

The Effect of Key Audit Matters Disclosure on Stock Prices and Trading Volumes: Evidence from Listed Companies in the Egyptian Stock Exchange

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Abstract: The research aims to examine the effect of key audit matters (KAMs) on the stock prices and stocks trading volume and audit report. The research's findings are based on an empirical study of 300 firm-year observations from joint stock corporations registered in the Egyptian stock Exchange that are included in (EGX100) index. The researchers selected a sample of those corporations (75 corporations) distributed over several different economic sectors for 4 years. The findings of this research reached that there is a significant effect of key audit matters disclosure on stock prices, there is a significant effect of key audit matters disclosure on trading volume, and there is a significant effect of key audit matters disclosure on audit lag.

Keywords: audit lag, key audit matters, stock prices, trading volume.

1 Research Idea

Since the recent financial scandals and crises (e.g., Enron and WorldCom), stockholders have criticized external auditors for being the reason behind those crises. Therefore, the Public Company Accounting Oversight Board (PCAOB) and International Auditing and Assurance Standards Board (IAASB) issued standards intended to improve the traditional form of the audit report in response to the complaints about the shortage of transparency in audit reports [1]. Both boards implemented key audit matters (KAMs), considered as one of the material modifications to the audit report in the last decade [2]. ISA 701 defined KAMs as: "the matters which, in the auditor's judgment, are of most significance in the audit of financial statements of the current period"[3].

However, the major goal of the expanded audit report is to communicate KAMs to provide an improvement for the investors' perceptions towards the auditor's function and authority. Hence, it is difficult for unsophisticated investors to extract proper information from financial statements and the traditional form of the audit report [4], leading to information asymmetries. Consequently, the target of KAMs is to increase the information content found in the report in order to bring down the information asymmetry and boost the communicative value of the audit report. KAM addresses fields distinguished as material misstatements risks or requiring auditor judgment, fields in which auditors face complexity or subjectivity throughout the audit, and conditions that require serious adjustment in the auditor's planned process where it is difficult to obtain and evaluate evidence.

Despite, the fact that stock prices and stocks' trading volume show less information about the ability of the firm future than its accounting information, many investors depend on the stock price and its trading volume to take the decision whether to invest in the firm or not. Further, the disclosure for KAM provides incremental company information in the report and

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reinforces the stock price.

Due to the importance for the insertion of KAMs to the audit report, the investors depend on it to take their investment decisions. Thus, this study concentrates on examining the association between key audit matters with stock prices, trade volume and audit lag in the companies listed in the Egyptian stock exchange. As a result, the research questions can be summarized as follows:

1. What is the impact of stock prices subsequent the addition of KAMs in auditors' report concerning the stock prices?
2. What is the investors' trading volume after the addition of KAMs in auditors' report?
3. How is the key audit matter reflected on the timely manner of audit report?

The rest of this study is structured as follows. The next section reviews the literature and the theoretical background. A detailed discussion of data collection and variables measurement is included in section 7. Section 8 highlights the results of the study and finally, the research conclusions are presented in section 9.

2 Objectives of the Study

This study aims to:

1. Determine the impact of KAMs on stock prices for the companies listed on the Egyptian stock exchange.
2. Examine the relationship between KAMs on trading volume for the companies listed on the Egyptian stock exchange.
3. Identify the association between KAMs and the audit process.

3 Significance of the Study

The importance of this study can be presented from two points of view. On the one hand, the academic view can be explained by adding to the literature by identifying the influence of stock prices and trading volumes. Also, it gives a better explanation for the KAMs usage on the delay of the audit process. as a result, the study will be useful for most of the academic researchers, governors and standards setter to boost their knowledge of KAMs and the standards related to them.

On the other hand, the empirical view arises after the financial crisis and auditors' accusations of being the reason. Thus, the auditors need to add KAMs to their reports. Therefore, this research provides guidance for accountants, investors, and auditors, this is because of the discussion of the influence of an expanded audit report on both the investors' reaction and the report's timely manner.

4 Research hypotheses:

1st Hypothesis: there is no significant effect between Key audit matters and stock prices.

2nd Hypothesis: there is no significant effect between Key audit matters and trading volume.

3rd Hypothesis: there is no significant effect between Key audit matters and audit lag.

5 Literature review:

[5] investigate the elements that control the number of KAMs disclosed in the main European states in 93 companies with 577 KAMs disclosed. The findings reveal that; firstly, the complexity of accounting standards makes auditors disclose a higher amount of KAMs. Secondly, the audit fee is associated positively with the amount of KAMs. Hence, there is an association between audit fees and client risk. Third, there is a negative association between banks and the number of KAMs. Therefore, financial institutions in a highly regulated and supervised industry disclosed fewer KAMs.

[6] assess whether there is an association between audit committee ownership and audit lag and identify the mediation effect of the quality of financial reporting. They modify audit opinions on this relationship through a sample of 1,665 company-year observations from Australian listed companies over the period 2001 to 2015. The results show that; 1. Audit committee ownership has a positive relationship with audit delay. 2. Financial reporting quality and modified audit opinions mediate this positive relationship.

[1] investigate the impact of key audit matters on managers' behavior. They also examine the moderating effect of informational precision (whether it is firm-specific or nonfirm-specific). Through using a sample of 104 participants distributed between different professions: (commercial managers, head of finance, chief financial officers, chief of

accounting, and chief of controlling), the researchers reached greater transparency by KAMs that provides higher accountability pressure on managers leading to an enhancement of financial reporting quality. Furthermore, this relationship continued with KAM is described as low informational precision. Therefore, KAMs enhance the quality of financial reporting.

[7] examine the impact of KAMs relating to goodwill impairment according to ISA 701 by using an experimental design that consists of 89 investment professionals from different countries around the world, and another similar experiment with 69 non-professional investors. The results show that investment professionals identify the economic condition of the company in a good manner when KAMs are added. Furthermore, for non-professional investors, a KAM section has no communicative value.

[8] examine the effect of the expanded audit report on audit effort (measured by audit fees and delay of audit process); audit quality (proxied by absolute abnormal accruals); investors (measured by value relevance) and client disclosures using a sample that consists of 132 New Zealand listed issuers in 2015 and 2016. The results reveal that there is a positive association between KAMs and audit fees, audit delay, and value relevance in the year KAMs are introduced. In the antecedent year, there is no significant association between KAMs and audit quality, and client disclosures for inventories are higher for inventory KAM companies than non-inventory KAM companies.

[9] examine the influence KAMs disclosures in Australia on the quality of audits by highlighting key stakeholders in the market based on interviewing 20 participants throughout Australia during the first half of 2019. The research reveals that there is little agreement among stakeholders on whether the KAM improves audit quality. The participants accept that KAM disclosures add value to the audit process. Thus, (1) the auditors and regulators agree that the disclosure of KAM consumes money and time, (2) the Big Four auditors agree that KAMs lead to independent reviews and (3) the non-Big four auditors agree that KAMs increase the interactions with their clients.

[10] examine the relationship between the directors of the audit committee and the number of KAMs. This is intended to test whether the quantity of KAMs influences the audit quality (measured by audit fees). Their study depends on financial companies in the Muscat Stock Market between 2014 and 2019. They reveal a positive relationship between overlapped audit committees and KAMs. There is also a positive association between KAMs disclosure and the value of external auditing.

[11] examine the way disclosed the risky items in key audit matters (KAM) impact the investors' assessment of risk for both financial and non-financial information by using an experimental task on 120 investors. They find that investors' reactions are the same as KAM. However, when KAMs are intended for financial or non-financial information, investors put investment risk higher or lower respectively.

[12] examine the impact of other comprehensive income (OCI) on audit fees and audit lag. They also test the moderating influence of board gender diversity on the relationship of OCI on audit fees and audit lag through a sample of 90 listed Egyptian companies for the period from 2013 to 2019. The study reveals that (1) the OCI has a significant positive impact on audit fees and audit lag and (2) the moderating role of board gender diversity is obvious, that is to say, the ratio of females in the board affects positively the association between OCI and audit fees. On the contrary, there is an insignificant effect of board gender diversity on the association between OCI and audit lag.

