

DO TYPES OF EXTERNAL AUDIT OPINIONS MAKE DIFFERENCE IN INVESTORS' DECISIONS: JORDAN EVIDENCE?

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ABSTRACT: *This applied study aims to investigate whether the opinion conveyed by the audit's reports differs in effect on the stock price, return, and liquidity. A market-based study conducted on the qualified and nonqualified audit opinion of the shareholding companies in Jordan during the period 2009 to 2017. This study concludes that there is a significant positive difference between the abnormal average return after and before the announcing date of the unqualified report, while qualified report shows no difference with negative sign. The audit reports do not have a direct or substantial impact on the stock price and return on or after the calculation window. The auditing opinions affect the liquidity of each share in the study sample regardless of the audit report type. This conclusion may indicate that audit report users do not understand or appreciate its significance. The researchers suggest investigating the users' trust in the audit report, as users' mistrust of the audit process may be one of the factors for the lack of information content in the audit report. The present research is original; it gives new proof of the disparity between qualified and unqualified audit reports in a developing world in terms of share price, return, and liquidity.*

Keywords: Audit reports, investors' decisions, stock price, liquidity, Jordan

INTRODUCTION

The increasing growth in the awareness of the users of financial statements of the importance and responsibility of the auditor, and the growing sense on the part of the financial markets of the need to protect the interests of investors, have helped to increase the importance of the auditors' reports. Since the external auditor's report links the communication between the auditor and users of financial statements [1].

Financial accounting provides users of financial statements with reliable data usable for their economic decision-making. To make this data more reliable for such tasks, an independent and efficient body that presents a neutral technical opinion concerning the impartiality of these financial statements should be present. This body, in the form of an independent external auditor, could increase the confidence of users towards the financial statements, by way of an audit process. In this regard, the external auditor executes the checking and investigation process. Then, a report is issued. Relevantly, the opinion paragraph is regarded as a very important paragraph in the independent external auditor's report. Specifically, the paragraph contains the work summary and the result of the auditor as presenting a qualified or unqualified opinion or prevents them from expressing an opinion [2].

When an individual is making economic decisions, his/her dependency on financial statements is usually associated with the type of external auditors report and the obtained result. In this regard, all opinions presented by the external auditor may affect the economic decision of the individual. It is worth noting that the external auditor's report will increase the credibility of these financial statements, which will increase the confidence of the users of these financial statements. The fact that the external auditor's report gives signals to the users about the company's well-being can affect the amount of investment made in the company, which in turn will affect the company's shares, especially in terms of prices and liquidity.

However, there are some problems facing the auditing profession. The major problem among them is the gap of expectation. Particularly between the expectation of the

international auditing standards and what society expects from the external auditor. This may influence the level of reliance of users of financial statements towards the independent external auditor's report [3]. This is in addition to the inconsistency in the results of previous studies, as some of these studies concluded that there is a correlation or a positive effect between the auditor's opinion on the returns, prices and liquidity of stocks [4,5,6,7,8], and some of them concluded that there is a negative effect [4,9,10,11] and others decided that there is no effect [12,13, 14, 15].

This study is worth executing because decision-making is a process that requires relevant information. Notably, the audit report with no information content will make the report insignificant for stock prices, liquidity, and economic decisions, and thus, the audit process becomes questionable. As such, this study offers valuable information on the audit report and the audit process, and therefore, this study is of value to the auditing profession, investors, creditors, and other users as well. Among users of financial statements in Jordan especially, this study is highly beneficial because the demand for audit services in Jordan is increasing, and so are the expectations towards the auditors.

Companies and investors may find this study valuable because it improves the worth of the company. Through the value of the audit report affecting the stock prices and liquidity of the company. This will satisfy the clients better in terms of their information needs. As will increase the investors' ability to evaluate the company's shares in terms of prices and liquidity.

