

## The effect of audit quality as a moderator on the relationship between financial performance indicators and the stock return

Yazen Oroud<sup>a\*</sup>, Mohammad Almashaqbeh<sup>a</sup>, Hamed Ahmad Almahadin<sup>b</sup>, Abdulrahman Hashem<sup>a</sup> and Marwan Altarawneh<sup>c</sup>

<sup>a</sup>Faculty of Business, Isra University, Amman, Jordan

<sup>b</sup>Faculty of Business, Applied Science Privat University, Amman, Jordan

<sup>c</sup>Faculty of Business Studies, Arab Open University – Riyadh, Saudi Arabia

### CHRONICLE

#### Article history:

Received: November 28, 2022

Received in revised format:

December 27, 2022

Accepted: February 8, 2023

Available online:

February 8, 2023

#### Keywords:

Audit Quality

Financial performance indicators

Stock return

### ABSTRACT

This study investigates how audit quality moderates the effect of financial performance indicators on the stock returns of Amman Stock Exchange-listed firms (ASE). The panel data analysis selected the data of 95 ASE-listed firms from 2013 through 2021. This analysis demonstrates a significant inverse relationship between a company's book value and its stock returns. A statistically negative relationship was observed between cash flow, dividends per share, and stock return. The empirical results of this study confirm the moderating influence of audit quality in the relationship between financial performance and stock return. Firstly, auditor's fees have a significant impact on the relationship between firm stock returns and EPS, BV, DPS, and cash flows (CFO). The size of the auditing firm moderates the relationship between company stock returns and EPS, DPS, and the CFO, but not with book value (BV). The auditor's opinion moderates the relationship between business stock returns and EPS, BV, and DPS but not the relationship between firm stock returns and cash flows (CFO). The study suggests that regulatory bodies like the Companies Control Department (CCD) and ASE should make sure that local audit firms in Jordan improve their audit quality to be on par with the Big 4 audit firms in order to improve their financial performance measures and stock returns.

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## 1. Introduction

One of the primary concerns assumed to raise the confidence level of financial information end consumers is auditing quality. (Ugwunta, et al., 2018). Among the distinctive responsibilities of external auditors is to provide confidence in financial reports by conducting independent assessments of their accuracy and fairness (Okolie, 2014; Oroud et al., 2019). Therefore, it is crucial to have regular external audits, so the investors may have faith in the financial statements and the information they include regarding the company's stock performance (Jusoh & Che-Ahmad, 2014; Ola, 2018). A financial statement audit is a type of independent function that involves taking a number of measures in a specific order, analysing those data critically, and then presenting the results to the parties who will using the information (De-Fond & Zhang, 2014).

Consequently, audit reports provide credence to the findings that were extracted from the financial accounts. It is necessary to have a quality audit in order to acquire better credibility in the financial accounts (Khajavi & Zare, 2016). The auditor who is responsible for reviewing the firm's financial reports ought to be unaffiliated with the management of the company. Furthermore, they ought to be able and willing to lay their faith in the reliability of the audit. Investors are becoming increasingly concerned about the integrity of the financial reporting of companies, despite the fact that annual financial

\* Corresponding author.

E-mail address: [oroud.yazan@iu.edu.jo](mailto:oroud.yazan@iu.edu.jo) (Y. Oroud)

statements are audited. This is because scandals involving companies that were once held in high regard, such as Enron, Harris Scarfe, and WorldCom, have shaken investor confidence (Ola, 2018; Ugwunta et al., 2018). The maintenance of a consistent auditing process inspires confidence in the veracity and authenticity of the financial accounts that are made accessible to investors, owners, creditors, and other users (Okolie & Izedonmi, 2014). Once current investors as well as potential investors have faith in a firm's financial statements, that confidence will lead to an increase in demand for the stock of that company, which in turn will lead to a rise in the stock returns of the company (Okolie et al., 2013; Jusoh & Che-Ahmad, 2014; Okolie & Izedonmi, 2014; Oroud et al., 2016; Ola, 2018).