[13] investigate the association between auditor rotation and the quality of financial reporting and examine if the changes in KAMs affect auditor rotation with a sample of 2,864 firm-year observations from Taiwan over a period between 2016 and 2018. The study shows that audit rotation has an impact on KAMs. Also, the auditor rotation does not significantly affect the accruals quality when KAMs do not change after the rotation.

[14] investigate the effect of the industry characteristics, company, and auditors on the level of disclosure of KAMs using Bangladesh as an example of an emerging economy by a sample of 447 firm-year observations from the Dhaka Stock Exchange for the years between 2018 and 2020. They find that there is an association between industry level, level of the company and auditor characteristics, and KAMs' communication. That is reflected in significant variances between companies in the amount and types of KAMs. Hence, companies with High regulation influence disclose a large amount of KAMs. Additionally, the firm size and its age affect positively the number of KAMs disclosed. Whether the audit office is a big 4 or not big 4 does not influence KAMs. In contrast, there is no relationship between audit fees and auditor rotation, and KAMs.

[15] investigate the information results of the extended audit report for the period between 2011 and 2015 in the UK. Hence, the samples are 376 firm-year observations for identifying risk, systematic risk, and cost of equity; 572 firm-year observations for analyzing bid-ask spread, trading volume, and volatility; 556 firm-year observations for analyst forecast dispersion. The study finds that the expanded audit report has an impact on market indicators. Companies with an expanded audit report disclose a higher level of risks of material misstatement, risk, and cost of equity.

[16] examine the investors' perceptions of the audit lag in the period between 2003 and 2017 by 15,076 firm-year observations. The result reveals that the audit lag has a positive effect on the cost of equity. Moreover, there is a moderation effect of audit committees, Big N auditors, and industry-expert auditors in this relationship.

Based on the above literature, the following research gap can be concluded:

There is no doubt about the quality of key audit matters add to the audit report. In contrast, a debate has risen about the benefits of key audit matters for investors. Hence, [7] find that its addition affects professional investors only. On contrary, [1] discuss that KAMs provide high accountant pressure on managers that is reflected in high financial reporting quality, also [11] and [15] reveal that the disclosed the material misstatement come in favor of the investors.

On the other hand, the complexity of the addition and discovery of the key audit matters has a high impact on the audit process which causes its delay and high legislation risk as mentioned by [5,6,8,9]. According to [14] the number of KAM is affected by the size of the company, in contrast, the study conducted by [13] shows that KAMs are affected by audit rotation, but [10] find the number of KAMs is affected by audit committee directors.

Therefore, this study seeks to focus on Egypt as an example of an emerging market and determine the influence of key audit matters on the investors' reaction proxied by stock prices and trading volume and the auditors' report proxied by audit delay.

6 Research Background:

Firstly: Disclosure of material matters and their impact on investors' decisions

1. *Disclosure of key matters and information asymmetry*

Information asymmetry occurs due to the agency problem due to the lack of information the stakeholders know [17]. As a result, the market becomes inefficient. The disclosure of KAMs is introduced by decreasing the information gap between the users of financial statements and auditors. Furthermore, there are two forms of information asymmetry:

The first form includes asymmetry or inequality between the management and the internal parties on the one hand, and between the external parties on the other hand, where the management acquires all the company's information and the audit process, while the external parties have only the information disclosed by the management.

The second form includes asymmetry or inequality between the external parties to each other, in the sense that the auditor has information that exceeds the information of the company's shareholders, as it is disclosed to them through the usual and typical form of the auditor's report.

Therefore, the report for KAMs provides information that was not available to the audit report users, enabling them to understand the companies and areas of professional judgment. Additionally, the report on key audit matters increases the disclosure content and the communicative value of the information contained in the audit report.

According to [17], KAM provides additional information in the audit report, which turns private information into public information, by helping in the reduction of risks faced by the companies in the contemporary period.

Based on the aforementioned, the researcher concludes that the KAMs introduced to decrease the information gap that exists due to agency costs. As a result, the investors identify the risk in the company and take their decisions upon their full knowledge.

2. *Disclosure of key matters and the predictive ability of future information*

The audit report represents the main output of the audit process for users of the financial statements, who have expressed their need for additional information regarding KAMs related to the aspects contained in the financial statements and related to material judgments by management or auditors. Also, it highlights the significant risks in the audit whether the estimation is complex or subjective. The implementation of KAMs is an alert for stakeholders that there are material client risks [18].

The report of KAMs will not shift the auditor's responsibility regarding his/her assessment of risks or the design or implementation of appropriate procedures to address those risks. Additionally, the audit evidence obtained, and will not change the responsibilities of management and those charged with governance regarding the preparation and presentation

of the financial statements, which include the appropriate disclosures in accordance with the preparation and presentation of the financial statements.

KAMs work as information intermediaries to cut down the conflicts between companies and investors. Further, their forecasts affect the information environment and play an investigative role in providing insights into the information disclosed [19].

Based on the above-mentioned, it is concluded that KAMs have explanatory power through the provision of timely value-relevant information to identify the level of financial distress for the audited company.

3. *Disclosure of key matters, investor decisions, stock prices and the value of the company*

The report on key audit matters is a form of expanding the information disclosed that increases the investors' ability to make decisions, provides them more about the auditor's process, the difficulties encountered by the auditor, the aspects that required him to justify the audit plan and the difficulty in reaching professional judgment during the audit process. The improvement is obvious in investors' decisions for the following reasons:

- A. Highlighting aspects of high relative importance.
- B. Providing the investor with predictive information related to the future of the company.
- C. The report of KAMs helps in raising confidence in the value of the information given by the auditor to stakeholders.
- D. The report of KAMs makes the auditor's report timely and improves investors' ability in their decisions.
- E. The auditor's commitment to reporting on audit matters in clear and understandable language and terminology increases the ability of investors in their decisions.

The primary aim of KAMs is to enhance the audit quality and provide supplementary information to stakeholders. According to Zhai et al. (2021) KAM adds additional firm-specific information to audit report and improves stock price.

The characteristics of the audited companies affect the number of KAMs that exist in the audit report which can be used as an indicator of the quality of the company. The fewer KAMs disclosed, the more advantage the company has over its investors.

Based on the study of Al-mulla and Bradbury (2021), the following model is conducted to measure the relationship between key audit matters and stock price.

$$\beta_0 + \beta_1 (NI) + \beta_2 (BVE) + \beta_3 (KAMk) + \beta_4 (NI \times KAMk) + \beta_5 (BVE \times KAMk)$$

4. *Disclosure of key matters, and trading volume*

The investor faces three situations that require him to make an investment decision:

1. **Purchasing decision:** The investor takes this decision if he wants to own a financial asset. The investor resorts to this decision when the expected cash flows' present value overflow the current market value of the subject matter of the asset, taking into account the risk factor.
2. **Not to trade decision:** The investor takes this decision in a state of equilibrium, i.e. the present value of the expected cash flows is equivalent to the current market value considering the risk. In the midst of this situation, the investor resorts to this decision not to achieve any expected returns, whether in buying or selling.
3. **Sale decision:** The investor takes this decision when the market value of the financial asset in his ownership is greater than the present value of the expected cash flows under the given risk. The investor believes that the opportunity is for making profits. And when he takes the decision to sell and waits for the new conditions in the market that are produced by the forces of supply and demand, to re-take the decision to buy or not, this is the investment cycle.

However, the main aim of KAMs is to provide information about significant risk which is relevant to investors. Therefore, the incremental information changes market prices or trading volume [8]. Further, [20] point out that the expanded audit report affects positively the abnormal trading volume as investors obtain new information. In contrast, [21] find that KAMs are not significantly associated with changes in the investors' reaction in the UK. Additionally, [22]) find that in France there is no significant association between market reaction and the KAMs disclosure and the French expanded audit report does not influence investors and the audit process overall.

