm in the future, otherwise the management should disclose any significant doubt about the firm's ability to continue as a going concern.

While from **the auditing perspective**, the auditor is required by ISA (570), 2015 "Going Concern" to obtain sufficient and relevant evidence concerning the appropriateness of management's preparation of financial statements based on going concern assumption and give an opinion about the ability of the firm to continue as a going concern in the next fiscal year, which can be concerned as warning signals at least for the stakeholders (Osman, 2021; Hardies et al., 2016).

Auditors also express their opinion about the enterprise's ability to continue its operations as a going concern. If the use of going concern basis assumption is inappropriate in preparation of the financial statements, the auditor should issue adverse/qualified opinion according to ISA 705. If the use of going concern basis assumption is appropriate in preparation of financial statement, the

auditor should issue qualified opinion according to ISA 700 if adequate disclosure about the material uncertainty is not made in the financial statements. If the auditor reports going concern doubt for an audit client firm, the auditor issues audit report with a going-concern-related emphasis of matter paragraph according to ISA 706, which is classified as modified report (Zdolšek, 2022; Osman, 2021; Hardies et al., 2018).

While the auditor is issuing the audit opinion concerning the going concern of the audit client firm, he may fall in the problem of type I or type II misclassification errors. Firstly, concerning type I misclassification error occurs if the auditor issued GCO incorrectly for a firm that continued its operations in the next year (false – positive opinion) which may lead to audit tenure. Secondly, concerning type II misclassification error occurs if the auditor incorrectly did not issue GCO for a firm that went bankrupt in the next year (false – negative opinion), which may lead to a negative audit firm reputation and litigation risk (Osman, 2021; Hardies et al., 2018) and may lead to distrust of the stakeholders in the audit report due to its inaccuracy.

2.2 Determinants of accuracy of auditor’s opinion on going concern.

Going concern opinion is a matter of judgment which depends mainly on the professional judgment of the auditor, then the accuracy of auditor’s opinion regarding going concern is affected by several determinants which can be financial or non-financial determinants, some of which are attributable to the **auditor himself and his internal and external work environment**, and others are attributable to **the audit client firm** (Pham, 2022; Amr, 2017).

Concerning **the financial determinants** are the determinants which can be measured in a monetary form using the local currency of each country, these determinants are not based on the personal judgment of the researcher, however they have specific relevant and sufficient measures (Amr, 2022; Attia, 2022; Mohamed, 2021; Hardies et al., 2020; Averio et al., 2020; Gallizo et al., 2016). Some of the financial determinants that are related to the audit firm are: audit

fees, audit firm size, partner fee independence and the financial position of the audit firm. And those related to the audit client firm are: financial position of the audit client firm, leverage ratio, liquidity ratio, growth rate, profitability and incurring losses of previous years (Amr, 2022; Pham, 2022; Yanto et al., 2022; Chen et al., 2020; Mukhtaruddin et al., 2018).

Concerning **non-financial determinants**, they are hard and difficult to express or measure objectively. They can be measured quantitatively and qualitatively; they can also have an indirect financial effect. Some of the non-financial determinants that are related to the auditor himself as: auditor's experience, auditor rotation, professional qualification, and behavioral traits, and concerning the determinants related to the audit firm are: litigation risk, audit firm reputation and audit tenure (Amr, 2022; Pham, 2022; Chen et al., 2021; Nordholm and Björkstrand, 2014; Öhman and Nilsson., 2012; Anandarajan et al., 2008; Guiral et al., 2008). And those related to the audit client firm are: size of the audit firm, managerial overconfidence, previously had GC modified audit report, degree of corporate governance commitment, frequency of BOD meetings, audit report delay, material weakness in internal control and their competency strategy (Amr, 2022; Pham 2022).

2.3 Historical development of the prediction models

Different bankruptcy prediction models are previously developed to predict the financial distress of the firm as: Traditional Altman model (1968), Ohlson model (1980), Zmijewski model (1984), Shumway model (2001) and Altman for emerging economies model (2005). Some of these models will be explained in detail as follows:

2.3.1 Traditional Altman (1968) model

This model is the most famous and universally used in predicting bankruptcy. At the beginning of the model development, 22 main ratios were selected, assessment of ratio groupings was made according to statistical significance of independent features, total prediction accuracy and correlation between features, a set of 5 ratios were selected: $Z=1.2X_1+1.4 X_2+3.3 X_3+0.6 X_4+1 X_5$ where: $X_1 = WC/TA$, $X_2 = RE/TA$, $X_3 = EBIT/TA$, $X_4=MVE/TL$, $X_5= Net Sales/TA$. If Z score is less than or equals to 1.81, it means the possibility of being bankrupt is very high (distress area), if Z score is

greater than 2.99, it means that the possibility of not being bankrupt is very high (safe zone) and if Z score is higher than 1.81 and less than 2.99, it means that it is a grey area (Amr, 2022; Ali, 2019; Altman, 1968)³.

2.3.2 Ohlson (1980) model

Prior research applying multivariate discriminant analysis suffers from certain statistical assumption violation issues, then, Ohlson model utilized conditional logit analysis to treat these issues, using financial ratios: NI/TA, NWC/TA, CL/CA, Funds from operations/TL, TL/TA (Ali, 2019).

2.3.3 Zmijewski (1984) model

Zmijewski used financial ratios that measured the firm's performance, leverage and liquidity to develop his model. The ratios were selected based on their performance in prior studies. The model is developed based on 3 ratios and a constant to, which is:

$Z = -4.3 - 4.5X_1 + 5.7 X_2 - 0.004 X_3$ where: $X_1 = \text{NI/TA}$, $X_2 = \text{TD/TA}$, $X_3 = \text{CA/CL}$, -4.3 is a constant, if Z is greater than 0.5, it means the firm is predicted to be subjected to bankruptcy, if Z is lower than or equal 0.5, it means the firm is predicted not to be subjected to bankruptcy (Ali, 2019).

2.3.4 Altman for emerging economies (2005) model

It differs from Traditional Altman model, that it reduces financial default and considers the cultural differences, as it adds a constant to the total ratios; this constant reduces the financial distress level and increases the stability level of the firms. This is because the traditional Altman model has developed in the conditions and environment of developed countries, which is inconsistent with the conditions and environment of emerging economies. The model is based on the following ratios:

$Z = 6.56 X_1 + 3.2 X_2 + 6.72 X_3 + 1.05 X_4 + 3.25$, where: $X_1 = \text{WC/TA}$, $X_2 = \text{RE/TA}$, $X_3 = \text{EBIT/TA}$, $X_4 = \text{BVE/BVTL}$. If Z is greater than 2.6, means the possibility of being bankrupt is very low (safe

³ RE – Retained Earnings / EBIT – Earnings Before Interest and Tax / MVE – Market Value of Equity

zone), if Z is between 1.1 and 2.6 is the 'grey area' and if Z is smaller than 1.1 means that the possibility of being bankrupt is very high (distress area) (Amr, 2022; Altman, 2005).⁴

Based on the discussion above, the researcher can imply that the auditor's opinion regarding going concern is relatively important for investors, stockholders, banks, creditors, government, and all interested users in the firm's financial statements. Thus, this opinion must be more accurate to increase the trust of the users in the audited financial statements. In order to issue an accurate opinion regarding going concern, the auditor must collect relevant and sufficient evidence concerning the ability of the firm to continue as a going concern for at least one year from the date of financial statements. This opinion is issued based on some determinants that affect the continuity of the firm, these determinants may be financial or non-financial determinants related to the audit firm itself or the audit client firm.

