The Effect of Audit quality on Stock Price Crash Risk "An Empirical Study on Egyptian Listed Companies"

Research extracted from PHD thesis titled:

The Effect of Adopting International Financial Reporting Standards (IFRS) on the Relationship between Audit Quality and Stock Price Crash Risk "An Empirical Study on Egyptian Listed Companies"

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Abstract

The main objective of this research was to measure the impact of audit quality on stock price crash risk. The sample of the study included 125 nonfinancial listed companies on the Egyptian Stock Exchange during the period from 2016 to 2019. The total number of observations was 490 observation after excluding 10 observations due to incomplete data. The research results concluded a negative significant relationship between audit quality and stock price crash risk. The researcher recommends setting strong regulatory mechanisms to enhance high-quality audits, which in turn would reduce stock price crash risk. Also, depending on big audit offices, because of the expertise and skills they have will increase audit quality level, consequently reducing stock price crash risk. In addition, setting the necessary controls and legislation to limit the actions of opportunistic managers and prevent them from withholding bad news, enhancing transparency and improving audit quality, which reduces stock price crash risk.

Key words: Audit quality - Stock price crash risk – Egyptian listed firms

Introduction

Movements on the company's stock prices in capital markets are a result of many factors (Lim et al, 2016), including those related to the efficiency of the market itself and its ability to represent all information available in it, some that are relate to the company's performance and some of which are related to investors, their beliefs and reactions to different events. Finally, some of which are related to financial analysts who provide opinions on share prices and their expectations of future stock prices.

Financial information users depend on the information communicated to them via the firm’s annual report in order to take economic decisions, As a result, the report should be credible, reliable, acceptable and relevant to facilitate stakeholders making rational decisions, Thus, it is important the financial report should provide financial information that is transparent, timely, reliable and complete, and that such information is not prepared with the intent of misleading users (Boshnak, 2021)

The report issued by the external auditor is the communication tool that provides confidence to the audited financial statements, enabling the company's stakeholders to rely on them to make many decisions regarding

them, as the external auditor expresses his opinion on the honesty and fairness of the presentation of the company's financial statements. This is thus an instrument for judging the validity and fairness of the presentation of financial statements.

1/1 Research problem

The phenomenon of stock price crash has become an increasingly important issue among researchers in the recent years due to occurrence of certain events. Stock price crash risk is one of the important factors for investment decisions and risk management. The recent global financial crisis motivated the interest of regulators, practitioners and researchers in Accounting and Auditing field to analyze stock price crash risk and many literature examined the determinants affecting stock crash risks (Jeon, 2019).

Stock price crash is a phenomenon in which stock prices have severe, sudden and negative adjustment (Khajavi and Zare, 2016). It represents a sudden and negative revise in expectations of investors about firm’s shares. Many studies that have been conducted in the context of stock prices crash discovered two main reasons, namely management activities and accounting systems, (Dai et al 2019; Habib et al, 2018; Yeung and Lento, 2018).

The main objective of the audit process is to provide a reasonable assurance that firm's financial statements are free from material misstatement and provide a technical opinion about the fairness of financial reports (Arens et al, 2017). For the auditor to do this task, the audit process must be characterized in all stages by high quality level to ensure the discovery of material errors especially in light of the conflict of interests between management and shareholders.

Audit quality is one of the variables that literature review used to test its effect on stock price crash risk. The research problem can be concluded in the following question:

Does audit quality affects stock price crash risk?

1/2 Research objective

The main objective of the research is to measure the effect of audit quality on stock price crash risk for a sample of nonfinancial listed firms on the Egyptian stock exchange**.**

1/3 Research hypotheses

In the light of the research problem and to achieve its objective, the researcher developed the following hypothesis:

H1: there is a negative significant relationship between audit quality and stock price crash risk.

1/4 The nature of audit quality

DeAngelo study is one of the first literature that define audit quality by describing it as "the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system, and report the breach" (DeAngelo, 1981). The study confirmed that the probability that auditors will discover a breach depends on the auditor's technological capabilities, the audit procedures employed on a given audit, the extent of sampling. The conditional probability of reporting a discovered breach is a measure of an auditor's independence from audit client. In carrying out the audit process, the auditor must act as a competent person in the field of accounting and auditing (Sari et al, 2021).

In the meantime, the study of (DeAngelo, 1981) confirmed that assessing the joint probability that the auditor will both discover and report a breach on a given client's audit faces two problems. First, actual audit procedures employed on a given audit engagement are generally not directly observed by the users of financial statements. Second, users of financial statements have insufficient information about auditors' incentives to report the breach. As a result, users incur costs of evaluating audit quality and differentiating between its different levels, this motivated users to develop less costly alternative measures of audit quality like auditor size and reputation (DeAngelo, 1981).