Secondly: KAMs and audit quality

1. Types of KAMs affecting the audit report

KAMs are related to the most material issues, which the auditors discussed with those charged with governance. Hence, KAMs consist of transactions with high management judgment due to high estimation uncertainty, unusual transactions, fields of high risks of material misstatement, and critical difficulties [23,17]. However, they are not constant in all companies but vary due to many factors such as macroeconomic factors, the complexity of the company itself, and the industry. Further, the types of key audit matters include revenue recognition, property, plant and equipment, goodwill, investment, goodwill, investment properties, trade receivables, intangible assets, tax, foreign components, liquidity, and others.

Moreover, according to the study by [24], the insertion of KAMs into the audit report is predicted to increase its communication value, transparency, accurate risk assessment, auditors' suspect towards audit evidence, and auditors' accountability which consequently affects the overall audit quality. Also, the study of [25] finds that the addition of KAMs is related to more audit effort and quality in developing countries than in developed countries.

In light of the aforementioned discussion, it is concluded that KAMs from the auditors' point of view are the most significant items that affect the investor's decision by increasing the amount of information provided to them and highlighting the risks that face the company. As a result, the auditor exerts more effort in identifying those risks and collecting suitable evidence.

Based on the study of [8], the following model is conducted to measure the relationship between key audit matters and audit quality.

$$AbAbAcc = \beta_0 + \beta_1(Post) + \beta_2(Size) + \beta_3(Leverage) + \beta_4(ROA) + \beta_5(Loss) + \beta_6(Big\ 4)$$

Where: AbAbAcc = absolute value of abnormal accruals using the Modified Jones Model.

Post = KAM characteristics.

2. The relation between key audit matters and audit lag

The report for key audit matters requires an increase in audit scope in terms of the time and audit evidence, which contains high-risk, and audit judgments or estimations. As a result, this can delay the issuance of the audit report. Audit lag is defined as "the period between a company's fiscal year-end and the audit report date". However, there is pressure on auditors to shorten the time consumed to produce their audit reports. There are two cases discussed by [26]:

In the first case, auditors may consume low effort, time, and quality, in order to meet the issuance of audit reports within 3 months of issuing the financial statements or unable to increase the fees to compensate for the great need for audit evidence.

In the second case, auditors raise the quality of their audit due to the addition of KAMs, but the audit fees, effort, and engagement of skilled auditors to the audit team will increase.

KAMs impact positively audits efforts that consequently increase audit lag [27]. Therefore, auditors need time in the audit process because of the time consumed to find matters with significant risks of material misstatement, discuss their findings with the ones accountable for governance, and formulate and review the audit report.

Based on the aforementioned, the researcher deduces that identifying and reporting KAMs consumes more time than the traditional report. Thus, the more KAMs are included in the report, the wider the audit lag.

Based on the study of [26], the following model is conducted to measure the relationship between key audit matters and audit lag.

$$ADFEE_{it} = \beta_0 + \beta_1 KAM_{it} (NKAM_{it}) + \beta_{2-20} CONTROLS_{it} + YR + IND + \varepsilon_{it}$$

$$ARL_{it} = \beta_0 + \beta_1 KAM_{it} (NKAM_{it}) + \beta_{2-20} CONTROLS_{it} + YR + IND + \varepsilon_{it}$$

3. The role of internal auditor, audit committee, and board of directors on key audit matters

According to IAS 701, the external auditor must contact the selected key of matters to those charged with governance. KAM disclosure is challenging for auditors in order to restore stakeholder trust after the financial crisis.

Hence, the interaction with the internal auditor in order to obtain knowledge about the business issues and internal control systems [28]. The external auditor needs to gain knowledge about the company through communication with the internal auditor.

Further, the audit committee is responsible for the audit process, and the connection between the audit committee and the external auditor is for promoting the audit report's transparency. Thus, these communications between auditors and audit committees are critical in the extended audit report to produce more readable KAM disclosures that move toward shareholders' interests [29]. The audit committee must discuss the following with the auditor: whether the disclosure in the financial statements is enough and fair for the matters related to KAMs and the response of the board of directors for KAMs.

Moreover, auditors should consider the board of directors, which plays a critical role in putting and observing the companies' strategies. The reunion between the board of directors and the external auditor leads to the removal of any possible disagreement about KAMs revealed by the auditor.

In the spirit of the above discussion, it is concluded that KAMs must be discussed with the ones responsible for governance. For this reason, the internal auditor gives a detailed report about the internal control and fields of risk in the company which the external auditor should focus on. While the communication with the audit committee and board of directors is for discussing with them the KAMs to provide justifications and the external auditor may find that there is no need to add them to their reports.

7 Research Methodologies:

In the previous parts, the researcher dealt with a scientific basis for the theoretical framework of the research topic, and the value of scientific research is achieved by linking the theoretical aspects with the practical aspects so that the research topic is completed, and its objectives are achieved. In the light of the foregoing, and to complement the desired benefit of the research, the researcher believes that it is necessary to verify the validity of what was reached through the theoretical study, in addition to testing the research hypotheses, by going to the practical reality and on a sample of the companies listed on the Egyptian Stock Exchange. The applied study addressed the following points:

7.1 Applied Research Aim:

The research gives practical evidence from the Egyptian environment for the companies registered in the Egyptian Stock Exchange to KAMs disclose and the impact of this on the stock prices of these companies in the market and the trading volumes on their shares, in addition to the impact of that disclosure on delaying the audit report issuance.

- 1- Measuring the level of KAMs disclosure in the audit report of the sample companies by analyzing the descriptive content of the words and phrases indicating the material matters in the audit report. and analyzing the disparity between the constituent sectors of the sample companies regarding this disclosure.
- 2- Measuring the effect of KAMs disclosure on stock prices and trading volumes.
- 3- Measuring the effect of KAMs disclosure on audit lag.

7.2 Research Population and Sample:

The research population is represented by the stock corporations registered on the Egyptian stock Exchange that are included in (EGX100) index. The researcher selected a sample of those corporations distributed over several different economic sectors according to the extent to which the corporations fulfill a set of determinants and controls which are as follows:

- The corporation's shares are included in the Egyptian stock exchange in the (EGX100) index and traded during the study period.
- Excluding financial services sector corporations (banking sector and non-banking financial services sector) because of their different nature.
- The corporation must have been registered in the stock exchange for a period more than four years, has not made regular losses during the study period, and has not been subjected to delisting, merger during the study period.
- The corporation's financial reports are disclosed in Egyptian currency through the corporation's website and enough data are available to measure the study variables.

The application of the previous criteria resulted in the selection of (75) corporations to represent the study sample distributed over a number of different economic sectors^(*), and table no. (1) represents the study population and the sample selection

^(*) At the end of 2019, the management of the Egyptian Stock Exchange restructured the market sectors and divided them

procedures, as follows:

Table 1: Corporations representing the research sample and their sectors^(*).