2.2 Audit firm reputation

Audit firm reputation can be defined as the image set by stakeholders of the firm regarding its performance through a set of financial and non-financial aspects associated with the firm during a certain period of time as a result of its surrounding environment (Badawy and Zaki, 2023; Osman, 2021; Lin, 2020; Aronmwan et al., 2013). Then, it is considered as one of the most important intangible assets in the firm and is considered as a driver for its performance (Badawy and Zaki, 2023; Pires and Trez, 2018). Reputation serves as a tool that motivates the auditor to provide high audit effort and high audit quality (Hapsoro et al., 2018 ; Mayhew, 2001) as the audit firm reputation is considered as a driver for the audit quality (Patiran et al., 2023). Since the audit process is unobservable, the auditor's reputation is considered as a primary signal for the audit quality. Thus, a good firm reputation increases the stakeholder's trust in the audit firm's performance, subsequently the auditor may improve their market share to increase his fee premium (Bergner et al., 2020).

The reputation of the firm can be built in a continuous cycle consisting of four stages according to the reputation theory (Bergner et al., 2020). First, the auditor starts by signaling his audit quality to the

⁴ BVE – Book Value of Equity / BVTL - Book Value of Total Liabilities

audit client firms through engagement quality, selectivity, and differentiation. Concerning the engagement quality signal, the auditor makes a great effort during the engagement stage to reduce detection risk, which is the risk that the auditor fails to detect material misstatement and according to (Cassell et al., 2016), auditors maintain high engagement quality when they are more likely to be caught, which is consistent with reputational incentives. Concerning selectivity and differentiation signal, the auditor signals his quality through the audit client firm's portfolio. The client size is a fundamental audit risk indicating complexity, it also influences an auditor's reputational selectivity (Wilson and Grimlund, 1990), as audit client firm size increases, reputational concerns for the auditor generally grow proportionally.

Second, the market assesses this audit quality and concurrently updates the audit firm reputation. The market's assessment of an auditor's reputation cannot be directly observed. Nevertheless, it can be inferred from the market's assessment of the clients financial reporting quality, since financial reporting quality is a function of audit quality (DeFond & Zhang, 2014).

Third, the updated audit firm reputation affects its ability to attract new clients and charge fee premium. As positive market assessment improves the audit firm's reputation, which will consequently attract new clients and allow the audit firm to charge a fee premium. Otherwise, negative market assessment will have a detrimental influence on the audit firm's reputation, which will consequently lead to client loss and fee reduction.

Fourth, in case of the negative impact, the auditor may use recovery techniques to repair its reputation such as: **recovery** through an auditor's attempt to repair its reputation by undertaking actions to improve audit quality or independence, or through **rebranding** or **remediating**. If the cost to remediate presents a barrier and small audit firms have lower reputational capital than large audit firms, then reputation may not provide an adequate incentive for small firms to remediate and it is better to rebuild the reputation.

Prior literature relates audit firm reputation with the audit firm size (Badawy and Zaki, 2023; DeAnglo, 1981). In the same context, according to the signaling theory, choosing high quality auditors, such as Big 4 audit firms, will send a good signal to the market and

stakeholders (Sunarto et al., 2021). Because a good audit firm reputation is related to high audit quality, investors and other stakeholders will have more trust in the company's financial performance and position (Badawy and Zaki, 2023). This correlation maybe because stakeholders have more trust and credibility in Big 4 audit firms than small audit firms, as they believe that Big 4 audit firms have characteristics that is associated with the high audit quality such as: highly trained, experienced, and specialized auditors, availability of peer review, and high investment in technology that allows them to detect errors and misstatements efficiently and issue accurate audit opinion (Badawy and Zaki, 2023; Mukhtaruddin et al., 2018). As a result of this, the firm's management tends to hire reputable audit client firms. Consequently, according to previous studies (Badawy and Zaki, 2023; Nursiam et al., 2021) audit firm reputation can be referred to by the audit firm size.

Prior studies used different measures to measure audit firm reputation in addition to audit firm size which was extensively utilized in prior studies (Badawy and Zaki, 2023; Islamiati et al., 2021; Nursiam et al., 2021; Osman, 2021), auditor industry specialization is also used to measure audit firm reputation (Lou and Vasvari, 2013), as audit firms may specialize the services they provide to their audit client firms in order to enhance their own reputation (Bergner et al., 2020).

By investigating the impacts of audit firm reputation whether positive or negative, it may affect audit market share, audit fees and financial reporting timeliness. Concerning audit market share, according to reputation theory, clients who value high-quality audits are more likely to switch to a new auditor. Indeed, (Francis et al., 2017) suggests that the loss of a significant client is a form of reputational shock itself, and that such shocks are associated to the loss of additional clients in the same industry (Bergner et al., 2020).

Concerning audit fees, according to reputation theory, the insurance hypothesis states that increasing visibility will increase litigation risk, resulting in a fee premium. Prior studies (Francis et al., 2017) investigate auditor turnover among key clients in an industry. They discover that when a large client switches to a higher quality auditor voluntarily, the dismissed audit firm is vulnerable to decrease audit fees and increase client loss in the subsequent years. When an

audit firm, on the other hand, is able to obtain a significant customer, it increases its audit fees and attracts new clients in the subsequent years.

Concerning financial reporting timeliness, Badawy and Zaki (2023) examined the effect of audit firm reputation on financial reporting timeliness, based on a sample of 820 firm-year observations during the period from 2017 to 2021, and found empirical evidence that audit firm reputation has a negative and significant effect on financial reporting timeliness.

Based on the discussion above, the researcher can imply that firms are more likely to hire reputable auditors to send positive signals to the market about the quality and transparency of their financial reports and the future financial success and position of the firm. Meanwhile, audit firms are driven to create and maintain a good reputation since it has favorable impacts on the audit firm's market share by attracting new clients, the audit fee premium charged and financial reporting timeliness.

2.3 Relation between audit firm reputation and auditor's going concern opinion accuracy

Prior studies investigated the impact of audit firm reputation on auditor's going concern opinion accuracy and the results were inconclusive. On one hand, some studies found that there is a **positive relationship** between audit firm reputation on auditor's going concern opinion accuracy. For instance, Sabti et al. (2022) investigated the relationship between audit firm reputation and auditor's going concern opinion accuracy on a sample of 222 non-financial firms listed on the Iraqi Stock Exchange during the period 2017 - 2020 and found that there a positive significant relationship between audit firm reputation on auditor's going concern opinion accuracy. Consistently, Osman (2021) examined the relationship between audit firm reputation and auditor's going concern opinion accuracy on a sample of 71 non-manufacturing firms listed on the Egyptian Stock Exchange during the period 2015 - 2019 and found that there a positive significant relationship between audit firm reputation on auditor's going concern opinion accuracy, whereas this relation differs according to the audit firm size. First, Egyptian audit firms affiliated to Big 4, second tier, and third tier audit firms have a positive significant impact on auditor's going concern opinion accuracy. Second, Egyptian audit

firms affiliated to third tier and local audit firms have a negative significant impact on auditor's going concern opinion accuracy.

On the other hand, other studies **didn't find significant relationship** between audit firm reputation on auditor's going concern opinion accuracy. For instance, Islamiati et al. (2022), investigated the relationship between audit firm reputation and the acceptance of auditor's going concern on a sample of 85 trading, service and investment firms listed on the Indonesian Stock Exchange during the period 2016 - 2020 and found that audit firm reputation doesn't affect the acceptance of auditor's going concern opinion. Consistently, Rahma and Sukirman (2019) investigated the relationship between Managerial ownership and institutional ownership, and the acceptance of auditor's going concern moderated by audit firm reputation on a sample of 26 manufacturing firms on the Indonesian Stock Exchange during the period 2012 – 2015 and found that audit firm reputation doesn't affect the acceptance of auditor's going concern opinion.

On the other hand, some studies found that there is a **negative relationship** between audit firm reputation on auditor's going concern opinion accuracy. For instance, Rahma and Sukirman (2019) investigated the relationship between firm's financial condition and the acceptance of auditor's going concern moderated by audit firm reputation on a sample of 26 manufacturing firms on the Indonesian Stock Exchange during the period 2012 – 2015 and found that there is negative relationship audit firm reputation and the acceptance of auditor's going concern opinion. Consistently, Dan (2021) examined the relationship between audit firm reputation and auditor's going concern opinion acceptance on a sample of 44 property and real estate companies listed on the Indonesian Stock Exchange during the period 2017 - 2019 and found that there a negative significant relationship between audit firm reputation on auditor's going concern opinion accuracy.