As a consequence, the role of the external auditor in assuring the accuracy of the financial statements prepared by management for the benefit of shareholders is very common (Watts & Zimmerman, 1983). Furthermore, the efforts that are performed by the external auditor have a potential to decrease the consistency of information that is present between managers and shareholders (Fama, 1980; Eisenhardt, 1989). The corporation uses external audit as a technique for managing, which it uses to fix agency problems and manipulate financial performance indicators (Jensen & Meckling, 1976). The quality of the audit is expected to improve the corporate governance elements and produce high-quality financial reports, which will lead to an increase in the number of investors who rely on the company's financial performance indicators. This, in turn, will hopefully result in the market receiving positive signals, which will lead to a higher valuation of stock returns (Ziaee, 2014; Khajavi & Zare, 2016).

Based on the previous discussion, and upon our best knowledge, there are few studies examining audit quality as a moderator in accounting studies. Hence, this paper will primarily focus on the moderating role of audit quality in explaining the link between financial performance metrics and stock returns for Jordanian firms listed on the ASE during the period 2013-2021.

## 2. Review of the Literature and Hypothesis Development

Auditing is a vital aspect of agency relationship monitoring, due to the information asymmetry and probable conflict of interest between shareholders and the managers. Healy and Palepu (2001) argue that monitoring financial reporting and disclosure is necessary. In addition, audits, capital market intermediaries, and regulation all help to increase confidence level in management's disclosures. Aside from the regulatory aspect, accounting numbers are meaningless unless they are prepared in conformity with "generally accepted accounting principles" or "international financial reporting standards" (the auditing aspect). Because of this, the audit's motivations can be traced back to information asymmetry and conflicting interests. Consequently, it plays a significant part in the oversight of agency contracts. In particular, they give present and potential stockholders comfort that the financial statements are devoid of serious misstatement (Watts & Zimmerman, 1986). This section provides a summary of current research on the impact of audit quality on key financial performance metrics and how it acts as a moderator. The most important results from similar investigations are summarised and briefly explained.

To analyse the moderating effect of audit quality on the financial performance indicators firms in Nigeria, Abubakar, et al., (2021) investigate the relationship between audit quality and number of financial performance indicators, including earnings per share (EPS), book value per share (BVPS), cash flow per share (CFPS), and dividends per share (DPS). The study follows the positivist paradigm and is based solely on quantitative data collected from the annual reports and accounts of the companies in the sample. However, audit quality's favorable interactions with BVP, EPS, CFPS, and DPS have a considerable negative impact on stock performance.

However, previous research on the link between financial performance indicators and stock returns has yielded mixed results (see, for example, Vijitha & Nimalathasan, 2014; Omokhudu & Ibadin, 2015), who find that financial performance indicators, particularly earnings, have value relevance, while Ayzer & Cema (2013) come to the opposite conclusion). Different researchers draw different judgements about where value relevance is headed. According to Abiodun (2012), there is an upward tendency in the significance of values. To the contrary, research (see, for example, Vishnani & Shah, 2008; Miah, 2012; Sharma, et al., 2012; Tsalavoutas, et al., 2012) has shown a decline in financial performance measures.

Therefore, the study thinks it is reasonable to employ audit quality as a moderator in order to evaluate how it might moderate or enhance the association between the financial performance indicators variable and stock return, with the goal of addressing the aforementioned discrepancies. This is due to the fact that audit quality assurance was developed to guarantee the accuracy of publicly available financial reports that companies produced and presented. Audit quality (AQ) was defined to represent the market-determined probability that a particular auditor will discover an infringement in an accounting system. Past evidence has used audit quality as a moderator. (Miettinen, 2008; Lee and Lee, 2013; Okolie & Izedonmi, 2014; Dabor & Benjamine, 2017; Binti-Nono & Khomsatun, 2018; Yaseen, et al., 2018; Oroud et al., 2019).