	Sector name	No. of corporations	Views (4 years)	%
1-	Distributors, trade, paper and packaging materials	3	12	4.00%
2-	real estate	19	76	25.33%
3-	Basic resources	10	40	13.33%
4-	Services, industrial products and cars	3	12	4.00%
5-	Food, Beverage and Tobacco	10	40	13.33%
6-	Textiles and durable goods	5	20	6.67%
7-	Building materials	6	24	8.00%
8-	Tourism and entertainment	4	16	5.33%
9-	Contracting and engineering construction	4	16	5.33%
10-	Health care and medicines	4	16	5.33%
11-	Shipping, transportation, energy and support services	4	16	5.33%
12-	Communication, media and information technology	3	12	4.00%
	Totals	75	300	100%

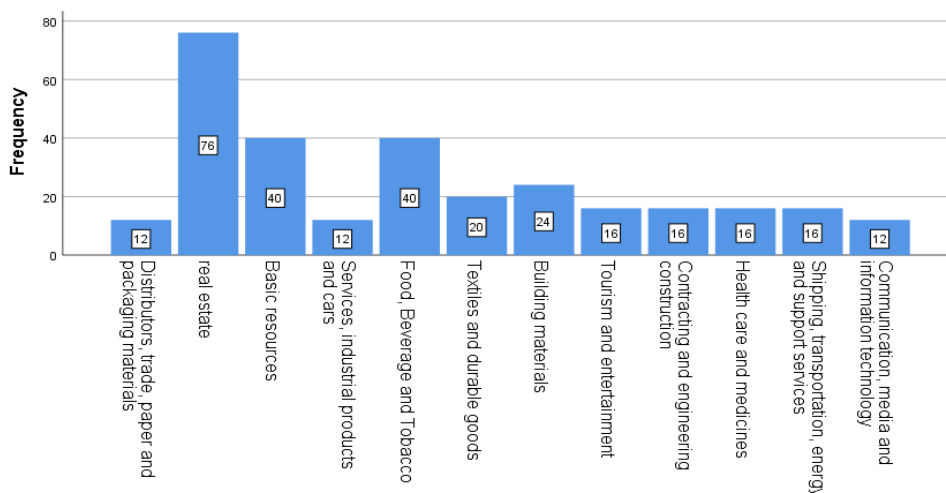


Fig.1: Sectors representing the study sample.

7.3 Data Collection Methods and Sources:

The applied study depends on the content analysis method, based on the corporation's annual financial reports, with a focus on the footnotes and disclosure paragraphs on audit report, and The available information either on the corporation website, or on the Egyptian Stock Exchange website, in addition to, the available information on websites that are interested in financial analyzes of registered corporations.

into (18) sectors, where new sectors were added, and other sectors were merged with each other. Due to the large number of sectors, sectors with similar characteristics were merged together to control the relative weight of corporation numbers in each sector and for the ease of statistical analysis. **For more details** about the restructuring of the Egyptian Stock Exchange sectors, review the following:

https://www.egx.com.eg/ar/EGX_Milestones.aspx?Year=2019.

^(*) Source: Prepared by the researcher. Appendix No. (1) shows the corporations names under study, the sector to which each corporation belongs.

Data were gained from the following websites:

1. The sample firms websites.
2. Egyptian Stock Exchange website <https://egx.com.eg>
3. Mubashir Saudi website <https://www.mubasher.info/markets/sa>
4. Investing.com website <https://sa.investing.com>
5. Reuters website <http://www.reuters.com/finance>

7.4 Applied study Duration and Limitations:

The research covers the financial years 2018, 2019, 2020 and 2021 to measure the level of disclosure of key audit matter in this period, and due to the dynamic nature of the Internet, where it is not possible to visit websites for previous periods and learn about their contents, the researcher chose the period from 20/1/2023 to 25/1/2023 to visit the websites of the corporations sample to complete the proposed list to measure the level of disclosure about key audit matter and stock prices and volume trading in these corporations

When analyzing the effect key audit matter on stakeholders' decisions, the researcher focused on the stock prices, volume trading and audit lag.

The researcher was limited to the controlling variables in the research models on the corporation size, financial performance of the corporation, The degree of financial leverage, the quality of the audit partnership.

7.5 Applied Variables:

Depending upon the study's objectives, hypotheses and limits, the study variables are represented in independent variables, dependent variables, and control variables can be shown as follows:

First: the main variables of the study:

1- key Audit Matters Disclosure (*KAMD*):

Due to the absence of a separate report to disclose key audit matters in the Egyptian business environment at the present time, as the auditors of the companies registered in the Egyptian Stock Exchange publish information about KAMs, The researcher followed the same approach as many previous studies to create an indicator to Measuring the level of disclosure of KAMs based on the descriptive content analysis methodology of some words and phrases indicating key audit matters [4,28,29,30]. The Impact of the Implementation of, which consist of (36) items (Appendix No. 1) based on the following [31]:

- International Auditing Standard No. (701) Titled Disclosure of KAMs in the auditor's report issued in 2015.
- Proposal of the international standard for issuance in 2016 about The Public Company Accounting Oversight Board (PCAOB) Which is considered a development of the International Auditing Standard (701).

In light of the foregoing, the level of disclosure of the main audit matters is measured by dividing the number of words or items that have been disclosed within the KAMs section of the audit report by the total number of proposed items, which are (36) items.

2- Stock prices (*SP*):

This variable is measured using the company's share price on the date of preparing the financial statements (the closing price per share), from the Egyptian Stock Exchange website[35,36].

3- Trading volumes (*VOLUME*):

This variable is obtained through the company's financial statements, depending on the number of outstanding and traded shares during the year[37,38].

4- Audit Lag (*ARL*):

Audit Lag is the period between the date the financial statements issuance and the date of signing the audit report [39,40].

Second: the control variables of the study:

Control variables, as will be shown in the following table, are some factors affecting the basic variables of the study, but they do not fall within the scope of the study. And these factors were added in order to neutralize its impact and adjust the association between both independent and dependent variables. Among the most important variables identified by the researcher in light of the results of previous studies are the corporation size, financial performance of the corporation, The degree of financial leverage, the quality of the audit partnership.

Table 2: Controlling study variables and their measurement method.

Variables	Abbreviation	Measurement method
Firm size	FSIZE	The firm size is the natural logarithm of the total assets the company have.
financial performance	ROA	This ROA ratio is the measure of efficiency level of a company to maximize its assets to generate profit (net income) and an indicator for management's efficiency. This ratio is measured by dividing the net profit before tax by the company's total assets.
The degree of financial leverage	LEV	Leverage ratio is a ratio of the usage of external party funds to finance the companies' expansion and operation. Leverage ratio is the ratio of total liabilities to total assets
Audit partnership quality	BIG4	It is a dummy variable: (1) if the audit partnership is one of the major partnerships (BIG4) or associated with major offices, or (0) otherwise.

7.6 Applied study Models.

Based on what was presented through the research problem, objectives and hypotheses, the researcher relies on three models to test the research hypotheses, which are:

1-The first model:

It is a model to measuring the effect of KAMs disclosure on stock prices. This model covers the first hypothesis of the study: *There is a significant effect of KAMs disclosure on stock prices.*

The first model of the study can be formulated with the following mathematical equation:

$$SP_{it} = \beta_0 + \beta_1 KAMD_{it} + \beta_2 FSize_{it} + \beta_3 ROA_{it} + \beta_4 Lev_{it} + \beta_5 BIG4_{it} + \varepsilon_{it}$$

Hence:

- SP_{it} : stock prices.

- $KAMD_{it}$: key audit matters disclosure.
- $Size_{it}$: Firm Size.
- ROA_{it} : financial performance (ROA).
- Lev_{it} : Leverage.
- $BIG4_{it}$: Audit partnership quality
- ϵ_{it} : Amount of random.