The study of (عطية، 2020) defined audit quality as performing audit procedures according to generally accepted auditing standards, which enable the auditor to detect material misstatements and errors in the financial statements, related disclosures and reporting it, whether these misstatements due to error, defect, or as a result of fraud and manipulation, according to reliable independent audit that aims to give financial reports a degree of confidence to meet the needs of accounting information users.

The study of (Hasan et al, 2020) stated that the better audit is recognized for its independent assurance of the credibility of financial statements, which enhances investors' protection and improves their confidence in the financial reports, therefore audit quality enhances financial reporting quality by improving the investors' trust.

The researcher can conclude from the previous definitions that the audit quality concept is a comprehensive concept that include the following points:

- Auditor's ability to discover material misstatements.
- Auditor's ability to detect fraud.
- Reducing detection risks to the extent that the acceptable audit risk level is as low as possible.
- Auditor's compliance with professional standards and code of professional conduct.
- the degree of confidence that auditor's provide to the financial statement's users through the accuracy of the information provided, and the financial statements are free from any material misstatements.
- Reducing auditing expectations gap.

1/5 The importance of audit quality

Audit firms play an important and effective role to serve many parties related to the financial statements and reports in order to highlight the credibility of the accounting information, it represents a great importance to financial statement users to rationalize their investment and financing decisions and help its users to obtain reliable accounting information by increasing the confidence and credibility level of the information included in the financial reports (عطية، 2020) and then if the audit tasks are performed efficiently, their outputs will be of high quality in rationalizing the decisions of their users, which confirms the importance of auditing and its essential role in society and the need to perform it efficiently and effectively.

Audit quality is important to all parties of the audit process. achieving audit quality benefits both the company being audited, the auditor who performs the audit process, as well as the users of the financial statements who are the beneficiaries of the audit process (مشابط، 2020).

The researcher believes that the high audit quality level supports confidence in the audit report, as it plays an important role in increasing financial statements credibility that are used in decision-making by many parties and guarantee accounting disclosure adequacy, thus increase users' confidence in the financial statements and reports.

With regard to the auditor or the audit firm to which he belongs, Providing high-quality professional services is a main goal of audit offices to maintain their professional reputation in order to keep existing clients and attract new clients (Skinner and Srinivasan, 2012).

With regard to financial statement users, Users understand audit quality as the absence of material misstatements and confirmation that management misconduct has been detected and corrected (Knechel et al., 2013).

Concerning the audit clients, they aims to obtain the highest possible audit quality level to enhance the confidence of financial reports users regarding the financial reports credibility in order to attract new investments to maintain or increase the value of the company’s shares in the market (Ethridge and Marsh, 2010).

Concerning professional organizations are concerned with confirming compliance with professional standards which serve as guideline for defining and applying audit procedures, these standards contain policies and procedures aimed at improving the performance of both individuals and audit offices, therefore, compliance with professional standards is one of the factors that have great importance in determining audit quality (Christensen et al, 2016). Therefore, the study of (Bryan, 2017) confirmed that there is relationship between audit quality and compliance with professional standards, where compliance with professional standards results in high quality audit process, in the meantime performing the audit process at a sufficient quality level confirms the auditor is complied with professional standards.

1/6 The factors affecting the audit quality level

There are many factors that affect audit quality under different names in the audit literature. Some literature names them the quality elements of the audit process, or measures of audit quality, or indicators of audit quality, or determinants of audit quality. The quality of an audit depends

on the ability to establish an external mechanism to mitigate information asymmetry by increasing management monitoring, controlling managers' opportunistic behavior, or improving the quality of firms' information flows (Dang et al, 2022).

Some literature (e.g. شحاتة، 2015 ; شرف، 2019; مشابط، 2020; الجمهودي، 2019) has divided the factors affecting audit quality into three categories. First, factors related to the audit office, Second, factors related to the audit team or the auditor, and Third, factors related to the audit client. The researcher will discuss these factors as follows:

1/6/1 The factors related to the audit firm or office

There are many factors that is related to the audit office and affect audit quality. These factors include, audit office size, competition between audit firms, audit office industrial specialization, the length of audit tenure between the auditor and audit client, audit firm reputation, audit fees and the lawsuits against the audit office.