The potential moderating influence of audit quality on the relationship between financial performance indicators and firm stock returns has received limited attention from researchers. Nevertheless, several prior studies investigated the connections between audit quality and other factors. Okolie (2014) is one of several authors who have noted the connection between audit quality and the reliability of financial statements and the confidence they inspire in investors. Furthermore,

both Watkins et al. (2004) and Knechel (2009) emphasised the fact that audit quality is affected by a wide variety of direct and indirect influences, and that stakeholders' perspectives on audit quality vary depending on the extent to which they are directly involved in audits and the angle from which they view them. Since the audit procedure is the means through which the accuracy of financial statements may be verified, it is central to Agency Theory (Watts & Zimmerman, 1986).

Therefore, this study is motivated to examine whether audit quality might moderate the relationship between the independent variables and the dependent variable, with the hope that doing so would lead to more accurate financial reporting. As a result, we hypothesised if audit quality moderates the link between financial performance indicators and the stock return of Jordanian companies in order to gain a better understanding of the moderating effect of audit quality in this relationship. Consequently, these considerations lead us to the study's three hypotheses, which are as follows:

**H<sub>1</sub>:** *The auditor's firm size has a significant moderating role in the relationship between financial performance indicators and the stock return.*

**H<sub>2</sub>:** *The auditor's opinion has a significant moderating effect role in the relationship between financial performance indicators and the stock return.*

**H<sub>3</sub>:** *The auditor's fees have a significant moderating effect in relationship between financial performance indicators and the stock return.*

### 3. Methodology

#### 3.1 Population and Sampling

This study gathered secondary data from the published annual reports of the sampled firms for the years 2013–2021, which were accessible through the ASE database. The sample of this study includes a number of 95 listed companies, a briefing on the numbers and sectors of those companies is given in Table 1.

**Table 1**  
Sample of Study

Year	Listed Company	Data (based on criteria)	Sample		
			Financial Sector	Industrial Sector	Service Sector
2021	167	95	42	33	20
2020	178	95	42	33	20
2019	195	95	42	33	20
2018	194	95	42	33	20
2017	224	95	42	33	20
2016	228	95	42	33	20
2015	236	95	42	33	20
2014	240	95	42	33	20
2013	243	95	42	33	20

Source: Official Website of ASE ([www.ase.com.jo](http://www.ase.com.jo)).

An aggregate of 95 companies with 855 observations was registered on the ASE from 2013 to 2021 (see Table 1). The study divided the sample into three sectors, which are the financial, industrial, and service sectors. Forty-two companies were selected in the financial sector, representing 44.22 percent of the listed companies in the sample. In addition, 33 companies were chosen in the industrial sector, representing 34.7 percent of the registered companies in the sample. Finally, there were 20 companies in the service sector, representing 21 percent of the companies in the sample.

#### 3.2 Functional Models

This study developed the following regression models for analysing the variables: The equations below describe the interactive effect of audit quality (AFE, AFS, and AO) with the financial performance indicators (EPS, BV, OCF, and DPS) on the stock return of Jordanian companies.

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AFE_{it} + \beta_6 EPS_{it} * AFE_{it} + \beta_7 BV_{it} * AFE_{it} + \beta_8 AOCF_{it} * AFE_{it} + \beta_9 ADPS_{it} * AFE_{it} + \varepsilon_{it} \quad (1)$$

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AFS_{it} + \beta_6 EPS_{it} * AFS_{it} + \beta_7 BV_{it} * AFS_{it} + \beta_8 AOCF_{it} * AFS_{it} + \beta_9 ADPS_{it} * AFS_{it} + \varepsilon_{it} \quad (2)$$

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AO_{it} + \beta_6 EPS_{it} * AO_{it} + \beta_7 BV_{it} * AO_{it} + \beta_8 AOCF_{it} * AO_{it} + \beta_9 ADPS_{it} * AO_{it} + \varepsilon_{it} \quad (3)$$

where:

The  $r$  (stock return) dependent variable is measured as the change in share price, which is also the proxy used in other studies (Almahadin & Tuna, 2016; Shamki & Alulis, 2016; Oroud et al., 2019). The EPS (earnings per share), which is measured by a company's earnings per share at the end of its financial year, is the independent variable used in this paper, other studies (Babalola, 2013) also use EPS as a proxy. The BV (book value) is the independent variable used in this paper.