The first model of the study can be illustrated by the following figure:

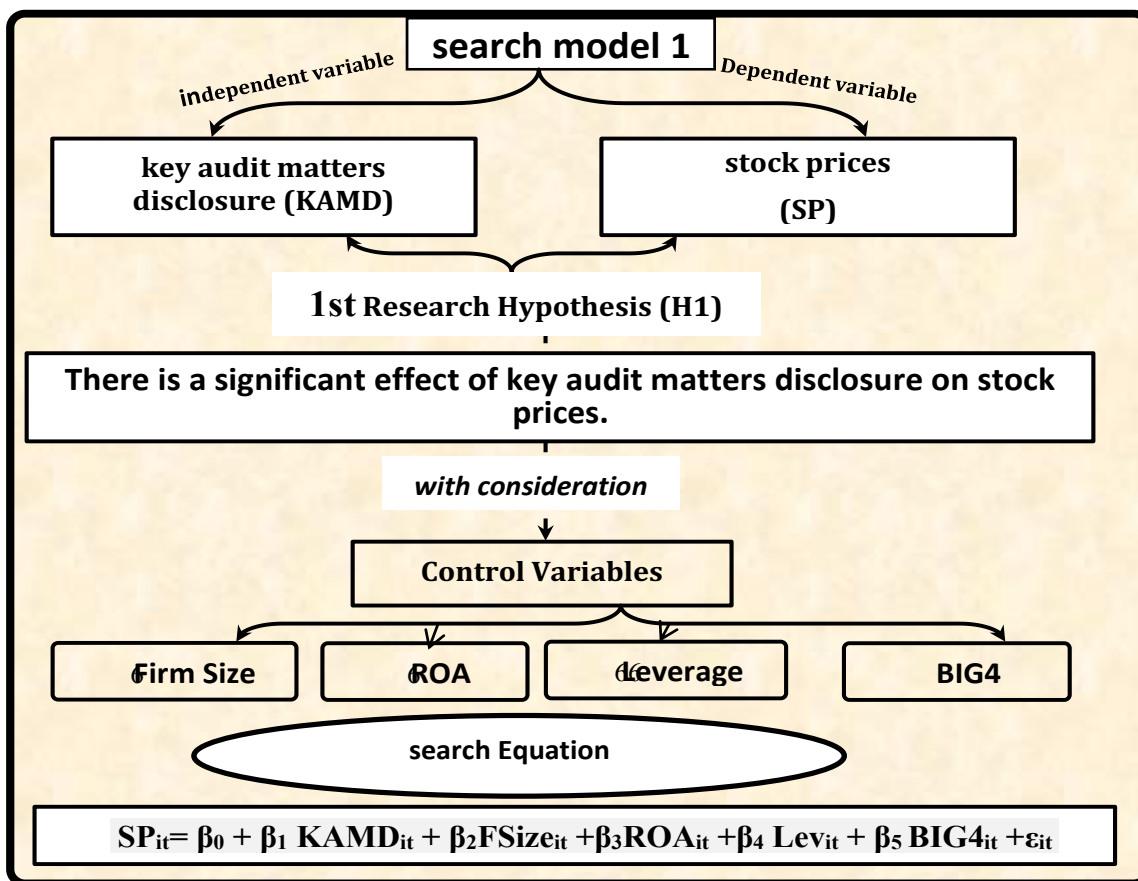


Fig.2: Model (1).

2-1The Second model:

It is a model to Measuring the effect of KAMs disclosure on trading volume. This model covers the second hypothesis of the study: *There is a significant effect of KAMs disclosure on trading volume.*

This model can be formulated with the following mathematical equation:

$$VOLUME_{it} = \beta_0 + \beta_1 KAMD_{it} + \beta_2 FSize_{it} + \beta_3 ROA_{it} + \beta_4 Lev_{it} + \beta_5 BIG4_{it} + \epsilon_{it}$$

Hence: $VOLUME_{it}$: trading volume. , $KAMD_{it}$: key audit matters disclosure , $Size_{it}$: Firm Size , ROA_{it} : financial performance (ROA) , Lev_{it} : Leverage , $BIG4_{it}$: Audit partnership quality , ϵ_{it} : Amount of random.

The Second model of the study can be illustrated by the following figure:

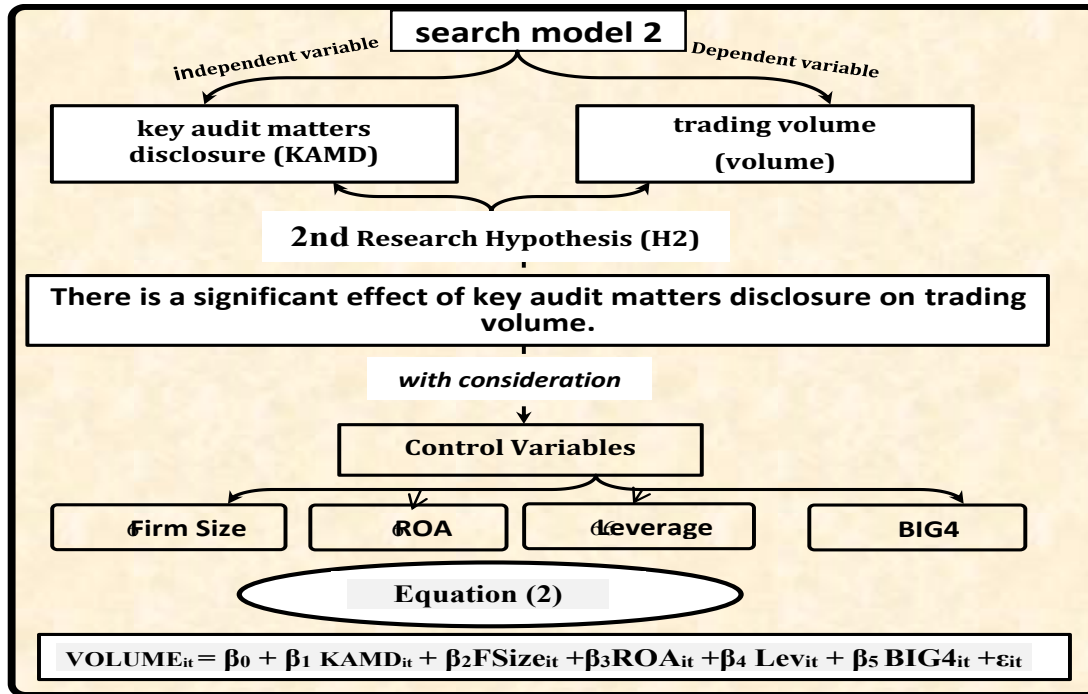


Fig.3: Model (2).

3-The third model:

It is a model to Measuring the effect of KAMs disclosure on audit lag. This model covers the third hypothesis of the study: *There is a significant effect of KAMs disclosure on audit lag.*

This model can be formulated with the following mathematical equation:

$$ARL_{it} = \beta_0 + \beta_1 KAMD_{it} + \beta_2 FSize_{it} + \beta_3 ROA_{it} + \beta_4 Lev_{it} + \beta_5 BIG4_{it} + \epsilon_{it}$$

Hence: ARL_{it} : audit report lag, $KAMD_{it}$: key audit matters disclosure, $Size_{it}$: Firm Size, ROA_{it} : financial performance (ROA), Lev_{it} : Leverage, $BIG4_{it}$: Audit partnership quality, ϵ_{it} : Amount of random.

The third model of the study can be illustrated by the following figure:

8 Analyze the results and test the hypotheses of the research

The researcher depended upon some statistical methods contained in the Statistical Package for Social Science (SPSS)] (version (25) in statistical data analysis). The nature of the data required determining the necessary and appropriate statistical methods, which are as follows: [41,42]

- 1- Determining the validity of the data for statistical analysis by examining the extent to which the data follows a normal distribution in order to determine the type of tests used after that, and to measure the explanatory ability of the study models, in addition to testing overlapping or linear duplication and self-correlation of the study models.
- 2- Characterizing the quantitative and descriptive variables of the study through descriptive statistics methods, the most important of which are the arithmetic mean, the standard deviation, the highest value and the lowest value.
- 3- Testing the hypotheses of the study through inferential statistics methods, the most important of which are correlation analysis and simple regression analysis, with a focus on the coefficient of determination (R square), as

follows:

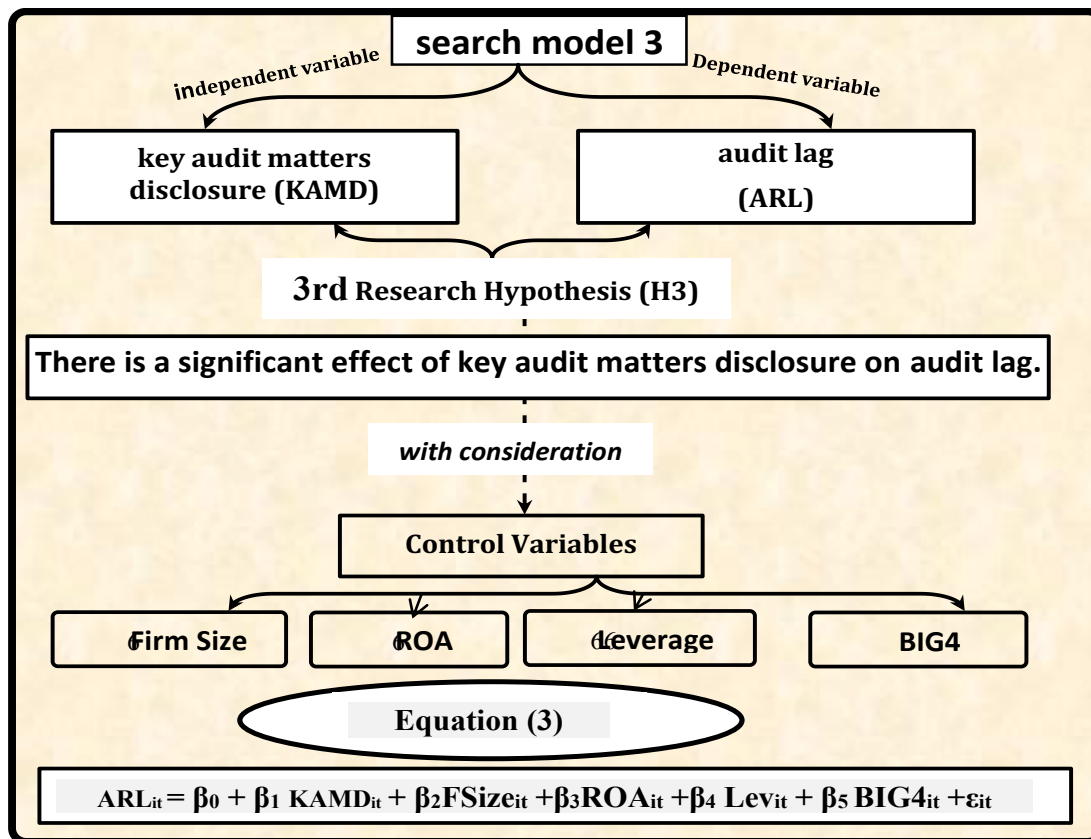


Fig.4: Model (3).

First: Determining the validity of the data

1- Normal Distribution Test:

This test is conducted in order to verify the normal distribution of data through the usage of both (Kolmogorov - Smirnov) and (Shapiro – Wilk) and the level of significance as shown in table no. (3):

Table 3: Normal Distribution.

Continuous Variables		Kolmogorov-Smirnov Statistic		Shapiro-Wilk Statistic	
		value	Sig.	Value	Sig.
key Audit Matters Disclosure	KAMD	.135	.000	.937	.000
Stock prices	SP	.272	.000	.504	.000
Trading volumes	VOLUME	.210	.000	.736	.000
Audit Lag	ARL	.069	.001	.964	.000
Firm size	FSIZE	.046	.200	.989	.019
Financial performance	ROA	.226	.000	.661	.000
The degree of financial leverage	LEV	.337	.000	.331	.000

The previous table shows that:

- The level of significance (Sig.) is less than (0.05) for all study variables.
- Depending on the variable’s significance values, the data are not following a normal distribution.

From the point of view of the researcher, this does not affect the results of the analysis, and they justify this by the large size of the observations, which were represented in (300) observations, where according to the theory of the statistical

central end, the data is considered to follow a normal distribution if the size of the community is large , and in addition to that and to reduce the impact of the problem of lack of Linearity of the data The researcher used statistical transformations (Transformation) by taking the natural logarithm of some variables (Log) in order to make the variance more stable and bring the data closer to the linear relationship.

2- Strength of the Study Model

To examine the explanatory ability through the Multicollinearity Test (the Durbin Watson Test) through measuring the Variance Inflation Factor (VIF) for each of the independent variables that affect the dependent variable. This can be shown through the table no. (4):

Table 4: Multicollinearity Test.

The independent variables in the study models (Independent and controlling)	Collinearity Test results					
	Model (1)		Model (2)		Model (3)	
	Stock prices (SP)		Trading volumes		Audit Lag(ARL)	
	VIF	Tolerance	VIF	Tolerance	VIF	Tolerance
key Audit Matters Disclosure (KAMD)	3.450	.290	3.450	.290	3.450	.290
Firm size (FSIZE)	3.074	.325	3.074	.325	3.074	.325
Financial performance (ROA)	4.215	.237	4.215	.237	4.215	.237
The degree of financial leverage (LEV)	3.685	.271	3.685	.271	3.685	.271
Audit partnership quality (BIG4)	1.308	.764	1.308	.764	1.308	.764
Durbin Watson Test	1.714		1.695		1.432	

It is shown from the table that:

- Variance Inflation Factor (VIF) of all independent and control variables are less than (10), as the correlation between them has no statistical significance, which indicates the strength of the model that is used for determination of the independent variable impact on the dependent variable.
- Durbin Watson (DW) values are equal to (1.714), (1.695), (1.432) thus it falls within the ideal range which is within the range of (1.5-2.5), which indicates the absence of any auto-correlation issues between independent variables.

Second: Study Variables Descriptive Statistics.

This section will introduce a descriptive analysis for the study variables, as following:

Table 5: Descriptive Statistics.

Continuous Variables	Year	Mean	Std. Deviation	Maximum	Minimum		
key Audit Matters Disclosure (Over the study period)	18	20	.4	.2277	.86	.14	
	19	20	.4	.2207	.86	.14	
	20	20	.4	.1859	.86	.17	
	21	20	.4	.2097	.83	.14	
Panel Data	K	AMD	469	.4	.2107	.86	.14

Stock prices (Over the study period)	18	20	11	19.81	118.00	.53
	19	20	9.	15.08	99.46	.38
	20	20	8.	12.40	83.78	.79
	21	20	9.	14.97	97.22	.01
Panel Data	P	S	9.	15.77	118.00	.01
Trading volumes (Over the study period)	18	20	19	1.436	22.23	15.52
	19	20	19	1.353	22.23	16.67
	20	20	19	1.314	22.23	16.67
	21	20	19	1.374	22.23	16.67
Panel Data	V	OLUME	19	1.370	22.23	15.52
Audit Lag (Over the study period)	18	20	72	13.50	97.00	50.00
	19	20	71	13.14	98.00	50.00
	20	20	72	11.68	99.00	54.00
	21	20	71	12.82	94.00	50.00
Panel Data	RL	A	71	12.75	99.00	50.00
Firm Size (Over the study period)	18	20	21	1.412	24.723	17.042
	19	20	21	1.443	24.906	16.959
	20	20	21	1.455	25.040	16.821

	21	20	21	1.447	25.119	17.151
Panel Data	SIZE	F	21	1.433	25.119	16.821
Financial performance (Over the study period)	18	20	.0	.1851	.403	-1.064-
	19	20	.0	.1722	.449	-.979-
	20	20	.0	.2172	.366	-1.439-
	21	20	.0	.1707	.405	-1.002-
Panel Data	OA	R	.0	.1876	.449	-1.439-
Leverage (Over the study period)	18	20	.5	.6847	5.86	.00
	19	20	.5	.8458	7.18	.00
	20	20	.5	1.122	9.39	.00
	21	20	.5	1.029	8.04	.00
Panel Data	EV	L	.5	.9318	9.39	.00
Audit Office Size (Variable Dummy)	Views			Number	Percentage	
	BIG4 : Value (1)			100	33.3%	
	Not BIG4: Value (0)			200	66.7%	

Based on the above table, the researcher notes that corporations sample disclose key Audit Matters with a general average (.4469) by (44.6%), The year 2021 is considered the highest year for disclosure of KAMs by the corporation's sample, as the average disclosure of corporate KAMs increased from (2019) to (2021) by (43.22%), (45.07%) and (45.26%) for the three years respectively.