Based on the inconclusive prior literature findings, the researcher cannot confirm that audit firm reputation has a positive effect on auditor's going concern opinion accuracy. Small audit firms or those not affiliated to one of the Big4 audit firms may be motivated to provide high-quality audit services and accurate audit reports including his opinion concerning going concern. As a result, it is expected that those audit firms would make significant efforts to

enhance their brand name and professional reputation in order to remain competitive in the professional audit market. At the same time, reputable audit firms will be motivated to protect their good reputation by providing high-quality audit services and accurate audit reports including his opinion concerning going concern.

Accordingly, from the above discussion, the first research hypotheses can be formulated as follows:

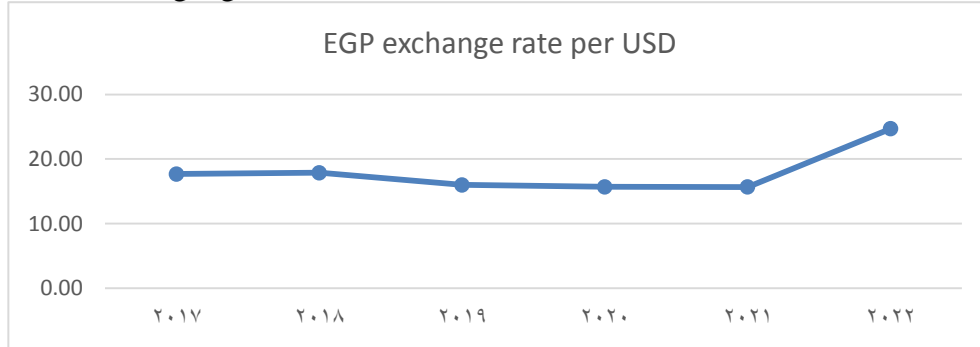
H1: There is a significant effect of audit firm reputation on auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange.

2.4 The Moderating Effect of Exchange Rate Floatation

The exchange rate is defined as the price of the domestic currency in relevance to foreign currencies, which is considered as one of the main macroeconomic factors that plays an important role in the external economic activities carried out by the countries (Elshahawany, 2022). Concerning the exchange rate floatation, is defined that the exchange rate will reflect the value of the Egyptian pound against other foreign currencies through the forces of supply and demand within the framework of a flexible exchange rate system, giving priority to the Central Bank's primary goal of achieving price stability.

The Central Bank of Egypt (CBE) announced its intention to float the Egyptian pound two times consecutively in 2022, on Monday, March 21, 2022, and on Thursday, October 27, 2022, to meet International Monetary Fund (IMF) standards. According to this decision, the Egyptian pound's exchange rate will float freely, and its value will be determined by supply and demand forces. As a result of this judgment, the Egyptian pound has lost about 16% of its value against the US dollar in the first time and 16% in the second time. This decision was taken as a consequence to the spread of the Covid-19 and closure policies, followed by the Russian-Ukrainian conflict, which had severe economic repercussions. This caused pressure on the Egyptian economy, as it faced the exit of foreign investors' capital as well as a rise in commodity prices (Central Bank of Egypt, 2022). These were the first times to float Egyptian pound's exchange rate in a

long time since its floatation on November 3, 2016, which appear in the following figure:



Source: International Monetary Fund (IMF) E-data

Firms in Egypt experienced a significant amount of uncertainty when valuing various accounting balances and transactions. Since the impact of floating the exchange rate varies depending on whether a firm imports or exports goods and has assets valued in foreign currency. Concerning the importing firms, they have a disadvantage due to the Egyptian pound's devaluation as they face higher costs when fulfilling contracts held in foreign currency. And concerning the exporting enterprises and those with assets valued in foreign currency, they benefit from receiving highly valued foreign currency upon the contract settlement (Badawy and Zaki, 2023).

Concerning the management and financial accounting response to the exchange rate floatation decision, in February 2017, an appendix to Egyptian Accounting Standard No. 13 "Effects of Changes in Foreign Currency Rates" was issued to help companies understand how this decision affects their financial statements and accounting treatment. The appendix allows corporations to account for foreign currency fluctuations in other comprehensive income when translating assets and liabilities valued in foreign currency on the floating exchange rate date (Badawy and Zaki, 2023; El Rashidy and Elsayed, 2017).

Concerning the audit response to the exchange rate floatation decision, the auditor is expected to exert much more effort and time to assess the audit evidence concerning the disclosure and valuation of

assets and liabilities valued in foreign currency and will exert more effort also to take a decision on the financial position of the firm after the exchange rate floatation to give an opinion concerning the continuity of the firm as a going concern in the future.

It is expected that the audit firm reputation will have a significant effect on the accuracy of the auditor's opinion concerning going concern. However, this relationship may differ after the decision of the Central Bank of Egypt to float the exchange rate of the Egyptian pound, whether by increasing or decreasing this significance in a positive or negative direction.

Accordingly, from the above discussion, the second research hypotheses can be formulated as follows:

H2: The significant effect of audit firm reputation on auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange differs with the exchange rate floatation.

3. Research Design and Methodology

To test the research hypotheses, an empirical study will be carried out, and hereafter the researcher will present the following: research objectives, research population and sample, research variables and measurement, and research model.

3.1 Empirical study objectives

The empirical study primarily aims to test the research hypotheses practically in business and Egyptian professional practice environment to test whether there is a significant impact of audit firm reputation on auditor's going concern opinion accuracy (Osman, 2021). The study also aims to test whether the significance of the relationship may differ because of the moderating effect of exchange rate floatation.

3.2 Research sample and population

Research population consists of companies listed in the Egyptian Stock Exchange (EGX) during the period from 2017 to 2022. The research data were obtained from financial statements and audit

reports of the firms which were prepared according to Egyptian Standards issued in 2008, which are available on www.mubasher.info and www.egx.com.eg. Banks and financial firms are excluded because they are subject to different regulatory requirements and corporate governance practices. In addition, financial firms have their unique characteristics and different operations, which might require specific audit efforts (Badawy and Zaki, 2023; Ezat, 2015). After excluding observations of firms with missing data, the final sample was 654 firm-year observations. **Table (1)** shows the distribution of the firm year observations across different sectors and the percentage of firm year observations in each sector in relevance to the whole sample.

Table(1) Sample distribution by Sector

	Number of observations	%
Manufacturing	242	37%
Service	109	17%
Basic resources, gas and petroleum	119	18%
real estate, construction and material	130	20%
trade and retail	54	8%
Total	654	100%

3. 3 Research variables

3.3.1 Dependent variable: Auditor's going concern opinion accuracy (GCO):

It is defined as; the auditor's opinion on going concern is based on a valid judgment that was reached. (Amr, 2022). It is measured using the following steps in accordance with (Amr, 2022; Osman, 2021)

Step (1) determine the financial position for each observation in the sample, whether it is in a stable or distress financial position using Altman model for emerging economies (Amr, 2022; Altman,2005) as follows:

$$Z = 6.56 X1 + 3.2 X2 + 6.72 X3 + 1.05 X4 + 3.25$$

Where;

X1= Net working capital / Total Assets

X2=Retained Earnings / Total Assets

X3=Earnings before interest and tax / Total Assets

X4= Book value of Equity / Book value of Total liabilities

If Z is greater than 2.6, means the possibility of being bankrupt is very low (safe zone), if Z is between 1.1 and 2.6 is the 'grey area' and if Z is smaller than 1.1 means that the possibility of being bankrupt is very high (distress area).

Step (2) determine the auditor's opinion regarding going concern of the firm through content analysis of the audit report, whether this opinion is unqualified opinion concerning going concern according to Egyptian Auditing Standards issued in 2008 and ISA (700), or modified opinion concerning going concern (adverse / qualified opinion / unqualified opinion with explanatory paragraph) according to ISA (705) and ISA (706) (Osman, 2021; Ali, 2020).