It is measured as the book value of equity per share of a company at the end of the financial year, which is also the proxy used by other studies (Cortijo, et al., 2009). The Cash flows (CFO) is the independent variable used in this paper and is measured as a company's cash flows from operations per share at the end of the year, which is also the proxy used in other studies (Shamki, 2013). The DPS (dividends per share) is measured as the dividend per share of a company at the end of its financial year, which is the proxy used by other studies (Al-Hares et al., 2012). The AFE (Audit Fees), which is the moderating variable used in this study and is measured as the natural log of the company's audit fees (Okolie & Izedonmi, 2014; Ola, 2018). The AFS (Audit Firm Size) is the moderating variable used in this paper. If a company has an auditor from the Big 4, it gets a 1 and if it doesn't, it gets a 0. Finally, the AOP (Audit Opinion), which is the moderating variable adopted in this paper and measured as 1 if an opinion is unqualified (a "clean report") and 0 if an opinion is qualified (an "unclean report") (see Ola, 2018; Alsmairat et al., 2018).

## 4. Results and Discussion

### 4.1 Descriptive Analysis

Table 2 shows descriptive statistics such as the average, standard deviation, and minimum and maximum values. All of the variables included in the analysis are summarised in Table 2, including the dependent variable stock return (*r*) and the independent variables earnings per share (EPS), book value (BV), cash flows (CFO), and dividends per share (DPS). According to descriptive statistics, there were 855 total observations. The average value of (*r*) represents a value of (23.6 percent) for the company during the study period's minimum and maximum values of (0.13 percent) and (46.51 percent), respectively. Furthermore, Table 2 shows that Jordanian firms have average earnings per share (EPS) of 0.121 JD, with a range of (-1.08 to 3.6) JD. Based on the data, we know that the mean of BV is (-0.34) and the range is (-1.62) to (12.18). From the data, we can infer that the mean of CFO is 9.043 with a range of (-4.87) to (51.4). The mean dividend per share (DPS) is (0.18) JD, with a minimum DPS of (0.00) JD and a maximum DPS of (1.693) JD, according to the data.

The moderating effect of audit firm size (AFS) is displayed in Table 2 with a mean value of (0.58) and a standard deviation of (0.49). With an average audit coverage rate of approximately 58%, the Big 4 auditing firms are responsible for auditing about 58% of the companies in the sample. With a standard deviation of (0.49), it's clear that the majority of the sampled businesses had their finances audited by one of the Big Four accounting firms. Table 2 further demonstrates that the audit opinion (AO) is a moderating variable in this investigation, with a mean value of (0.14) and a standard deviation of (0.34). In addition, Table 2 shows that audit fees (AFE) also are a moderating variable in this study and are observed to have a mean of (4.24) with a minimum range of (3.34) to a maximum of (5.76).

**Table 2**  
Descriptive statistics of variables

Variable	N	Mean	Std. Dev.	Minimum	Maximum
<i>r</i>	855	23.630	14.210	0.130	46.510
EPS	855	0.120	0.366	-1.08	3.600
BV	855	1.615	1.486	-0.340	12.180
CFO	855	9.043	6.127	-4.866	51.431
DPS	855	0.183	0.588	0.000	6.93
AFS	855	0.581	0.493	0.000	1.000
AO	855	0.142	0.349	0.000	1.000
AFE	855	4.246	0.471	3.342	5.764

Notes: *r* = stock return; EPS = earnings per share; BV = book value; CFO = cash flows; DPS = dividend per share; AFS = audit firm size; AO = audit opinion; AFE = audit fees

### 4.2 Correlation Analysis

Correlation analysis, as stated by Pallant (2013), enables the description patterns and intensities of linear relationships between variables. Table 3 displays the results of a Pearson product-moment correlation analysis used in this article to assess the correlations between the variables.