Accordingly, the aim of this study is to examine the qualified and unqualified reports of the external auditor on the prices and liquidity of shares of companies listed in the Amman Financial Market (ASE). For the purpose, the reaction of investors towards the data of companies listed on the Amman Financial Market that received qualified/unqualified opinions is examined. Henceforth, this study would attempt to answer the following questions:

1. Does a qualified external auditor's report affect the share prices of companies listed on the ASE whose data have received qualified/unqualified opinions?

2. Does a qualified external auditor's report affect liquidity of the shares of companies listed on the ASE whose data have received qualified/unqualified opinions?

3.

LITERATURE REVIEW

Qualified opinion:

A qualified opinion is offered if there exists an impacting issue by a narrowing of the scope of the audit [16]. In this regard, annual reports with the inclusion of an auditor's report will be seen as reliable. Additionally, opinion is provided because albeit the presence of mistakes and errors, they have no effect on the general impartiality of the financial statements, providing that: (i) the presentation of the financial statements follows the Government Accounting Standards, (ii) the constructed/established Internal Control System is adequate, and (iii) all transactions are compliantly performed [17].

Share prices:

In general, the decision of investing in stocks of certain companies requires the capability in analyzing more in-depth the factors affecting unpredictable movements [18]. These factors result from the fundamental analysis of financial statements, as can be exemplified by certain ratios that measure the company performances, in order to increase the knowledge on judgment in stocks investment [19]. Equally, [20] highlighted the need to comprehend the macroeconomic factors as well, as they may change the share prices directly or indirectly. Share prices fluctuate all the time, and as mentioned by [21], these fluctuations are impacted by many factors.

Equity Liquidity:

Liquidity is characterized as the extent to which a security or asset can be purchased or sold in the markets without influencing the asset's price [22]. Liquidity is described by an abnormal state of exchanging action. Resources that can be effortlessly purchased or sold are called liquid assets [23]. Another definition is the capacity to change over an asset to cash rapidly. Likewise, it is known as "marketability". There is no particular liquidity equation. Liquidity is regularly ascertained by utilizing liquidity ratio [24]. [25] characterizes liquid assets as "resource is fluid in the event that it can be changed over into cash rapidly and requires little to no cost". The later definition described the real-world process of assets liquidation [26].

As highlighted previously, the main purpose of accounting is to present users with data that are both fitting and credible for making economic decisions. Further, the audit process makes financial statements more reliable to users. Conversely, financial statements that are unaudited are devoid of reliability. As such, in published financial statements, the external auditor's report becomes an important part, as it bridges the communication between the auditor and the users. In the process of making economic decisions, the use of financial statements is affected by the external auditor's report and the accreditation level. In this regard, the level of accreditation is based on the content of the external auditor's report especially concerning the opinion provided in these reports.

The present study attempts to investigate the reaction of users of financial statements (the investors). This study examines

the reaction of those investors towards the qualified and unqualified external auditor's report. Further, the degree to which users of audited financial statements depend on the external auditor's report when making economic decisions is examined as well. This relates to their investment in companies listed on the Amman Financial Market.

The relationship between qualified report and the price of shares listed on the Amman Financial Market

The relationship between the external auditor's report and shares of companies has been examined in many studies, but the results have been inconclusive. For instance, a study carried out by [27] looked into the impact of the qualified opinion of the external auditor on the share prices and market return among Jordanian companies from 1991 to 1994. From the achieved results, the author concluded a negative impact of conservative external auditor's report on the stock prices and market return, at a significance level of 0.10.

In a comparable study, [9] examined the impact of qualified opinions of the external auditor's on stock prices among companies listed on the Amman Stock Exchange. In this study, the opinions were revised and categorized as qualified and unqualified reports. This study covered a period between 2002 and 2007; involving 36 companies. The obtained data comprised a conservative report. In view of that, 17 companies received unqualified opinions with an explanatory paragraph on their data. From the results, the study concluded a statistically significant negative impact of the opinions of the qualified auditors' reports on the share prices overall.