Step (3) measuring the accuracy of auditor's opinion regarding going concern using a dummy variable equal to (one) if the auditor's judgment on going concern for firm (i) in year (t) is proven to be correct (true acceptance and true rejection) and (0) otherwise (false acceptance (type 2 error) and false rejection (type 1 error) (Amr, 2022; Osman, 2021; Montenegro et al, 2018; Budisantoso et al, 2017; Junaidi et al, 2016).

3.3.2 Independent variable: Audit Firm Reputation (REP):

It is defined as; the image set by stakeholders of the firm regarding its performance through a set of financial and non-financial aspects associated with the firm during a certain period of time as a result of its surrounding environment (Badawy and Zaki, 2023; Osman, 2021; Lin, 2020; Aronmwan et al., 2013). It is measured using dummy variables that takes the value (1) if the audit firm that audit the firm (i) in year (t) belongs to Big4 or the Accountability State Authority (ASA), (2) if the audit firm belong to the second tier, (3) if the audit firm belongs to the third tier, and (4) otherwise (Badawy and Zaki, 2023).

3.3.3 Moderating Variable: Exchange Rate Floatation (FLOAT):

It is defined as; the exchange rate that will reflect the value of the Egyptian pound against other foreign currencies through the forces of supply and demand within the framework of a flexible exchange rate system, giving priority to the Central Bank's primary goal of achieving price stability. It is measured by using a dummy variable that takes the value (1) if the observation year (t) is 2022, which is the year of the Central Bank's of Egypt decision to float the exchange rate, and (0) otherwise (Badawy and Zaki, 2023).

3.3.4 Control Variable: Liquidity (LIQ):

It is defined as the ability of the firm to meet its short-term debts and obligations from its current assets (Pham, 2022; Subramanyam, 2014). It can be measured by the ratio of current assets to current liabilities of firm (i) in year (t) (Pham, 2022; Osman, 2021).

3.3.5 Control Variable: Firm size (FSIZE):

It is defined as the material, human and technological capabilities of the audit client firm and its ability to generate operating income from its operations (Amr, 2022; Hashmi et al., 2020; Abdelghany, 2017; Chen et al., 2017). It can be measured by the natural logarithm of the firm's total assets of firm (i) in year (t) (Ln Total Assets) (Badawy and Zaki, 2023; Osman, 2021).

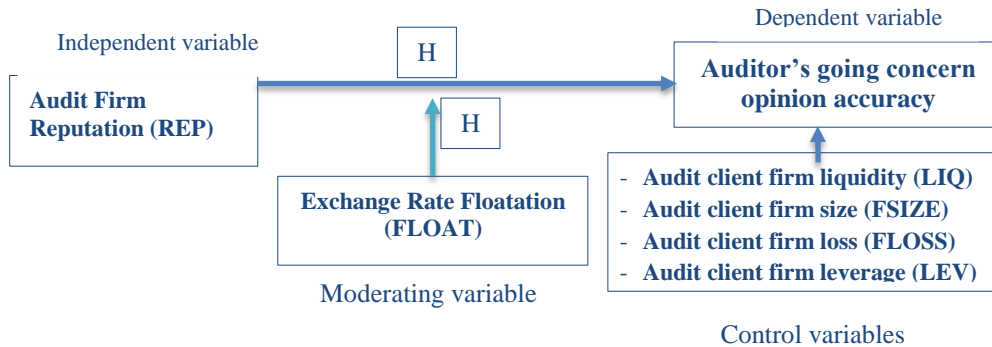
3.3.6 Control Variable: Firm loss (LOSS):

It is defined that the firm has difficulties in generating profit or incurring losses which may affect the continuity of the firm in the future. It can be measured by a dummy variable that takes the value (1) if the firm (i) has negative net income in year (t) and (0) otherwise (Amr, 2022; Pham, 2022; Osman, 2021).

3.3.7 Control Variable: Firm leverage (LEV):

It is defined as the ability of the of the firm to meet its financial obligations, it refers to the use of debts for the purchases of assets. It can be measured as the ratio of total liabilities to total assets of firm (i) in year (t) (Pham, 2022).

3.4 Research Model



3.5 Regression Models

Model 1: The Effect of Audit Firm Reputation on Auditor's Going Concern Opinion Accuracy using multiple logistic regression model.

$$GCOACC_{it} = \beta_0 + \beta_1 REP_{it} + \beta_2 LIQ_{it} + \beta_3 FSIZE_{it} + \beta_4 LOSS_{it} + \beta_5 LEV_{it} + e_{it}$$

Model 2: The Moderating Effect of Exchange Rate Floatation on the Relationship between Audit Firm Reputation and Auditor's going concern opinion accuracy using multiple logistic regression model.

$$GCOACC_{it} = \beta_0 + \beta_1 REP_{it} + \beta_2 FLOAT_{it} + \beta_3 REP_{it} * FLOAT_{it} + \beta_4 LIQ_{it} + \beta_5 FSIZE_{it} + \beta_6 LOSS_{it} + \beta_7 LEV_{it} + e_{it}$$

4. Empirical Findings

4.1 Descriptive Statistics

In this section the researcher will present the descriptive statistics, mean, median, standard deviation, minimum, maximum and quartiles of the independent, dependent and moderating variables used in the research using IBM SPSS 26. **Table (2)** shows the descriptive statistics for the research variables. Concerning audit firm reputation, it is clear from the **table (3)** that **first tier and ASA** controls about

39.9% of the audited non-financial firms sample listed on Egyptian Stock Exchange in the audit market, **second tier** controls about **10.7%** of the audit market, **third tier** controls about **9.2%** of the audit market, and the rest of the sample about **40.2%** is controlled by **local audit firms and audit firms affiliated to foreign audit firms**. Concerning audit firm reputation (REP) ranges between 0 and 1 with an average of 2.50.

Given **table (2)**, **auditor's GCO accuracy** ranges between 0 and 1 with an average of 89% and standard deviation of 0.319, which describes the type I and type II error. This means that the auditor issued modified audit report concerning going concern of the firm for financially stable firms or issued an unqualified audit report concerning going concern of the firm for financially distressed firms.

Concerning the **exchange rate floatation (FLOAT)** ranges between 0 and 1 with a standard deviation of 0.317 and an average of 0.11, which means that 11% of the firm year observation sample are related to the exchange rate floatation year in 2022.

Concerning the control variables, **audit client firm size (LnFSIZE)** ranges between 13.9596 and 25.5099, with an average of 20.5343 and standard deviation of 1.7790. Concerning the **liquidity of the audit client firm (LIQ)**, it ranges between 0.0012 and 208.0150 with a standard deviation of 9.6638 and mean 3.2115 which means that the current assets of the firm can cover its current liabilities 3 times. Concerning the **audit client firm loss (LOSS)**, it ranges between 0 and 1 with a standard deviation of 0.414 and mean 0.22, which means that 22% of the firm year observation sample achieved losses. Finally, concerning the **leverage of audit client firm (LEV)** ranges between 0.003 and 147.8253 with a mean of 0.9936 and standard deviation of 7.1010.