**Table 3**  
Pearson's Correlation Coefficients

Variable	<i>r</i>	EPS	BV	DPS	CFO	AFS	AO	AFE
<i>r</i>	1.0000							
EPS	0.0271	1.0000						
BV	0.0475	0.5611*	1.0000					
DPS	0.0986*	0.6202*	0.1312*	1.0000				
CFO	0.0048	0.1542*	0.1969*	0.0936*	1.0000			
AFS	-0.1336*	0.1730*	0.2704*	0.0783*	0.1048*	1.0000		
AO	0.0091	0.1403*	0.0791*	0.1240*	0.0512	0.2400*	1.0000	
AFE	0.0562	0.1792*	0.3123*	0.0073	0.2134*	-0.0296	-0.0333	1.0000

Note: *r* = stock return; EPS = earnings per share; BV = book value; CFO = cash flows; DPS = dividend per shares; AFS = audit firm size; AO = audit

Hair et al. (2010) state that a correlation coefficient of 0 denotes the absence of any association between the moderating variable and the independent variables and the dependent variables, while a correlation coefficient of 1.0 shows a perfect linear relationship. The correlation coefficients of the moderating, independent, and dependent variables are summarised in Table 3. In essence, this indicates that all correlations are less than 0.80. This is consistent with the assumption that the correlation matrix should not exceed 0.80 to ensure that there is no multicollinearity problem in this investigation.

#### 4.3 Regression Results and Discussion of Findings

The regression results, as well as the hypotheses testing of the study, are presented and discussed in this section, and conclusions are drawn from them.

##### 4.3.1 The auditor's firm size has a significant moderating role in the relationship between financial performance indicators and the stock return

The first hypothesis assumes that the auditor's fees (AFE) will have a significant moderating effect on the relationship between the financial performance indicators and stock returns of the Jordanian companies. The model (1) tests the interaction effect of auditor's fees on the relationship between financial performance indicators and stock return. Table 4 below shows the results of the robust random-effect regression analysis based on the results of the Hausman test. The analysis outcome demonstrates that the model fits the data at a significance level of 0.01. The results also indicate that in this model, the explanatory variables explain 23 percent of the variations in the stock return of the companies studied ( $R^2 = 0.231$ ). The constant term in this model, on the other hand, is positive and significant ( $P$ -value is 0.01). The empirical findings indicate that auditor's fees significantly moderate the relationships between firm stock returns and earnings per share (EPS), book value (BV), dividends per share (DPS), and cash flows (CFO). The presence of the moderating variable has changed the direction of the relationships between the components of the of financial performance indicators and stock return, as the relationship between EPS and stock return is now positive rather than negative, the relationship between BV and stock return is now positive rather than negative, and the relationship between DPS and stock return is now negative rather than positive. The audit fees of the companies influence the study sample. This is consistent with ideas and past research indicating that high audit fees are paid for quality services; hence, higher audit fees indicate a better level of audit quality (Pires et al., 2012). This perceived audit quality in high audit fees is more likely to translate into a high firm value in the market. This is because those who support audit quality through high audit fees believe that the high fees are paid for the extensive and thorough work done by the auditors. This has an effect on the return of the company's shares in the market, which means that stock returns of companies with high audit fees will go up because the high audit fees translate into quality audit and assurance services.

**Table 4**  
Results of Regression Analysis Related to Model (1)

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AFE_{it} + \beta_6 EPS_{it} * AFE_{it} + \beta_7 BV_{it} * AFE_{it} + \beta_8 AOCF_{it} * AFE_{it} + \beta_9 ADPS_{it} * AFE_{it} + \varepsilon_{ij}$$

Variables	Coefficients	(t-static)	P>Z
EPS	-0.787	-2.370	0.045**
BV	-0.692	-3.520	0.008***
DPS	0.511	1.090	0.306
CFO	0.022	3.750	0.006***
AFE	-0.000	-5.440	0.001**
EPS*AFE	0.000	3.320	0.011**
BV*AFE	0.064	6.010	0.000***
DPS*AFE	-0.000	-3.120	0.014**
CFO*AFE	-0.042	-2.890	0.02**
cons	3.389	4.800	0.001
R-sq overall	0.231		
(F-value)	665.93***		

\*, \*\*, \*\*\*= p-value < .10, .05, .01; (r) = stock return; EPS = earnings per share; BV = book value; CFO= Operating Cash Flows; DPS = dividend per share; AFE= auditor's fees,  $\varepsilon$  = error term.