This study reviewed past studies that examined unqualified accounts with an explanatory paragraph on stock prices. In a related study, [4] looked into the impact of qualified reports on the share price and return. The authors concluded a statistically significant impact of a qualified external auditor's report on the share price. Among companies in Croatia and Slovenia, [5] relevantly examined return on the share to examine the impact of the external auditor's opinion on stock prices, and concluded a statistically significant effect imparted by the opinion of the external auditor on stock prices.

The impact of auditing quality on the share prices of companies has been examined in several studies. In this regard, the quality of auditing has been found to enhance the confidence of investors towards the data of those companies that engage audit firms that give services of high quality. For instance, involving companies listed on the Amman Financial Market, the study of [28] examined the effect of audit quality on the stock prices of the examined companies. The results showed a statistically significant impact of auditing quality on stock prices. According to the researcher, the quality of financial performance is impacted by the auditing quality, which will influence stock prices.

In a related study among companies listed on the Nigeria Stock Exchange, [6] examined the effect of audit quality on the share prices. Where audit quality was gauged using audit firm size, audit fees and audit period. From the results, the authors deduced a significant impact of audit quality on stock prices.

Despite the availability of standards and rules that govern the auditing profession, the opinion of the external auditor appears to have no impact on the stock prices. Furthermore,

scholars have pointed to the controversies concerning the accountabilities and duties shouldered by the external auditor following the issues concerning deception and manipulation in the financial statements of companies or failure in discovering such deception and manipulation by the external auditor. Equally, the external auditor would become the subject of interest when a company is facing bankruptcy, as in, "Where is the external auditor?"

The discussion above is demonstrating a gap in expectation, particularly a gap between what the society expects from the auditor and the requirement of the international auditing standards towards the external auditor [16]. In a related study, [29] mentioned the significance of the service provided by the external audit of the financial statements. Nonetheless, the profession of auditor has been criticized especially when failure arose. In other words, the value provided by the external auditor's report is subject to criticism. The authors accordingly investigated the impact of the external auditor's report on the stock prices in Colombo market, and concluded the impact of the opinion of the external auditor on prices.

Relevantly in Jordan, [13] examined the effect of qualified audit reports on the share price and return. Using data from the period between 2000 and 2005, the authors concluded no significant impact of the qualified report on the price and earnings per share. Further, among American companies, [10] looked into the impact of qualified opinion of the external auditor on the market value of shares and on the cost of debt. The results showed no significant impact of qualified opinion of the external auditor on the market value and the cost of debt. The author reported that during decision-making, investors and creditors see no weight in a qualified auditor's opinion, but the author linked the result to the nature of the study sample.

Similarly, in their study among banks in Andalusia, [15] examined the impact of total distributed cash dividends, company size, and the opinion of the external auditor on the stock prices. The obtained results showed no impact of company size and the opinion of the external auditor on stock prices. Using companies in Tunisia as a sample, [14] examined the impact of qualified opinion of the external auditor on stock prices. The results led to the conclusion that the qualified auditor's opinion did not affect stock prices.

Qualified opinion and liquidity of the stock

Through financial accounting, users are provided with dependable data for making various economic decisions. Notably, the reliability of financial statements greatly affects users of financial statements. Furthermore, the display of financial statements and data reading ability affect the investor's decision to invest. In addition, ease of reading financial statements affects the investment decision, and hence, the liquidity of company's shares.

[11] in their related study looked into the effect of the annual report on the liquidity of the company's shares. The results led the authors to conclude that the difficulty in reading the annual reports negatively affects the capability of investors in analyzing the information found in the annual reports. In turn, investors become less ready to trade in the company's shares. Thus, the liquidity of the stock is impacted.

Pertinently, within the banking sector in Turkey, [7] studied the impact of the opinion of the independent external auditor on the investment decision. In this study, the authors mentioned the value of the opinion provided by the independent auditor's opinion in decreasing information risks and increasing its reliability. This becomes the basis for financial statements users in their economic decision making process. The effect of the independent auditor's opinion on the investment decision was examined in this study, and the authors concluded the presence of impact of the opinion of the independent auditor on the investment decision.