Table (2) Descriptive Statistics

		GCOACC	REP	FLOAT	LIQ	LNFSIZE	LOSS	LEV
N	Valid	654	654	654	654	654	654	654
Mean		.89	2.50	.11	3.2115	20.5343	.22	.9936
Median		1.00	2.00	.00	1.3995	20.5632	.00	.4728
Std. Deviation		.319	1.362	.317	9.6638	1.7790	.414	7.1010
Minimum		0	1	0	.0012	13.9596	0	.0033
Maximum		1	4	1	208.0150	25.5099	1	147.8253
Percentiles	25	1.00	1.00	.00	.9972	19.3810	.00	.3003
	50	1.00	2.00	.00	1.3995	20.5632	.00	.4728
	75	1.00	4.00	.00	2.4553	21.6233	.00	.61884

Source: IBM SPSS 26 output

Table (3) Audit Firm Reputation

		Audit firm tiers	Frequency	Percent
Valid	1st tier and ASA		261	39.9%
	2nd tier		70	10.7%
	3rd tier		60	9.2%
	Otherwise		263	40.2%
	Total		654	100.0%

Source: IBM SPSS 26 output

4.2 Bivariate Correlations

To make a preliminary analysis of the relationship between audit firm reputation and auditor's GCO accuracy, the researcher made a Spearman Bivariate correlation test as demonstrated in **table (4)**. The correlation results show that there is a negative direction between audit firm reputation and auditor's GCO accuracy with a significance of 0.700 (> 0.01), which means that the audit firm reputation does not affect the auditor's GCO accuracy. And also, the same with the control variable audit client firm size (FSIZE) which has a positive

direction with significance of 0.714 (> 0.01), which means that it does not affect the auditor's GCO accuracy. In contrast to the other control variables which were proved to be determinants of the auditor's GCO accuracy, as for the firm liquidity has a positive significant relation with significance of 0 (< 0.01), the firm leverage (LEV) and firm loss (LOSS) have negative significant relation with significance of 0.002 and 0.000003 respectively (< 0.01). Concerning the moderating variable exchange rate floatation (FLOAT), it is shown in the table that it has a positive direction but insignificant effect on the auditor's GCO accuracy with significance 0.177 (> 0.01).

Table (4) Bivariate Spearman Correlations

		GCOACC	REP	FLOAT	LIQ	LOSS	LEV	FSIZE
GCOACC	Correlation Coefficient	1						
	Sig. (2-tailed)	.						
REP	Correlation Coefficient	-.015	1					
	Sig. (2-tailed)	.700	.					
FLOAT	Correlation Coefficient	.053	.048	1				
	Sig. (2-tailed)	.177	.218	.				
LIQ	Correlation Coefficient	.193**	.211**	-.022	1			
	Sig. (2-tailed)	.000	.000	.573	.			
LOSS	Correlation Coefficient	-.181**	.043	.010	-.240**	1		
	Sig. (2-tailed)	.000	.275	.807	.000	.		
LEV	Correlation Coefficient	-.118**	-.290**	.091*	-.607**	.125**	1	
	Sig. (2-tailed)	.002	.000	.020	.000	.001	.	
FSIZE	Correlation Coefficient	.014	-.319**	.037	-.069	-.247**	.267**	1
	Sig. (2-tailed)	.714	.000	.341	.077	.000	.000	.

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: IBM SPSS 26 output

4.3 Hypothesis Testing

4.3.1 Testing (H1)

To test the research hypotheses, the Binary Logistic Regression model is used as it is a statistical test used to predict a single binary variable using one or more other variables, where the dependent variable GCOACC will be measured using binary variables (one or zero), while multiple linear regression is not used in the study as it evaluates predictions of continuously distributed outcomes. **Table (5), model (1)** shows the results of testing the first hypothesis (H1) which assumes that: there is a significant effect of audit firm reputation on auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange.

Firstly, the researcher tested the overall model test to measure whether the model was suitable to be applied, by comparing the value of calculated Chi-square value of model (1), which was shown to be equal to 43.261, with the tabulated Chi-square value at significant level (1%) and degrees of freedom (df) = 5, which is equal to 15.086. Therefore, the calculated Chi-square value (43.261) is greater than the tabulated Chi-square value (15.086), which means that the model is suitable to test this relationship with significance level (Chi-square) of 0.000.

Next, the researcher tested the goodness of fit test, this is tested by Hosmer and Lemeshow Test to test for the model's feasibility in research, which is shown in **table (6)**. The test result is conveyed as the chi-square value is 8.605 with significance of 0.377 (>0.01). then the model is declared to have the ability to calculate the research value and the model is compatible (Islamiati, 2021).

Table (6) Hosmer and Lemeshow Test of Model (1)

Model (1)	Chi-square	df	Sig.
	8.605	8	.377

Source: IBM SPSS 26 output

Lastly, the researcher tested the coefficient of determination and the hypothesis test. The coefficient of determination was carried out to show the ability of the audit firm reputation (independent variable) to explain the auditor's going concern opinion accuracy. Using the value of Nagelkerke R Square, the results in **table (5) model (1)** show that Nagelkerke R Square equal 0.126, which means that audit firm reputation explains about 12.6% of the auditor's going concern opinion accuracy.

Then the research hypothesis (H1) was tested based on Wald test with significant level of 0.01 or 1%. Wald test aims to show how much the independent variable affects the dependent variable. As Wald value is equal to 1.746, a regression coefficient (β_1) is equal to (-0.132), which indicates the negative direction of the relation, and a significant level of 0.186, which is higher than 0.01, then the first hypothesis (H1) was rejected and the null hypothesis (Ho) was accepted which indicates that: there is no significant effect of audit firm reputation on auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange. This is consistent with the previous studies (Islamiati et al. 2022; Rahma and Sukirman, 2019), which indicated that the audit firm reputation does not significantly affect auditor's going concern opinion accuracy.

There are different justifications for this insignificant relationship between audit firm reputation and auditor's going concern opinion accuracy. Firstly, audit client firms are more concerned with the quality of the audit report rather than the reputation of the audit firm. Secondly, this insignificant relation may be because audit client firms trust more the Big 4 audit firms rather than second tier or third tier or local audit firms. Thirdly, high reputable audit firms, that are affiliated to first tier or second tier or third tier or any other foreign audit firms, fear of losing current audit client firms as a result of issuing modified audit report regarding going concern of the firm as a result of opinion shopping. This will affect the market share of the audit firm in the audit market. Fourthly, the audit firm reputation can be measured by the auditor specialization rather than the audit firm size.

Table (5) Results of Binary Logistic Regression for Model (1) and Model (2)

Model (1)					Model (2)			
	β	Wald	Sig.		B	Wald	Sig.	
REP	-.132	1.746	.186		-.114	1.223	.269	
LIQ	.412	8.536	.003**		.414	8.625	.003**	
LEV	-.012	.928	.335		-.012	.857	.355	
FSIZE	-.052	.420	.517		-.057	.485	.486	
LOSS	-1.002	12.403	.000**		-1.010	12.585	.000**	
Constant	3.065	2.888	.089		3.046	2.782	.095	
FLOAT					2.159	1.985	.159	
REP*FLOAT					-.458	1.087	.297	
-2Log Likelihood				422.6324				418.4483
Chi- Square				43.261				47.445
Sig (Chi- Square)				0.000**				0.000**
Cox & Snell R Square				0.064				0.70
Nagelkerke R Square				0.126				0.137

Source: IBM SPSS 26 output

And concerning the research question regarding the used control variables (Firm liquidity, firm size, firm leverage, and firm loss) which is:

Q1: Do Firm liquidity, firm size, firm leverage, and firm loss, each one separately, affect the relation between audit firm reputation and auditor's going concern opinion accuracy, in the context of the relation being tested?

To Answer this question, as shown in **table (5) model (1)**, firm liquidity (LIQ) has a regression coefficient (β_2) is equal to (0.412), which indicates the positive direction of the relation, and a significant level of 0.003, which is lower than 0.01, then it is accepted that firm liquidity affects the auditor's going concern opinion accuracy. Concerning firm loss (LOSS) has a regression coefficient (β_4) is equal to (-1.002), which indicates the negative direction of the relation, and a significant level of 0.000, which is lower than 0.01, then it is

accepted that firm loss affects the auditor's going concern opinion accuracy.

In contrast to firm leverage (LEV) has a regression coefficient (β_5) is equal to (-0.12), which indicates the negative direction of the relation, and a significant level of (0.335), which is higher than 0.01, then firm leverage does not affect the auditor's going concern opinion accuracy. Concerning firm size (FSIZE), it has a regression coefficient (β_3) that is equal to (-0.052), which indicates the negative direction of the relation, and a significant level of (0.335), which is higher than 0.01, then firm size does not affect the auditor's going concern opinion accuracy.

