

Audit Qualification, Firm Litigation, and Financial Information: an Empirical Analysis in Greece

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PDF

Abstract

In this study, we test the extent to which combinations of financial and non-financial information can be used to enhance the ability to discriminate between the choices of a qualified or unqualified (clean) audit report. We examined the financial statements, the opinions of the auditors, and the notes to financial statements for companies that received a qualified audit report and for those that received an unqualified audit report. The data are taken from a sample of 100 Greek companies. Logistic and OLS regression models were estimated to assess the effect of firm litigation and financial information on audit qualification opinion. The qualification decision is associated by financial information such as financial distress and by non-financial information such as firm litigation. The model developed is accurate in classifying the total sample correctly with rate 78%. This study has implications for internal and external auditors and company decision makers.

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