[8] examined the degree of share liquidity correlation with the choice of the external auditor with determining the value of the audit fees. For the purpose, competent auditors such as those from the Big 4 audit firms were selected in this study. The author indicated that charging audit firms for high sums will lead to higher quality of auditing, and that this is linked to the company's liquidity, considering that the company's liquidity has to be linked to respectable auditing firms, for instance, the Big4 audit firms.

Research hypothesis

Derived from the previous studies, research problem and its objectives, this study appraises the following hypotheses:

Ha1: There is a significant difference of the impact between the two types of auditing report (qualified, and unqualified) on the stock price.

Ha2: There is a significant difference of the impact between the two types of auditing report (qualified, and unqualified) on the stock liquidity.

METHODOLOGY

This applied study aims to investigate whether the opinion (information content) conveyed by the auditor's reports differs in effect on the stock price, return, and liquidity. Therefore, a quantitative approach was used using real data collected from the Amman Financial Market. To test the first hypothesis, capital gain yield used to calculate the daily stock return considering the changes in the daily stock price [26, 29]. Dividend was excluded from the equation, because announcing and releasing earning dates vary between companies.

$$CapitalGainYield = \frac{P_1 - P_0}{P_0}$$

Where P₀ is the initial stock price, P₁ is the stock price after the first period.

The market return was computed considering the general index (100) using the following equation:

$$Rm_t = \frac{Ip_t - Ip_{t-1}}{Ip_{t-1}}$$

Where Rm_t means the market return on time t, Ip_t, Ip_{t-1} mean the index price on time t and t-1 respectively.

In order to calculate the abnormal return per share, a market model is needed to find out the expected return per share. To calculate the expected return, daily stock prices along the study period (2009-2017) were used.

$$\overline{R}_{i,t} = \alpha_i + \beta_i * Rm_t + e_{i,t}$$

Where $\bar{R}_{i,t}$ is return on share i on time t , α_i is constant value, β_i is the correlation coefficient with the market portfolio which also represent the systematic risk of stock i , $R_{m,t}$ is the return on the market portfolio [30], and $e_{i,t}$ is the abnormal return of stock i on time t according to [9].

The daily abnormal returns per share in the study sample were used to compute the average abnormal return per share during the test period to avoid the influence of noise affecting share price movement.

$$\overline{AR}_i = \frac{\sum_{t=1}^n AR_{i,t}}{n}$$

where \overline{AR}_i is the average abnormal return of stock i , and n is the number of periods.

To test the second hypothesis, estimating the stock liquidity is essential. Thus, a daily percent bid-ask spread is used as an acknowledged measure of liquidity expenses in return exchanged; especially the brokerage firm commissions do not fluctuate with the length of time taken to finish a transaction in ASE [26].

$$\text{Percent spread} = \frac{\text{Ask} - \text{Bid}}{\text{Ask}} * 100\%$$

The auditor report is a negative binary variable measured by non-quality (0) and quality (1) report. A decrease in abnormal bid-ask spread predicts a reduction in information asymmetry [31].

Scope of the research

This study concentrates on the conservative and non-conservative audit reports of the shareholding companies listed in ASE in Jordan during the period 2009-2017. The study covered all companies listed in ASE that have an audit report disclosed on a clear date. The researchers surveyed the reports of all listed companies in ASE from all sectors looking for the qualified (conservative) and unqualified (non-conservative) reports. The number of the companies in each sector is shown in Table 1.

Table 1: The study population of listed companies

Sector	NO. of Co.	# Co. with qualified reports	# Co. with unqualified reports
Financial	107	27	13
Services	55	13	10
Industry	47	16	10
Total	209	56	33

After surveying the reports of all listed companies, it was found that 56 of them had a conservative reports, and 33 had a non-conservative reports on their financial reports during the period 2009-2017. However, a number of companies were excluded from the study sample referring to the following reasons:

- Stock prices were not available for an 8-year's period.

- Have no audit reports for an 8-year's period.
- Unclear declaration dates.

Therefore, 74 companies remain to be entered into analysis as their auditing reports, disclosing dates and information about stock prices were available through the estimation and test period.