4.3.2 Testing (H2)

To test the research hypotheses, the Binary Logistic Regression model is used as it is a statistical test used to predict a single binary variable using one or more other variables, where the dependent variable GCOACC will be measured using binary variables (one or zero), while multiple linear regression is not used in the study as it evaluates predictions of continuously distributed outcomes. **Table (5), model (2)** shows the results of testing the second hypothesis (H2) which assumes that: the significant effect of audit firm reputation on auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange differs with the exchange rate floatation.

Firstly, the researcher tested the overall model test to measure whether the model was suitable to be applied, by comparing the value of calculated Chi-square value of model (2), which was shown to be equal to 47.445, with the tabulated Chi-square value at significance level (1%) and degrees of freedom (df) = 7, which is equal to 18.475. Therefore, the calculated Chi-square value (47.445) is greater than the tabulated Chi-square value (18.475), which means that the model is suitable to test this relationship with significance level (Chi-square) of 0.000.

Next, the researcher tested the goodness of fit test, this is tested by Hosmer and Lemeshow Test to test for the model's feasibility in research, which is shown in **table (7)**. The test result is conveyed as

the chi-square value is 8.962 with significance of 0.346(>0.01). then the model is declared to have the ability to calculate the research value and the model is compatible (Islamiati, 2021).

Table (7) Hosmer and Lemeshow Test of Model (2)

Model (2)	Chi-square	df	Sig.
	8.962	8	.346

Source: IBM SPSS 26 output

Lastly, the researcher tested the coefficient of determination and the hypothesis test. The coefficient of determination was carried out to show the ability of the exchange rate floatation (moderating variable) to change the effect of the relationship between audit firm reputation and auditor's going concern opinion accuracy. Using the value of Nagelkerke R Square, the results in **table (5) model (2)** show that Nagelkerke R Square equal 0.137, which means that audit firm reputation explains about 13.7% of the auditor's going concern opinion accuracy.

Then the research hypothesis (H2) was tested based on Wald test with significant level of 0.01 or 1%. As Wald value of the interactive variable (REP*FLOAT) is equal to 1.087, a regression coefficient (β_3) is equal to (-0.458), which indicates the negative direction of the relation, and a significant level of 0.297, which is higher than 0.01, then the second hypothesis (H2) was rejected and the null hypothesis (Ho) was accepted which indicates that: the moderating effect of exchange rate floatation does not affect the relation between audit firm reputation and auditor's going concern opinion accuracy for firms listed on Egyptian Stock Exchange.

This means that the decision taken by the Central Bank of Egypt to float the exchange rate on March 21, 2022, and on October 27, 2022, did not have a significant effect on auditor's going concern opinion accuracy, then the auditor may not change his opinion regarding going concern of the firm after the floatation decision. This insignificance may be because of different reasons. Firstly, despite the

fact that the auditor will exert much effort in auditing the financial statement before and after floatation, he will still keep his audit quality to retain his clients' trust rather than the extra effort exerted. Secondly, most of the non-financial firms listed on the Egyptian Stock Exchange are preparing their financial statements in Egyptian pound not other foreign currencies, thus they will not be affected by floatation of the exchange rate. Thirdly, the exchange rate floatation is a macroeconomic crisis not an audit crisis, thus it didn't affect the quality of his audit report and his audit opinion accuracy concerning going concern will not be affected.

And concerning the research question regarding the used control variables (Firm liquidity, firm size, firm leverage, and firm loss) which is:

Q2: Do Firm liquidity, firm size, firm leverage, and firm loss, each one separately, affect the relation between audit firm reputation and auditor's going concern opinion accuracy moderated by exchange rate floatation, in the context of the relation being tested?

To Answer this question, as shown in **table (5) model (2)**, firm liquidity (LIQ) has a regression coefficient (β_4) is equal to (0.414), which indicates the positive direction of the relation, and a significant level of 0.003, which is lower than 0.01, then it is accepted that firm liquidity affects the auditor's going concern opinion accuracy. Concerning firm loss (LOSS) has a regression coefficient (β_6) is equal to (-1.010), which indicates the negative direction of the relation, and a significant level of 0.000, which is lower than 0.01, then it is accepted that firm loss affects the auditor's going concern opinion accuracy.

In contrast to firm leverage (LEV) has a regression coefficient (β_7) is equal to (-0.12), which indicates the negative direction of the relation, and a significant level of (0.335), which is higher than 0.01, then firm leverage does not affect the auditor's going concern opinion accuracy. Concerning firm size (FSIZE), it has a regression coefficient (β_5) that is equal to (-0.057), which indicates the negative direction of

the relation, and a significant level of (0.486), which is higher than 0.01, then firm size does not affect the auditor's going concern opinion accuracy.

5. Conclusions, Limitations, and Implications for Future Research

The objective of this research is to study the effect of audit firm reputation on auditor's going concern opinion accuracy for non-financial firms listed on the Egyptian Stock Exchange (EGX) during the period from 2017 to 2022, with a total of 654 firm-year observations. In addition, the research studies the moderating effect of one of the macroeconomic factors, which is the exchange rate floatation that was decided by the Central bank of Egypt in March and November 2022 on the relationship between audit firm reputation on auditor's going concern opinion accuracy.

To fulfill the research objective, the researcher analyzed the related previous literature that focuses on audit firm reputation and auditor's going concern opinion accuracy to develop the research hypotheses.

Accordingly, the audit firm reputation is the image set by stakeholders of the firm regarding its performance through a set of financial and non-financial aspects associated with the firm during a certain period of time as a result of its surrounding environment. Which can be built as a result of the specialized auditors in the audit firm or the audit firm size, whether it is affiliated to one of the Big 4 audit firms or affiliated to 2nd tier, or 3rd tier, or foreign audit firm, or a local audit firm.

Based on agency theory, that states that there must be a third party between the management and the stockholders, this third party is the external auditor, who is required to issue a professional opinion on the fairness of the financial statements of the audit client firm in order to increase the trust of stakeholders in the firm's financial reports. This trust of stakeholders will build the positive and good reputation of the audit firm in the future.

Thus, while testing the relationship between audit firm reputation and auditor's going concern opinion accuracy, the results indicated a positive direction, insignificant effect of the audit firm reputation on auditor's going concern opinion accuracy. In addition, the researcher expected that the exchange rate floatation will have a moderating effect on the previous relationship, but the results indicated a positive direction, insignificant effect of the moderating variable on the relationship between audit firm reputation and auditor's going concern opinion accuracy. Thus, the two hypotheses (H1 and H2) were rejected.

Finally, these relations took place in the presence of control variables that affect the relation between audit firm reputation and auditor's going concern opinion accuracy, in the context of the relation being tested. These control variables are firm liquidity, firm leverage, firm size and firm loss, and it was proven that firm liquidity and firm loss have significant effects on the relations, while firm size and firm leverage have insignificant effects on the relations.

The research results are subject to several limitations. The research is limited only on studying non-financial firms, regardless to financial firms which are out of the scope of the research. The research also is limited on focusing on one macroeconomic factor only which is exchange rate floatation, regardless to other macroeconomic factors such as: inflation, interest rates, fiscal policy, national income, GDP, and employment which are out of the scope of the research. Finally, the researcher investigated the effect of exchange rate floatation that took place in 2022, regardless to the floatation that took place in 2016 which is out of the scope of the research.

These limitations can be studied in the future research:

- The moderating effect of audit firm reputation on the relationship between audit quality and auditor's going concern opinion accuracy.
- The moderating effect of financial distress on the relationship between audit firm reputation and auditor's going concern opinion accuracy.

- The moderating effect of inflation on the relationship between audit firm reputation and auditor's going concern opinion accuracy.
- The impact of exchange rate floatation on credit risk prediction in the banking sector.