With regard to the variable of stock prices, we find that the average stock prices of the sample companies amounted to (9.80), and it is noted from the results that the stock prices of the sample companies decreased during the years 2019, 2020, and this, in the opinion of the researcher, is due to the negative effects of the Corona on financial markets in all countries of the world, including Egypt, as noted The average stock prices improved during the year 2021, as the average stock prices of the sample companies during the four years of the study were (11.91), (9.11), (8.54), (9.62), respectively.

About trading volumes, we find that the average natural logarithm of the trading volumes of the sample companies' shares amounted to (19.53), and it is noted from the results that the trading volumes of the sample companies increased throughout the research period.

As for the audit lag, which was measured by the length of the audit report issuance period, which was calculated by the number of days between the date of preparation of the financial statements and the date of the independent auditor's report, the results of the previous table confirmed that the average period of delay in the audit report is (71.9) days, and that the longest period was (99) day, while the least lag periods were (50) days.

The average natural logarithm of total assets for sample firms had a maximum value of (21.46) in 2021, and these results represent the increase in the size of the firms from 2018 until 2021, (21.31), (21.39), (21.40) and (21.46), respectively.

About Financial performance, The average Return on Asset of the sample firms had a maximum value of (.07), These results confirm the fluctuation of the profitability over research period, where the average profitability reached (0.07), (0.05), (0.01),(0.03) 2018, 2019 ,2020 and 2021, respectively.

The degree of financial leverage for the sample firms had an average of (0.5598), and the maximum value for the financial leverage degree over the study period was (9.39).

The percentage of the sample firms' commitment to audit their financial reports with one of the big audit firms (BIG4) or an associated is (33.3%) over the study period. This percentage represents the size and quality of the audit firm for the sample firms.

For the purposes of characterizing the variable of disclosure of KAMs, the extent of variation among the sample companies in the level of disclosure of KAMs among the sample companies was measured through the Kruskal-Wallis test to measure the variance between several independent samples, which is one of the non-parametric tests to suit the variable that Its data does not follow a normal distribution, as follows:

Table 6: the significance of the differences between sectors.

O	SECTOR	n umber of views	Compare the averages between sectors for the sample companies and measure the significance of the differences		
			disclosure of key audit matters		
			Arithm etic mean	stand ard deviation	Avera ge ranks
1-	Distributors, trade, paper and packaging materials	1	.3356	.2059	97.42
2-	real estate	7	.4441	.2184	148.5
3-	Basic resources	4	.5431	.1980	191.0
4-	Services, industrial products and cars	1	.6065	.1890	215.3
5-	Food, Beverage and Tobacco	4	.4868	.1952	169.4

6-	Textiles and durable goods	0	2	.3375	6	.1236	8	108.7
7-	Building materials	4	2	.2928	3	.0930		89.04
8-	Tourism and entertainment	6	1	.2569	5	.1248		65.69
9-	Contracting and engineering construction	6	1	.3750	1	.2252	3	120.0
10-	Health care and medicines	6	1	.5955	4	.0842	4	215.3
11-	Shipping, transportation, energy and support services	6	1	.5139	0	.2304	9	173.6
12-	Communication, media and information technology	2	1	.5162	5	.2334	8	181.5
Kruskal-Wallis Test SIG.				0.000				

It can be concluded from table no. (6) that the level of significance of (Kruskal-Wallis) test has a value of (0.000), which is less than (0.05) for the variation between the sectors of the sample regarding the disclosure of the main audit matters.

This shows that there are significant differences between the sectors of the sample companies, and in light of the previous result and according to For the mean ranks of the (Kruskal-Wallis Test) and the statistical averages, the (Services, industrial products and cars) sector is the highest in the sample sectors in the disclosure of the main audit matters, and the (Tourism and entertainment) sector is the lowest in the sample sectors in terms of the disclosure of the main audit matters in the audit report.

The researcher believes that the discrepancy between the sectors of the sample regarding the disclosure of the main audit matters is caused by the different characteristics of the companies for each sector, as each company has characteristics that distinguish it from the other company, such as size, financial performance, the degree of financial leverage, and the application of corporate governance.

Third: Testing the hypotheses of the study:

1- First hypothesis test

1st Hypothesis: There is a significant effect of KAMs disclosure on stock prices.

The first hypothesis of the research is tested by analyzing the correlation between key audit matters disclosure and stock prices, in addition to analyzing the results of regression analysis to measure effect of key audit matters disclosure (independent variable) on stock prices (dependent variable), as follows:

Table 7: Correlation, Regression Analysis for the First Hypothesis Variables.

The Dependent Variable		stock prices (SP)				
The Independent Variables		Regression coefficient (B)	Beta Value	T value	Significance Level	Significance
(Constant)	(B ₀)	123.421		6.681	.000	
key Audit Matters Disclosure	KAMD	64.133	.857	9.347	.000	statistically significant
Firm size	FSIZE	-6.567	-.597	-6.897	.000	statistically significant
Financial performance	ROA	-4.425	-.053	-.519	.604	--

Financial leverage	LEV	-3.396	-.201	-2.117	.035	statistically significant
Audit partnership quality	BIG4	.943	.028	.500	.617	--
Correlation result	Pearson Correlation coefficient between (KAMD) and (SP) R = 0.407**					
model explanatory value	R ² = 0.284					
F value	23.290					
model overall significance Prob (F-Statistic)	ANOVA =0.000					

** Indicates the significance of the correlation coefficient at the level of 0.01 significance

Based on the above table. The researcher concluded that:

- The positive correlation coefficient sign indicates the existence of a direct correlation (positive); thus, There is significant a positive correlation between effect of key audit matters disclosure on stock prices , with as the correlation coefficient is positive , and the level of significance (sig) is less than (0.01), This indicates that the more the KAMs are disclosed in the audit report, the more this leads to an improvement in the stock prices in the market, supporting the validity of the First hypothesis.
- The Regression Model is significant, and it is valid to achieve the study objective, as the significant level reached (0.000) through the variance analysis (ANOVA).
- R² value is (.284): 28.4%. These results indicate that the independent variables (key audit matters disclosure and control variables) have the ability of 48.5% to explain the dependent variable (stock prices), the remaining is explained by other factors outside the independent variables used in the study.
- There is a statistically significant positive effect of key audit matters disclosure on stock prices, where the regression coefficient sign (β=64.133) was positive, and with a significant level less than (01.), supporting the validity of the first hypothesis of the study.
- With regards to the control variables, the results confirm a significant negative effect of the company's size and financial leverage on stock prices, while there is a non-significant relationship between the company's financial performance and the quality of the audit partner on stock prices.

Hence, the regression model can be formulated (The first model) as follows:

$$SP_{it} = 123.421 + 64.133 KAMD_{it} - 6.567 FSize_{it} - 4.425 ROA_{it} - 3.396 Lev_{it} + .943 BIG4_{it} + \epsilon_{it}$$

Hence: SP_{it} : stock prices, KAMD_{it}: key audit matters disclosure, Size_{it} : Firm Size, ROA_{it}: financial performance, Lev_{it}: Leverage, BIG4_{it}: Audit partnership quality, ε_{it}: Amount of random.

In the light of the correlation and regression analyzes, the researcher concludes that the first hypothesis of the study has been confirmed as There is a significant effect of KAMs disclosure on stock prices.

2- Second hypothesis test

2nd Hypothesis: There is a significant effect of KAMs disclosure on trading volumes.

The second hypothesis of the research is tested by analyzing the correlation, in addition to analyzing the results of regression analysis to measure effect of key audit matters disclosure (independent variable) on trading volumes (dependent variable), as follows:

Table 8: Correlation, Regression Analysis for the second Hypothesis Variables.