Estimation and test periods

The estimation period gauged over the trading period that spanned eight years and was used to estimate the dependent study variables that consisted of the stock's return and liquidity. According to [32,33], Thuneibat et al., (2008), the test period spanned 7 days before and after the disclosing date of the audit report by ASE.

The test period is the period surrounding the announcement of the desired event (audit report). The method of studying the event depends on the collection of shares' abnormal returns. The length of this period may vary from one study to another. In this study the researchers relied on a test period lengthen 21 days (10 days before announcing the event, 10 days after announcing the event, and day 0, when the event under consideration is announced) in order to gauge the event effect, following [9].

Data collection and treatment

To achieve the objectives of the study, the researchers collected the following information:

- The qualified reports issued by the auditors for the period 2009-2017 for all shareholding companies who have their reports disclosed with the ASE.
- The dates of receiving the qualified reports by the ASE.
- Daily prices of companies' securities for the period surrounding the date of delivering the financial statements to the ASE for the period 2009-2017.
- Daily indices of securities prices for the period surrounding the date of delivering the financial statements to the ASE for the period 2009-2017.

DISCUSSION

Different tests were used to test the first hypothesis that investigated the difference between the two types of auditing report (qualified 0, and unqualified 1) on the stock price. The abnormal return used as mentioned before to investigate the effect of the two types of auditing report on share prices and returns. The abnormal returns per share in the study sample were categorized into two groups, before and after announcing the auditor's opinion. After splitting the file according to the opinion types, the independent sample T-test was run. The results in Table 2 showed that there is no difference in the abnormal returns (for each of the companies included in the study sample throughout the study period) between the companies that received a qualified opinion and the companies whose financial statements obtained an unqualified opinion, in terms of $P > 0.05$. The mean differences approximately are equal to zero. Consequently, at a confidence level of 0.95, the first hypotheses cannot be accepted.

Table 2: Independent Sample of AAR

	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	Sig.	M. d
AAR _{Before}	2.199	.139	-1.509	.132	-.0015
AAR _{At}	5.730	.017	-1.206	.229	-.003
AAR _{After}	9.644	.002	.521	.603	.0004

At the same time, it is noticed that the value of t was negative for the companies' abnormal return before the announcement, while it turned to positive after the announcement. Even if it is not significant, the unqualified opinion pushed the abnormal returns to be positive. This result is considered a novel one since it results from comparing between qualified and unqualified auditing reports.

Using the paired sample T-Test of the abnormal return per share in the study sample, a comparison was made between the abnormal returns of shares before and after the announcement of the auditor's opinion intended for each of the two variable categories, the auditor's opinion.

In Table 3, the results of unqualified opinion (0) indicate that there is a significant difference between the return and price of each share before and after announcing the auditor's opinions (declaration date), where the value of P-value is slightly less than 0.05. In addition, a positive difference of unqualified opinion noticed on the average of the abnormal return. This result violates [9]. However, there is no significant difference between the abnormal returns and prices of shares before and after the declaration date of the companies that gave qualified reports, where Sig. > 0.05 and negative sign of t. This result agrees with [14,15,] and disagrees with [4, 5, 6, 7] that found a significant effect. Also, disagree with [9,10] found a significant negative effect, and [27] who found significant negative effect at Sig. equal to 0.10.

Table 3: Paired Sample of AAR

Opinion	AAR	Mean	Std. Dev.	t	Sig.
0	After - efore	.00165	.01114	2.02	.05
1	After - efore	-.0003	.01363	-.314	.75

When studying the event during the test period that lengthens 21 days (10 days before declaration date, day 0, and 10 days after declaration date) to investigate the significant difference in the stock price and return between the days, ANOVA was used. From Table 4, it revealed that some AARs tend to be positive and others negative, meaning that the stock response trend is not obvious. Furthermore, the findings demonstrate that all P-values are higher than 0.05 for both qualified and

unqualified reports, so that the first hypothesis cannot be accepted. It is concluded that the effects on the share and returns of qualified and unqualified audit's report during the test duration are insignificant.