##### 4.3.2 The auditor's opinion has a significant moderating role in relationship between financial performance indicators and the stock return

The second hypothesis assumes that the auditor's firm size (AFS) will have a significant moderating effect on the relationship between the financial performance indicators and stock returns of the Jordanian companies. The model (2) tested the interaction effect of the auditor's firm size on the relationship between financial performance indicators and stock return. Table 5 below shows the results of the robust, fixed-effect regression analysis based on the results of the Hausman test. The analysis outcome demonstrates that the model fits the data at a significance level of 0.01. The results also indicate that in this model, the explanatory variables explain 62 percent of the variations in the R-factors of the companies studied ( $R^2 = 0.624$ ). The consistent term in this model, on the other hand, is positive and significant ( $P$ -value 0.01). The empirical results show that there is a positive and significant relationship between the interactive term (EPS\*AFS) and stock return ( $t = 1.95$ ;  $P$ -value = 0.087). In addition, there is a positive but insignificant relationship between the interactive term

(BV\*AFS) and stock return ( $t = 0.08$ ;  $P\text{-value} = 0.852$ ). Also, there is a positive and significant relationship between the interactive term (DPS\*AFS) and stock return ( $t = 2.73$ ;  $P\text{-value} = 0.026$ ). In addition, there is a significant negative relationship between the interactive term (CFO\*AFS) and stock return ( $-4.57$ ;  $P\text{-value} = 0.002$ ). The existence of the moderating variable has led to a change in the direction of the relationships between the components of the financial performance indicators and stock return, as the relationship of BV has become positive instead of negative, the relationship of DPS has become positive instead of negative, and the relationship of CFO has become negative instead of positive. The relationship between financial performance metrics and stock returns is significantly influenced by audit quality. The size of the auditing firm influences the study sample. This is consistent with the prior research stating that large companies are expected to deliver high-quality financial reports, thereby obtaining financial data with better interpretive ability to explain the change in stock prices (Okolie & Izedonmi, 2014; Ola, 2018).

**Table 5**  
Results of Regression Analysis Related to Model (2)

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AFS_{it} + \beta_6 EPS_{it} * AFS_{it} + \beta_7 BV_{it} * AFS_{it} + \beta_8 AOCF_{it} * AFS_{it} + \beta_9 ADPS_{it} * AFS_{it} + \varepsilon_{it}$$

Variables	Coefficients	(t-static)	P>Z
EPS	1.421	2.230	0.056*
BV	-1.510	-2.210	0.058*
DPS	-1.624	-3.860	0.005***
CFO	0.009	4.560	0.002***
AFS	4.013	2.870	0.021**
EPS*AFS	0.319	1.950	0.087*
BV*AFS	0.095	0.080	0.939
DPS*AFS	1.206	2.730	0.026**
CFO*AFS	-0.009	-4.570	0.002***
cons	1.344	0.700	0.507
R-sq overall	0.624		
(F-value)	440.01***		

\*, \*\*, \*\*\*= p-value < .10, .05, .01; (r) = stock return; EPS = earnings per share; BV = book value; CFO= Operating Cash Flows; DPS = dividend per share; AFS= Audit Firm Size,  $\varepsilon$  = error term.

#### 4.3.3 The auditor's fees have a significant moderating role in relationship between financial performance indicators and the stock return

The third hypothesis assumes that the auditor's opinion (AO) will have a significant moderating effect on the relationship between the financial performance indicators and stock returns of the Jordanian companies. The model (3) tests the interaction effect of the auditor's opinion on the relationship between financial performance indicators and stock return. Table 6 below shows the results of the robust random-effects regression analysis based on the results of the Hausman test. The analysis outcome demonstrates that the model fits the data at a significance level of 0.01. The results also indicate that in this model, the explanatory variables explain 33 percent of the variations in the stock return (r) of the companies studied ( $R^2 = 0.332$ ). On the other hand, the consistent term in this model is "positive and significant" (p 0.01).