References:

- Abdelghany, E. M. (2017). The impact of adopting international financial reporting standards on the relationship between accounting information and measuring the value of the company, with application on companies listed on the Egyptian Stock Exchange. Unpublished Doctorate Theory. Faculty of Commerce, Alexandria University.
- Ali, G. M A. (2019). Developing an integrated accounting model for corporate Bankruptcy prediction based on financial and non-financial disclosures of Egyptian firms. Unpublished Doctorate Dissertation- faculty of Commerce- Alexandria University.
- Ali, N. M. Z. M. (2020). The effect of the degree of industrial specialization of the auditor and audit tenure on the quality of his professional judgment regarding going concern - an applied study on companies listed on the Egyptian Stock Exchange. *Alexandria Journal of Accounting Research*, 4(2), 361-447.
- Altman, E. I. (2005). An emerging market credit scoring system for corporate bonds. *Emerging markets review*, 6(4): 311-323.
- Altman, E.I.(1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The Journal of Finance*, 23(4), 589-609.
- Amr, A. M. (2022). The effect of financial and non-financial aspects of both audit firm and its client on the auditor's professional judgement accuracy regarding going concern- An applied study on listed companies in EGX. Unpublished Doctorate Theory. Faculty of Commerce, Alexandria University.
- Amr, A. M. (2017). The Effect of Activating Auditor's New Responsibilities Regarding Going Concern On Institutional Investors Perception of Audit Expectation Gap And His Decision To Invest In Companies Stocks –An Experimental Study. Unpublished Masters' Theory. Faculty of Commerce, Alexandria University.

- Anandarajan, A., G.Kleinman, and D.Palmon. (2008). Novice and expert judgment in the presence of going concern uncertainty: The influence of heuristic biases and other relevant factors. *Managerial Auditing Journal*, 23(4): 345-366.
- Arens, a. A., Elder, r. J., Beasley, m. S., and Hogan, C. E. (2017). *Auditing and assurance services : an integrated approach* 16th ed. Pearson.
- Aronmwan, E. J., Ashafoke, T. O., & Mgbame, C. O. (2013). Audit firm reputation and audit quality. *European Journal of Business and Management*, 5(7), 66-75., Available at SSRN: <https://ssrn.com/abstract=2642722>
- Attia, S. H. A. (2022). The modifying effect of the degree of industrial specialization of the auditor on the relationship between his fees for reviewing the annual financial statements and the accuracy of his professional judgment regarding the continuity of non-financial companies listed on the Egyptian Stock Exchange. *Alexandria Journal of Accounting Research*. 1(6): 1-40.
- Averio, T. (2020). The analysis of influencing factors on the going concern opinion - a study in manufacturing firms in Indonesia. *Asian Journal of Accounting Research: Vol. ahead-of-p (Issue ahead of print)*.
- Badawy, H., and Zaki, N. M. (2023). The Effect of Audit Firm Reputation and Busyness on Financial Reporting Timeliness: The Moderating Role of Client Complexity and Floatation of Exchange Rate Empirical Evidence from Egypt. *Science Journal for Commercial Research*, 49(2), 9-64.
- Bergner, J., Marquardt, B. B., & Mohapatra, P. (2020). The auditor reputation cycle: A synthesis of the literature. *International Journal of Auditing*, 24(2), 292-319. doi:<https://doi.org/10.1111/ijau.12193>
- Budisantoso, T., R.Rahmawati, B. Bandi, & A. N. Probohudono. (2017). Audit Opinion Accuracy, Corporate Governance and Downward Auditor Switching: A Study of Association of Southeast Asian Nations Economics Community. *International Journal of Economics and Financial Issues*, 7(5): 530-540.
- Carson, E., Fargher, N. L., Geiger, M. A., Lennox, C. S., Raghunandan, K., & Willekens, M. (2013). Audit reporting for going-concern uncertainty: A research synthesis. *Auditing: A Journal of Practice & Theory*, 32(Supplement 1), 353-384.
- Cassell, C. A., Myers, L. A., Seidel, T. A., & Zhou, J. (2016). The effect of lame duck auditors on management discretion: An empirical analysis. *Auditing: A Journal of Practice & Theory*, 35(3), 51–73. <https://doi.org/10.2308/ajpt-51378>

- Chen, J., W.Dong , H. Han, , & N.Zho. (2020). Does audit partner workload compression affect audit quality?. *European Accounting Review*, 29(5): 1021-1053.
- Chen, Y., J. D.Eshleman, & J. S. Soileau. (2017). Business strategy and auditor reporting. *Auditing: A Journal of Practice & Theory*, 36(2): 63-86.
- Chi, D.-J., & Chu, C.-C. (2021). Artificial Intelligence in Corporate Sustainability: Using LSTM and GRU for Going Concern Prediction. *Sustainability*, 13(21), 11631. doi:10.3390/su132111631
- dan Nengzih, T. M. W. (2021). The Effect of Auditor Reputation, Prior Audit Opinion, Company Growth, Leverage and Liquidity on the Going Concern Audit Opinion Acceptance with Audit Switching as Moderating Variable.
- DeAnglo, L. (1981). Auditor Size and Audit Quality. *Journal of Accounting and Economics*, 3(3), 183-199
- DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics*, 58, 275–326. <https://doi.org/10.1016/j.jacceco.2014.09.002>
- El Rashidy, T. & Elsayed, D. (2017). The Effect of Floating Exchange Rate of The Egyptian Pound on the Financial Statements in the Framework of Egyptian Accounting Standard No. 13, Effects of Changes in Foreign Currency Rates: A Field Study on Companies Registered in the Stock Market. *Accounting Thinking Journal*, Ain Shams University, October, 21(3), 978-1005. (In Arabic)
- Elshahawany, D. N., & Ward, B. E. S. (2022). The Impact of Exchange Rate Volatility on Economic Growth in Egypt. *Journal of Business Research - Faculty of Commerce - Zagazig University*, 44(3), 69-97. doi:10.21608/zcom.2022.108376.1103
- Ezat, A. (2015). The Impact of Audit Related Factors on Audit Report Lag for the Egyptian Listed Non-Financial Companies. *Journal of the Faculty of Commerce for Scientific Research*, 52(2), 1-39.
- Francis, J. R., Mehta, M. N., & Zhao, W. (2017). Audit office reputation shocks from gains and losses of major industry clients. *Contemporary Accounting Research*, 34(4), 1922–1974. <https://doi.org/10.1111/1911-3846.12328>
- Gallizo, J. L., and R.Saladrigues. (2016). An analysis of determinants of going concern audit opinion: Evidence from Spain stock exchange. *Intangible Capital*, 12(1): 1-16.
- Gierbl, A. S. (2021). Data analytics in external auditing. Unpublished Doctoral thesis. University of St. Gallen

- Guiral, A., E.Ruiz, W.Rodgers, and J. A. Gonzalo. (2008). A Cognitive Model Testing Moral Seduction Theory: Unconscious Bias and the Role Played by Expertise. In Proceedings of the Cognitive Science Society, 30(30) : 519:524
- Hapsoro, D., & Santoso, T. R. (2018). Does audit quality mediate the effect of auditor tenure, abnormal audit fee and auditor's reputation on giving going concern opinion?. International Journal of Economics and Financial Issues, 8(1), 143.
- Hardies, K., Breesch, D., & Branson, J. (2016). Do (fe) male auditors impair audit quality? Evidence from going-concern opinions. European Accounting Review, 25(1), 7-34.
- Hardies, K., Vandenhoute, M. L., & Breesch, D. (2018). An analysis of auditors' going-concern reporting accuracy in private firms. Accounting Horizons, 32(4), 117-132.
- Hardies, K. (2020). Auditor independence impairment: bonding between clients and individual engagement partners. Spanish Journal of Finance and Accounting, 49(4): 427-451.
- Hashmi, S. D., S.Gulzar, Z.Ghafoor, , & I.Naz. (2020). Sensitivity of firm size measures to practices of corporate finance: evidence from BRICS. Future Business Journal, 6(1), 1-19.
- International Auditing and Assurance Standard Board (IAASB). (2019). Identifying and assessing the risks of material misstatement. International standard on auditing (ISA) 315-revised. New York NY: IAASB.
- International Auditing and Assurance Standard Board (IAASB). (2015). Communicating key audit matters in the independent auditor's report (ISA) 701. New York NY: IAASB
- International Auditing and Assurance Standard Board (IAASB). (2015). Emphasis of Matter and Other Matter Paragraphs in the independent Auditors` Report International Standard on Auditing (ISA) 706 revised, New York, N.Y: IAASB Available at: www.ifac.org
- International Auditing and Assurance Standard Board (IAASB). (2015). Forming an Opinion and Reporting On Financial Statements. International Standard on Auditing (ISA) 700 revised. New York, NY: IAASB.
- International Auditing and Assurance Standard Board (IAASB). (2015). Going Concern. International Standard on Auditing (ISA) 570 revised. New York NY: IAASB
- International Auditing and Assurance Standard Board (IAASB). (2015). Modifications to the Opinion in the Independent Auditor's Repots