1/6/2 The factors related to the audit team

There are many factors affecting audit quality that are related to the audit team generally and the auditor specifically including auditor's scientific and practical qualification, auditor's independence, auditor's experience, auditor's effort, providing non-audit consulting services, supervising the audit team, communications between the audit team and audit client, and ethical aspects.

1/6/3 The factors related to the audit client

There are many factors affecting audit quality that are related to the audit client including audit client size, audit task complexity, and corporate governance.

1/7 Stock price crash risk

Conceptually, crash risk is based on the argument that managers have a tendency to withhold bad news for a long period, allowing bad news to stores (Habib et al, 2018). If managers successfully prevent the flow of negative information into the stock market, the distribution of stock returns should be asymmetric (Hutton et al, 2009). When the accumulation of bad news passes a specific limit, it is revealed to the market at once, leading to a large negative drop in the firm's stock price (Habib et al, 2018).

Literature review provided many definitions for stock price crash risk. The study of (Habib and Hasan, 2017) defined stock price crash risk as a sharp deterioration and sudden drop in the firm's real value, it's most important characteristic is the failure of its management system to perform its main tasks, which negatively affects the share price and creates adverse effects on the firm's market value. While, the study of (Zhu, 2016) defined stock price crash risk as the possibility of a large, sudden and non-recurring decrease in the share price of a specific company. Also, the study of (Dang et al., 2018) defined stock price crash risk as a severe crash in the market value of shares, which leads to a sharp decline in shareholders' wealth.

In addition, the study of (حسين، 2020) defined stock price crash risk as the phenomenon in which a negative return skewness of the company's share occurs repeatedly during a short period of time, which increases the possibility of a sharp decline in the company's share price in the financial markets in the future. Moreover, the study of (عبدالمجيد، 2019) defined stock price crash risk as the possibility of a large decrease in the company's share price, which can be noticed through the negative deviation or skewness in the distribution of stock return during the period of trading it.

1/8 Reasons and interpretations of stock price crash risk phenomenon

Many accounting literature that discussed the phenomenon of stock price crash risk provided many reasons that represent interpretations for the occurrence of this phenomenon, the most important of these reasons and interpretations are as follows:

1/8/1 Withholding or concealing bad news

Theoretically, firm's stock price crash is based on the argument that managers have a tendency to withhold bad news or unfavorable information from investors for long periods for their own motives such as professional motives and motives for obtaining compensation, also their desire to achieve specific personal advantages and build their personal reputation (Habib et al, 2018; Dang et al, 2018).

1/8/2 The differences of opinion theory

The differences of opinion theory is based on the idea that trading by investors with different points of view can reveal the signals of others, which leads to moving stock prices even in the absence of basic

information, therefore, this theory is also called the theory of heterogeneity or inconsistency in investors beliefs (Habib et al, 2018).

1/8/3 Information blockage model

The study of (Cao et al, 2002) suggested information blockage model as a theoretical framework to explain the reasons of stock price crash risk. Information blockage model measures the effect of the asymmetric release of information in the financial market on the occurrence of firm's stock price crash risk, information asymmetry is inferred through historical stock prices (Zhu, 2016).

1/8/4 Agency theory

In an asymmetric information environment, firm's management is likely to act opportunistically to achieve its own interests (Santoso et al, 2022). The lack of transparency in financial reports increases in parallel with the amount of withheld negative information. However, the ability of managers to hide bad news is limited. When withheld bad news reaches the tipping point, all negative information is suddenly disclosed, which leads to stock price crash risk.

1/8/5 Default risks

Default risk refers to the possibility that the company will not be able to meet its financial obligations. Stock price crash risk may arise as a result of firm's failure to meet its financial obligations (عبدالمجيد، 2019). The study of (Zhu, 2016; Habib et al., 2018) confirmed that the explanation based on idea that the default risks is one of the reasons of stock price crash risk depends on the idea that the company in which default risks are high is more likely to publish exaggerated news suddenly, in this case the company either discloses very bad news, which will result in firm's stock price crash risk, or the company discloses very good news, which will result in a significant increase in the company's stock price.

1/8/6 The nature of firm's activity

Among the other interpretations and reasons of firm's stock price crash risk is the nature of the firm's operations, where stock price crash risk may occur due to the basic nature of its operations. For example, petroleum companies face the possibility of a drop or crash in global oil prices, insurance companies face the possibility of paying high compensation to an extent that cannot be met as a result of natural disasters like earthquakes

and volcanoes, and changes in the legal environment and government procedures as an economic events may cause stock price crash risk (Habib et al, 21018).

