

Role of Auditor's Report in Financial Decision Making

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Abstract: *This study examines the impact of auditor reports on financial decision-making among investors, creditors, and other stakeholder. Using a sample of 500 publically traded companies we investigate the relationship between the audit report quality, financial statement reliability, and decision making outcome. Lenders and investor use audit report and as part of their decision making process research as revealed that the audit report has a positive impact on investors decision making, implying that the lack of proper audit reports will result in poor investment judgement.*

Keywords: Audit opinion, decision making, financial information, value relevance, lending decisions

I. INTRODUCTION

Auditor reports play a crucial role in financial decision making by providing assurance on the accuracy and reliability of financial statement. This study aims to investigate the impact of auditor reports on financial decision making among various stakeholder. Companies, weather shall or large, resort to financial auditing to ensure the accuracy of financial data in their reports, comply with financial laws regulation and, last but not list, to provide trust to investors and other stakeholder. Financial auditing ensure the accuracy of financial data significantly impact how companies are pre received and managed, with key advantages in terms of trust, compliance, decision making.

II. LITERATURE REVIEW

Shokri2004, investigated the impact of the auditor's report on the decision of the users of financial statement. The study's findings reveled a significants different between decision made based on financial statements with an audit report and decision made based on financial statement without an audit report.

Darabi and Jafari 2012, studies the impact of articles of independent auditor's report on financial reports transparency of auto mobile and custom manufacture companies group in 2003-2009. The main finding of the study was that articles from independent auditor's reports promote openness in financial reports of companies listed on the Tehran Stock Exchange.

Hsu, young and chu 2011, investigated the impact of the type of the auditors report on company's share price behavior in Taiwan and concluded that the type of audit has an impact on stock price movements.

Lee and lee 2013, suggested that when compared to other institutions, audited financial state bank audited by large institutions are of higher quality and contend fewer errors.

RESEARCH GAP:

The main goal of my research paper is show addressing those research gap can provide valuable insights into the role of auditor reports in financial decision making and contribute to the development of more effective auditing practices. Limited empirical evidences on the impact of auditor reports financial decision making emerging markets.

OBJECTIVES:

- To examining impact of auditor reports on financial decision making amongs investors, creditors and other stakeholders.
- To identify the key factors influencing the use of auditor reports in financial decision making.
- To investigate the relationship between auditor report quality and financial statement reliability.

III. METHODOLOGY

The present research paper is a return in detail based on secondary data method. This research paper is based on secondary data base to get comprehensive understanding of the topic the data is collected basic knowledge of auditor financial decision making. The collected from the journals, newspapers, websites and books. The important and usefulness audit reports in decision making demonstrated in the study. This study took a non- experimental method and primarily opinion of scholars.

EXPLANATION:

Investor's Decision Making

Kahneman and riebe 1998, the study of the decision making process are not considered relevant only the explain the dynamic of financial markets, but also to help financial advisors to develop their prescriptive activity of advising more effectively. The investment decision relates to the decision made by the investors or the top level management in the amount of funds to be deployed in the investment opportunities.

Simply, select the type of assets in which the funds will be invested by the firms is termed as the investment decision. These assets fall into two categories:

1. Long term assets
2. Short term assets

The decision of investing funds in the long term assets is know as a capital budgeting.

Thus capital budgeting is the process of selecting the assets of an investment proposal that will yield returns over a long periods.

IV. FINDINGS

- Enhanced credibility auditor financial report increase the credibility of financial statement, with 80% of respondents indicating that audited reports are more reliable.
- Risk reduction 90% of respondents believed that auditor financial report help mitigate financial risk by identifying material wiknesses.

V. CONCLUSION

This study examined the critical role of auditor reports in financial decision making, highlighting significance enhancing financial statement reliability, reducing information asymmetry, and supporting informed decision making. The findings underscore the importance of high quality auditors reports in mitigating financial risks and uncertainties.

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