The Dependent Variable		trading volumes (VOLUME)				
The Independent Variables		Regression coefficient (B)	Beta Value	T value	Significance level	Significance
(Constant)	(B ₀)	9.531		7.372	.000	
key Audit Matters Disclosure	KAMD	2.554	.393	5.318	.000	statistically significant
Firm size	FSIZE	.413	.432	6.203	.000	statistically significant
Financial performance	ROA	-.777	-.106	-1.304	.193	--
Financial leverage	LEV	.085	.058	.761	.447	--
Audit partnership quality	BIG4	.010	.003	.074	.941	--
Correlation result	Pearson Correlation coefficient between (KAMD) and (VOLUME) R = 0.682**					
model explanatory value	R ² = 0.536					
F value	67.834					
model overall significance	ANOVA =0.000					

Prob (F-Statistic)	
--------------------	--

**** Indicates the significance of the correlation coefficient at the level of 0.01 significance**

Based on the above table The researcher concluded that:

- The positive correlation coefficient sign indicates the existence of a direct correlation (positive); thus, There is significant a positive correlation between effect of KAMs disclosure and trading volumes , with as the correlation coefficient is positive , and the level of significance (sig) is less than (0.01), This indicates that the more the KAMs are disclosed in the audit report, the more this leads to an improvement in the trading volumes, supporting the validity of the second hypothesis of the research.
- The Regression Model is significant, and it is valid to achieve the study objective, as the significant level reached (0.000) through the variance analysis (ANOVA).
- R² value is (.536): 53.6%. These results indicate that the independent variables (key audit matters disclosure and control variables) have the ability of 53.6% to explain the dependent variable (trading volumes), the remaining is explained by other factors outside the independent variables used in the study.
- There is a statistically significant positive effect of key audit matters disclosure on trading volumes, where the regression coefficient sign ($\beta=2.554$) was positive, and with a significant level less than (01.), supporting the validity of the second hypothesis of the study.
- With regards to the control variables, the results confirm a significant positive effect of the company's size on trading volumes, while there is a non-significant relationship between (the company's financial performance, financial leverage and the quality of the audit partner) and trading volumes.

Hence, the regression model can be formulated (The second model) as follows:

$$VOLUME_{it} = 9.531 + 2.554 KAMD_{it} + .413 FSize_{it} - 0.777 ROA_{it} + 0.085 Lev_{it} + .010 BIG4_{it} + \epsilon_{it}$$

Hence: VOLUME_{it} : trading volumes, KAMD_{it}: key audit matters disclosure, Siz_{it} : Firm Size, ROA_{it}: financial performance, Lev_{it}: Leverage, BIG4_{it}: Audit partnership quality, ϵ_{it} : Amount of random.

In the light of the correlation and regression analyzes, the researcher concludes that the second hypothesis of the study has been confirmed as There is a significant effect of KAMs disclosure on trading volumes.

3- Third hypothesis test

3rd Hypothesis: There is a significant effect of key audit matters disclosure on audit lag.

The third hypothesis of the study is tested by analyzing the correlation, in addition to analyzing the results of regression analysis to measure effect of KAMs disclosure (independent variable) on audit lag (dependent variable), as follows:

Table 9: Correlation, Regression Analysis for the third Hypothesis Variables.

The Dependent Variable		Audit lag (ARL)				
The Independent Variables		Regression coefficient (B)	Beta Value	T value	Significance level	Significance
(Constant)	(B ₀)	20.764		1.712	.088	
key Audit Matters Disclosure	KAMD	33.578	.555	7.456	.000	statistically significant
Firm size	FSIZE	1.686	.190	2.698	.007	statistically significant
Financial performance	ROA	3.104	.046	.555	.579	--
Financial leverage	LEV	.198	.014	.188	.851	--
Audit partnership quality	BIG4	-.390	-.014	-.315	.753	--
Correlation result		Pearson Correlation coefficient between (KAMD) and (VOLUME) R = 0.716**				
model explanatory value		R ² = 0.528				
F value		65.738				
model overall significance Prob (F-Statistic)		ANOVA =0.000				

**** Indicates the significance of the correlation coefficient at the level of 0.01 significance**

Based on the above table. The researcher concluded that:

- The positive correlation coefficient sign indicates the existence of a direct correlation (positive); thus, There is significant a positive correlation between effect of KAMs disclosure and Audit lag, with as the correlation coefficient

is positive, and the level of significance (sig) is less than (0.01), This indicates that the more the KAMs are disclosed in the audit report, the more this leads to Audit lag, supporting the validity of the third hypothesis of the research.

- The Regression Model is significant, and it is valid to achieve the study objective, as the significant level reached (0.000) through the variance analysis (ANOVA).
- R² value is (.528): 52.8%. These results indicate that the independent variables (key audit matters disclosure and control variables) have the ability of 52.8% to explain the dependent variable (Audit lag), the remaining is explained by other factors outside the independent variables used in the study.
- there is a statistically significant positive effect of KAMs disclosure on Audit lag, where the regression coefficient sign ($\beta=33.578$) was positive, and with a significant level less than (01.), which supports the validity of the third hypothesis of the study.
- With regards to the control variables, the results confirm a significant positive effect of the company's size on Audit lag, while there is a non-significant relationship between (the company's financial performance, financial leverage and the quality of the audit partner) and Audit lag.

Hence, the regression model can be formulated (The third model) as follows:

$$ARL_{it} = 20.764 + 33.578KAMD_{it} + 1.686FSize_{it} + 3.104ROA_{it} + .198 Lev_{it} - .390 + \epsilon_{it}$$

Hence: ARL_{it} : Audit lag, $KAMD_{it}$: key audit matters disclosure, $Size_{it}$: Firm Size, ROA_{it} : financial performance, Lev_{it} : Leverage, $BIG4_{it}$: Audit partnership quality, ϵ_{it} : Amount of random.

In the light of the correlation and regression analyzes, the researcher concludes that the third hypothesis of the study has been confirmed as There is a significant effect of KAMs disclosure on Audit lag.

At the end of the statistical analysis of the data and after testing the hypotheses, the results of the research hypotheses test can be summarized from the following table:

Table 10 :the results of the research hypotheses.

NO	Hypotheses	expect ed	results
1st Hypothesis:	There is a significant effect of key audit matters disclosure on stock prices.	+	Accepted
2nd Hypothesis	There is a significant effect of key audit matters disclosure on trading volume.	+	Accepted
3rd Hypothesis:	There is a significant effect of key audit matters disclosure on audit lag.	+	Accepted

9 Conclusions

The research's main aim is to investigate the relationship between KAMS, stock price, trading volume and audit report (proxied by audit lag). The introduction of IAS 701 which deals with the key audit matters the auditors is obliged to insert in their audit report. As a result, the investors wonder about the effect on the stock traded in the market and if the disclosure of KAMs, will affect the issuance of audit report. Therefore, this research takes Egypt as an example for emerging market especially companies included in EGX 100. The research finds that there is a significant effect of KAMs disclosure on stock prices, trading volume, and audit lag.

The research provides some future recommendations included in the following:

1. Analyzing and evaluating the impact of KAMs on reducing litigation.
2. The effect of KAMs on increasing the competitiveness of audit institutions in the audit services market.
3. KAMs as a basis for developing the performance of strategic alliances for audit institutions

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Appendix 1:

Types of KAM reported	
Assets impairments (other than goodwill)	Valuation of inventories
Revenue (not mentioning fraud)	Property valuation
Allowance for doubtful debt	Insurance
Goodwill impairment	Fixed assets, including depreciation
Taxation, including deferred tax	Acquisitions and disposal
Investment	Going concern
Financial instruments	Legal provision
IT- related issue	Pensions
Provisions, other than legal	Biological assets
Accounting for long-term contracts	Leases
Mining/oil & gas accounting	Consolidation issues
Equity and capital	Assets held for sale

Management override/related parties	Contingent liabilities
Fraud in revenue recognition	Hyperinflation
Development costs	Restatement/re-presentation
Share-based payments	Controls/regulations
Change in accounting policies	Supplier rebates, discount, incentives
Exceptional	Accruals

Source: ACCA (2018)