**Table 6**  
Results of Regression Analysis Related to Model (3)

$$r_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BV_{it} + \beta_3 OCF_{it} + \beta_4 DPS_{it} + \beta_5 AO_{it} + \beta_6 EPS_{it} * AO_{it} + \beta_7 BV_{it} * AO_{it} + \beta_8 AOCF_{it} * AO_{it} + \beta_9 ADPS_{it} * AO_{it} + \varepsilon_{it}$$

Variable	Coefficients	(t-static)	P>Z
EPS	0.063	0.210	0.842
BV	-0.196	-0.400	0.700
DPS	0.015	0.080	0.941
CFO	0.002	0.050	0.963
AO	-0.819	-3.310	0.011**
EPS*AO	1.223	1.880	0.096*
BV*AO	-0.234	-2.530	0.035**
DPS*AO	0.995	2.140	0.065*
CFO*AO	-0.096	-0.190	0.852
cons	2.470	2.180	0.061
R-sq overall	0.332		
(F-value)	1356.26***		

\*, \*\*, \*\*\*= p-value < .10, .05, .01; r = stock return; EPS = earnings per share; BV = book value; CFO= Operating Cash Flows; DPS = dividend per share; AO= auditor's opinion,  $\varepsilon$  = error term.

The empirical results show that it was found that the auditor's opinion significantly moderates associations of stock return of companies with the earnings per share (EPS), book value (BV), and dividend per share (DPS, but not with the cash flows (CFO). Model 3 shows that there is a positive and significant relationship between the interactive term (EPS\*AO) and stock return ( $t=1.88$ ;  $p=0.096$ ). In addition, there is a negative and significant relationship between the interactive term (BV\*AO) and stock return ( $t=-2.53$ ;  $p=0.035$ ). Also, there is a significant positive relationship between the interactive term (DPS\*AO) and stock return ( $t=2.14$ ;  $P\text{-value} = 0.065$ ). In addition, there is a negative but insignificant relationship between the interactive term (CFO\*AO) and stock return ( $t -0.19$ ;  $P\text{-value} = 0.852$ ). The existence of the moderating variable has

led to a change in the direction of the relationships between the components of the financial performance indicators and stock return, as the relationship of CFO has become negative instead of positive. This means that stakeholders believe that the audit opinion is independent and objective, which makes the financial statements audited more trustworthy. As a result, the nature of the auditor's opinion has a big effect on the r. Here, the result shows that the effect on the r is better the more unqualified audit opinions there are (Rudekhani and Jabbari, 2013; Robu and Robu, 2013).

## 5. Conclusion and Recommendation

This study examines and analyses evidence on the role of audit quality in moderating the relationship between financial performance indicators and stock return on the Amman Stock Exchange (ASE). In view of the research findings, the researcher reached various conclusions. First, audit quality in terms of auditor's fees (AFE) has a significant moderating effect on the relationship between financial performance indicators and stock return of companies. Therefore, it was found that auditor's fees significantly moderate associations of stock return of companies with earnings per share (EPS), book value (BV), dividend per share (DPS), and cash flows (CFO).

Second, audit quality in terms of auditor's firm size (AFS) has a significant moderating effect on the relationship between financial performance indicators and stock return of companies. However, it was found that auditor's firm size significantly moderates associations of stock return of companies with the earnings per share (EPS), dividend per share (DPS) and the cash flows (CFO), but not with the book value (BV). Third, audit quality in terms of auditor's opinion (AO) has a significant moderating effect on the relationship between financial performance indicators and stock return of companies. However, it was found that the auditor's opinion significantly moderates associations of stock return of companies with the earnings per share (EPS), book value (BV), and dividend per share (DPS), but not with the cash flows (CFO).

To sum up, the study suggests that regulatory bodies like the Companies Control Department (CCD) and ASE should make sure that local audit firms in Jordan improve their audit quality to be on par with the Big 4 audit firms. This will improve the quality of financial performance indicators, which will improve the relationship between financial performance indicators and stock return. Also, it suggests that the Jordanian Association of Certified Public Accountants keep an eye on how much audits fees and how qualified the people who work at local audit firms are. In addition, the study recommended that future research conduct identical studies by industry in order to identify sector-specific and possibly even business-specific features such as company size, age, and/or operating cash cycle.

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