Table 4: T-test results of the average abnormal return during the test period

Days	Unqualified Report			Qualified Report		
	Mean	t	Sig.	Mean	t	Sig.
-10	-.003	1.32	.198	-.002	-.595	.553
-9	.000	-1.91	.058	.004	1.437	.153
-8	-.003	0.028	.978	-.002	-.626	.532
-7	.000	-1.47	.145	-.001	-.365	.716
-6	-.002	-.229	.819	-.001	-.339	.735
-5	.000	-1.16	.247	-.002	-.696	.488
-4	-.002	-0.06	.953	-.002	-.616	.539
-3	.000	-1.36	.177	-.003	-1.01	.313
-2	-.002	-.107	.915	-.001	-.458	.648
-1	-.002	-1.04	.300	-.001	-.468	.640
0	-.002	-1.19	.237	.001	.467	.641
1	.000	-.916	.361	.002	.796	.427
2	.000	-.266	.791	.001	.368	.713
3	-.001	.141	.888	.000	-.088	.930
4	.002	-.555	.580	.000	-.015	.988
5	.000	.832	.407	.001	.301	.763
6	.001	-.260	.795	.002	.602	.548
7	-.003	.370	.712	.002	.631	.529
8	-.003	-1.66	.094	-.001	-.474	.636
9	-.002	-1.93	.056	-.001	-.293	.770
10	.000	-1.16	.238	.000		

Figure 1, which shows the AAR trend during the event time, shows the same conclusions. The two depicted in the figure show that the AARs fluctuate without a certain trend before and after the day of declaration (day 0). This result agrees with [12, 13].

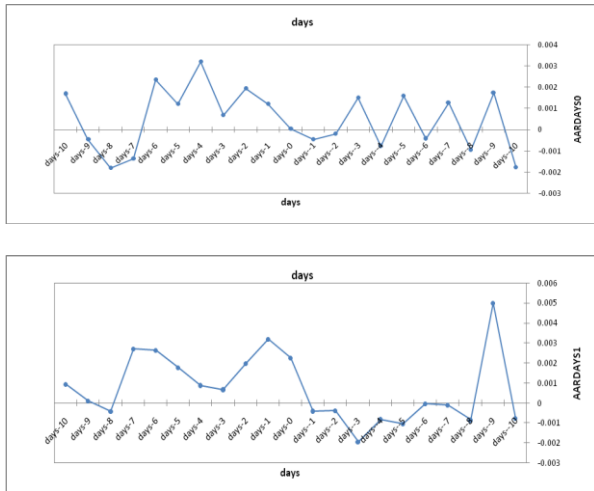


Figure 1: Average abnormal return during the event window

These results lured the researchers to investigate the significant difference in returns for companies with qualified and unqualified audit reports between the years covered by the study. T-test was used. The result in Table 5(a,b) showed that the P- value is greater than the significant level for all years except two in the unqualified report i.e., 2012 and 2016, P-value equals 0.02 and 0.04, respectively.

Table 5a: T-test results of the average abnormal return yearly

Unqualified Report					
Year	Pair	Mean Diff.	Std. Dev	t	Sig.
2010	AAR _A -AAR _B	-.0005	.0059	-0.24	0.82
2011	AAR _A -AAR _B	.0001	.0078	0.04	0.97
2012	AAR _A -AAR _B	.0042	.0071	2.63	0.02
2013	AAR _A -AAR _B	-.0006	.0117	-0.26	0.8
2014	AAR _A -AAR _B	-.0003	.0095	-0.16	0.88
2015	AAR _A -AAR _B	.00391	.0194	1.11	0.28
2016	AAR _A -AAR _B	.0031	.0080	2.19	0.04
2017	AAR _A -AAR _B	.0012	.0063	0.99	0.33