1/9 The determinants of stock price crash risk

There are many determinants that can limit stock price crash risk. Literature review (e.g. Habib et al, 21018; 2020 ،حسين; 2021 ،محمد) divided those determinants into different categories namely, capital market related determinants, company related determinants, management related determinants, and other external environmental (e.g. political, economic, cultural, social and religious) related determinants. The researcher will discuss each category as follows:

1/9/1 Capital market related determinants

Some researchers have tried to investigate the factors that increase stock price crash risk by linking them to the capital market characteristics including stock characteristics (e.g. liquidity and trading volume), equity market competition and short interest.

1/9/2 Company related determinants

Stock price crash risk is affected by many determinants that are related to the company including short term debt, social responsibility, financial reporting opacity, audit quality, international financial reporting standards adoption, accounting conservatism, financial analysts' forecasts ,financial reporting quality, tax avoidance, financial statement comparability ….ect (Habib et al, 2018).

1/9/3 Management related determinants

Stock price crash risk is affected by many determinants that are related to the management including corporate governance with its internal and external mechanisms, managerial ability, managerial overconfidence, powerful chief executive officers, board directors' foreign experience, and political connections.

1/9/4 Other external environmental related determinants

Stock price crash risk might be affected by other external environmental determinants including political, economic, social and religious. Concerning political determinants, the study of (Piotroski et al, 2015) confirmed that Political events may create incentives for companies

to withhold bad news, because politically connected managers may incur costs and penalties when disclosing any bad news about those events.

1/10 Analyzing the relationship between audit quality and stock price crash risk and developing the research hypothesis

Auditing plays an important role in increasing credibility and confidence in firm's financial reports. Therefore, the audit quality process has a fundamental role in reducing the possibility of stock price crash risk (Habib et al, 2018).

In this context , the study of (Chae et al, 2020) examined the effect of financial reporting opacity and audit quality on stock price crash risk of Japanese nonfinancial listed firms. The study results concluded that high level auditors can mitigate crash risk by playing a role as a corporate governance device mechanism.

Also, the study of (Yeung and Lento, 2018) investigated whether or not Chinese firm's ownership structure, audit quality, and board structure are associated with its future stock price crash risk. The study results found that stronger ownership structure and higher audit quality are associated with lower stock price crash risk.

In addition, the study of (Lim et al, 2016) investigated the relationship between auditor quality, IFRS adoption and stock price crash risk. The study results revealed that crash risk decreases after IFRS adoption. Also, When Big 4 auditor variable is included; the study found that crash risk decreases for IFRS adopting firms with Big 4 auditors. However, there is no statistically significant change in crash risk for IFRS adopting firms which are excluded from Big 4 auditors.

Moreover, the study of (Khajavi and Zare, 2016) investigated the effect of audit quality measured by auditor's industry specialization on stock price crash risk. The results of the study concluded that there is a negative and significant relationship between audit quality and stock price crash risk.

In the Egyptian environment, the study of (سليمان، 2020) measured the effect of audit quality on reducing the levels of information asymmetry to reduce stock price crash risk for listed companies on the Egyptian Stock Exchange. The study concluded that audit quality reduces information

asymmetry and reducing information asymmetry reduces stock price crash risk.

Also, the study of (أبوالعلا، 2021) examined the effect of audit quality on the relationship between internal control weakness and stock price crash risk of listed companies on the Egyptian Stock Exchange. The study results concluded a positive and significant relationship between the internal control weakness and the Stock price crash risk, while there is a negative and significant relationship between audit quality and stock price crash risk.

The researcher concludes from the above discussion that literature review agreed that audit quality affects stock price crash risk either directly or in directly through other variables.

Therefore the research hypothesis can be developed as follows:

H1: there is a negative significant relationship between audit quality and stock price crash risk.

1/11 The empirical study

The empirical study aims to test the research hypotheses, by measuring the effect of audit quality on stock price crash risk for a sample of non-financial listed company on the Egyptian Stock Exchange, according to previous studies in different accounting environments (e.g. Lim et al, 2016; Waqas, 2022; أبوالعلا، 2021).

The study sample included 125 non-financial listed company on the Egyptian Stock Exchange during the period from 2016 to 2019. The total number of observations was 490 observation after excluding 10 observations due to incomplete data.