- International Standard on Auditing (ISA) 705 revised, New York, N.Y: IAASB
Available at: www.ifac.org
- International Auditing and Assurance Standard Board (IAASB). (2009). Audit evidence (ISA) 500. New York NY: IAASB
- International Auditing and Assurance Standard Board (IAASB). (2009). The auditor's responses to assessed risks. International standard on auditing (ISA) 330. New York NY: IAASB
- International Accounting Standards Board (IASB). (2014). Presentation of Financial Statements. International Accounting Standards (IAS) 1 . IASB, IFRS foundation, London, UK.
- Junaidi, J., J.Hartono, E.Suwardi, S.Miharjo, B.Hartadi.(2016). Does auditor rotation increase auditor independence? . International Journal of Business, 18(3) : 1315-336.
- Islamiati, R., Julianto, W., & Maulana, A. (2022). The Determination of The Acceptance of Going Concern Audit Opinion: Financial Distress, Institutional Ownership, and Auditor Reputation. Accounting Analysis Journal, 10(3), 206-212. doi:10.15294/aaj.v10i3.52048
- Jan, C.-L. (2021). Using Deep Learning Algorithms for CPAs' Going Concern Prediction. Information, 12, 73. <https://doi.org/10.3390/info12020073>
- Lin, J. (2020). Audit Quality and Audit Firm Reputation: Evidence from China [Unpublished bachelor's thesis]. Wenzhou-Kean University. - Lou, Y., & Vasvari, F. 2013. The Role of Reputable Auditors and Underwriters in the Design of Bond Contracts. Journal of Accounting, Auditing & Finance, 28(1), 20–52.
- Lou, Y., & Vasvari, F. (2013). The Role of Reputable Auditors and Underwriters in the Design of Bond Contracts. Journal of Accounting, Auditing & Finance, 28(1), 20–52.
- Mayhew, B. W. (2001). Auditor reputation building. Journal of Accounting Research, 39(3), 599-617.
- Mohamed, A. H. Y. (2021). The impact of audit fees and excessive administrative confidence on the accuracy of the auditor's opinion regarding going concern. Evidence from companies listed on the Egyptian Stock Exchange. Accounting thought, 25 (1): 476-547
- Montenegro, T. M., & F. A. Brás. (2018). Review of the Concept and Measures of Audit Quality in Three Decades of Research. International Journal of Accounting, Auditing and Performance Evaluation. 14(2/3): 183-253.
- Mukhtaruddin, Pratama, H., & Meutia, I. (2018). Financial Condition, Growth, Audit Quality and Going Concern Opinion: Study on Manufacturing

- Companies Listed on Indonesia Stock Exchange. *Journal of Accounting, Business and Finance Research*, 2(1), 16-25. doi:10.20448/2002.21.16.25
- Nordholm, E., and A. Bjorkstrand. (2014). To issue or not to issue a going concern opinion: A study of factors and incentives influencing auditors' ability and decision to issue going concern opinions. Unpublished Master's Thesis. Uppsala University.
- Nursiam, N., Putri, F. & Pardi, P. (2021). The Effect of Audit Fee, Audit Rotation, and Auditor Reputation on Audit Quality (Empirical Study on Manufacturing Companies Listed on the Idx for the Period 2014-2018). *JURNAL Riset Akuntansi dan Keuangan Indonesia*, 6(2), 113-120.
- Ohlson, J. A. (1980). Financial ratios and the probabilistic prediction of bankruptcy. *Journal of Accounting Research*, 109-131.
- Öhman, P. and Nilsson, A. (2012). Pre-bankrupt going concern warnings: Prediction accuracy, extent and degree of wording ambiguity and phrasing patterns in Sweden. *Nordic Accounting Conference*, 15-16 November, Köpenhamn, Denmark.
- Osman, M. A. A. E. (2021). Studying and testing the relationship between auditor's Firm Reputation and auditor's opinion accuracy regarding going concern of non-financial companies listed on the Egyptian Stock Exchange. *Alexandria Journal of Accounting Research*, 5(3), 129-206.
- Patiran, A., Marani, Y., Bonsapia, M., Mangnite, S. Y., & Noch, M. Y. (2023). Impact of debt default, audit quality, opinion shopping and institutional ownership to acceptance of going concern audit opinions. *PUBLIC POLICY; Jurnal Aplikasi Kebijakan Publik Dan Bisnis*, 4(1), 107-122.
- Pham, D. H. (2022). Determinants of going-concern audit opinions: evidence from Vietnam stock exchange-listed companies, *Cogent Economics & Finance*, 10:1, 2145749, DOI: 10.1080/23322039.2022.2145749.
- Pires, V. and Trez, G. (2018). Corporate Reputation: A Discussion on Construct Definition and Measurement and its Relation to Performance. *Revista de Gestão*, 25(1), 47-64.
- Rahma, F., & Sukirman, S. (2019). The Determinants that Affect the Acceptance of Going Concern Audit Opinion with Auditor Reputation as a Moderating Variable. *Accounting Analysis Journal*, 7(2), 87-94.
- Sabti, A. A. A. A. ., & Anssari, M. A. A. (2022). The Relationship Between the Reputation of Audit Offices and the Accuracy of the Opinion on Continuity and the Extent to Which it is Affected by the Financial Failure Field Research in the Iraqi Stock Exchange. *International Journal of Professional Business Review*, 7(2).

- Shumway, T. (2001). Forecasting bankruptcy more accurately: A simple hazard model. *The journal of business*, 74(1), 101-124.
- Stefan-Duicu, A., & Stefan-Duicu, V. M. (2015). Using the Professional Judgment within the Financial Auditor's Profession. *Global Economic Observer*, 3(1), 141-143.
- Subramanyam, K. R. (2014). *Financial statement analysis* (11th ed.). McGraw Hill.
- Sunarto, S., Oktaviani, R, AjiRamdhani, I. & JaeniJaeni. (2021). Profitability, Liquidity, Size, Reputation of Public Accounting and Timeliness Reporting Financial Statement: An Analysis of Manufacturing Company Overview in Indonesia. *Advances in Economics, Business and Management Research*, 169, 419- 423.
- Wilson, R. (1985). Reputations in games and markets. In A. E. Roth (Ed.), *Game-theoretic models of bargaining*. New York: Cambridge University.
- Zdolšek, D., Jagrič, T., & Kolar, I. (2022). Auditor's going-concern opinion prediction: the case of Slovenia. *Economic research-Ekonomska istraživanja*, 35(1), 106-121.
- Zmijewski, M. E. (1984). Methodological issues related to the estimation of financial distress prediction models. *Journal of Accounting research*, 59-82.

أثر الإفصاح عن مخاطر التغيرات المناخية على قيمة الشركة وترشيد قرارات المستثمرين بالتطبيق على قطاع المقاولات والإنشاءات الهندسية