Table 5b: T-test results of the average abnormal return yearly

Unqualified Report					
Year	Pair	Mean Diff.	Std. Dev	t	Sig.
2010	AAR _A -AAR _B	.0036	.0105	1.27	.23
2011	AAR _A -AAR _B	.0011	.0097	0.53	.61
2012	AAR _A -AAR _B	.0006	.0090	0.32	.75

2013	AAR _A -AAR _B	-.0026	.0184	-0.73	.47
2014	AAR _A -AAR _B	-.0025	.0098	-1.41	.17
2015	AAR _A -AAR _B	-.0012	.0163	-0.41	.69
2016	AAR _A -AAR _B	.00332	.0090	1.66	.11
2017	AAR _A -AAR _B	-.0038	.0281	0.40	.07

Testing the second hypothesis as shown in Table 6, the same results apply to the liquidity variable, as the P-value > 0.05 and the mean difference is close to zero. Therefore, the second hypothesis cannot be accepted which states that there is a difference between the qualified and unqualified opinion of the auditor on the liquidity of each share in the study sample.

Table 6: Independent Sample of Liquidity

	Levene's Test		t-test for Equality of Means		
	F	Sig.	t	Sig.	Mean diff.
Liquidity	0.001	0.973	-.935	.354	-.0078

To examine whether the share's liquidity differs from zero value in the qualified and unqualified reports, one-sample t-test was conducted. As presented in Table 7, the liquidity values are significantly different from zero, P-value < 0.05 for the qualified and unqualified opinion. The researchers can conclude that the auditing opinion reports affect the liquidity of each share in the study sample, where each share has liquidity exceeding the zero, regardless of the audit report type. This result agrees with [8], who found a correlation between the liquidity and the auditing quality. Also agrees with [7] which found a presence of impact of the opinion of the independent auditor on the investment decision. At the same time disagrees with [11], which found that the difficulty of reading the annual reports has a negative impact on the investors' ability to analyze the information contained in the annual reports, which reduces the investors' willingness to trade the company's shares and thus affect the liquidity of the stock.

Table 7: T-test of Liquidity

Opinion	t	Sig.	Mean Diff.	Maxi	Mini
0	3.20	.007	.0254	.0083	.0425
1	8.01	.00	.0331	.0247	.042

CONCLUSIONS

The audit report is the most critical aspect of the audit process and is the only means of contact between the auditor and the investors. Although the report represents the importance of the audit process, its impact is not transparent on decision-making and the findings of previous studies are

incomprehensible. In Jordan, an increasing interest is being seen in the external audit, which means that the majority of the companies in Jordan must recruit external auditors, irrespective of their type or size, to have their audited financial statements available to the public. Consequently, the purpose of this analysis is therefore to investigate whether the two types of the audit report introduce valuable information that guides the financial market investors in their investment decisions. The focus of this study directed towards investigating the effect and the differences of the two types of the auditing reports on stock prices, returns, and liquidity in Jordan. To do so, the study adopted the market-based study. The study period covered nine years (2009-2017). The test period extended 21 trading days (10 days before announcing the event, 10 days after announcing the event, and day 0, when the event under consideration is announced) to gauge the variability in the stock prices and returns. If the abnormal return has been reported on or near the announcing date, it may be an indication of a quality audit report's information content. Until an abnormal return is reported, there could be a shortage of information content.

The results of testing the research hypotheses show that there is a significant positive difference between the AAR after and before the announcing date of the unqualified report, while qualified report shows no difference with negative sign. In addition, the results of the analysis showed that some AARs are positive and others are negative, and that the trend of stock reaction is not apparent. Furthermore, the findings show that all P-value exceeds 0.050, which means the research hypothesis cannot be accepted, concluding that the audit reports do not have a direct or substantial impact on the stock price and return on or after the calculation window. For stock liquidity, we can conclude that the auditing opinion reports affect the liquidity of each share in the study sample, where each share has liquidity exceeding the zero, regardless of the audit report type. This conclusion may indicate that audit report users do not understand or appreciate its significance. Based on the conclusions, the researchers suggest investigating the users' trust in the audit report, as users' mistrust of the audit process may be one of the factors for the lack of information content in the audit report.

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