1/11/1 Research variables measurement

- Dependent variable: stock price crash risk (NCSKEW): measured by the Negative Conditional Skewness of Returns.
- Independent variable: audit quality (MTB): measured dividing the market value of equity by the book value of equity.
- Control variables: Firm size (Size) measured by the natural log of total assets. Leverage (LEV) measured by the ratio of total debt to total assets. Return of assets (ROA) measured by the ratio of the net income to total assets. kurtosis of weekly returns (KURT) measured

by the Kurtosis of weekly returns during the year. The standard deviation of the weekly returns (SIGMA) measured by the standard deviation of firm-specific weekly return during the year.

1/11/2 Descriptive Statistics

Table (1) Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NCSKEW	490	-6.854	3.257	-1.117	1.379
MTB	490	-26.627	46.739	5.696	6.932
Size	490	10.390	18.458	13.597	1.801
LEV	490	.004	2.268	.488	.310
ROA	490	-.384	.512	.0677	.113
SIGMA	490	.017	.225	.065	.033
KURT	490	-.158	37.556	7.916	6.349
Valid N (listwise)	490				

It is clear from analyzing the results of the previous table that, the arithmetic mean of stock price crash risk (measured by NCSKEW) is (-1.117) and ranges between (-6.85: 3.25) with a standard deviation of (1.379). The arithmetic mean of audit quality (measured MTB) was (5.69) and ranges between (-26.62: 46.73) with a standard deviation of (6.93).

Concerning the control variables, the mean of weekly kurtosis of returns is (7.916), the arithmetic mean for the standard deviation of the weekly returns is (0.065), and the arithmetic mean of company size, financial leverage, and return on assets are (13.597, 0.488, 0.067), respectively.

1/11/3 Correlation Matrix

Table (2) Correlations

		NCSKEW	IFRS	Size	LEV	ROA	SIGMA	KURT
NCSKEW	Pearson Correlation	1	-.031	-.066	.046	-.232**	.261**	.262**
	Sig. (2-tailed)		.496	.146	.310	.000	.000	.000
	N	490	490	490	490	490	490	490
IFRS	Pearson Correlation	-.031	1	.155**	.078	.096*	.068	-.111*
	Sig. (2-tailed)	.496		.001	.084	.034	.135	.014
	N	490	490	490	490	490	490	490
Size	Pearson Correlation	-.066	.155**	1	.404**	.152**	-.139**	.061
	Sig. (2-tailed)	.146	.001		.000	.001	.002	.175
	N	490	490	490	490	490	490	490
LEV	Pearson Correlation	.046	.078	.404**	1	-.355**	.029	.046
	Sig. (2-tailed)	.310	.084	.000		.000	.527	.311
	N	490	490	490	490	490	490	490
ROA	Pearson Correlation	-.232**	.096*	.152**	-.355**	1	-.235**	-.099*
	Sig. (2-tailed)	.000	.034	.001	.000		.000	.028
	N	490	490	490	490	490	490	490
SIGMA	Pearson Correlation	.261**	.068	-.139**	.029	-.235**	1	.619**
	Sig. (2-tailed)	.000	.135	.002	.527	.000		.000
	N	490	490	490	490	490	490	490
KURT	Pearson Correlation	.262**	-.111*	.061	.046	-.099*	.619**	1
	Sig. (2-tailed)	.000	.014	.175	.311	.028	.000	
	N	490	490	490	490	490	490	490

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

It is clear from the analysis of the results of the previous table, that there is a negative significant relationship between stock price crash risk and audit quality at a significant level 1%. Also, there is a negative significant relationship between stock price crash risk and return on assets at a significant level 1%. In addition, there is a positive significant relationship between stock price crash risk and the kurtosis of weekly returns, the standard deviation of the weekly returns, and leverage at a significant level 1%.

1/11/4 Testing the moral quality of the study model

To test the moral quality of the model as a whole, F-test used to know whether the multiple regression model used in the study was accepted to interpret the relationship between dependent and independent variables or not.

Table (3) ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	122.901	6	20.483	12.239	.000[b]
Residual	808.343	483	1.674		
Total	931.243	489			

a. Dependent Variable: NCSKEW

b. Predictors: (Constant), KURT, LEV, IFRS, ROA, Size, SIGMA

From the above table, the value of calculated F was 12.239 at a significant level 0.000 less than the approved level of significant 0.05 which indicated that the model was suitable and valid for interpreting the relationship between dependent variable (stock price crash risk) and independent variable (audit quality).

1/11/5 Testing the explanatory power of the study model

Before interpreting the results of the regression model, the researcher determined the ability of independent variables to interpret the dependent variable . The value of (Adjusted R Square) in the next table was used to measure the strength of the relationship between dependent and independent variables, the percentage of coefficient of determination (R square) was used to measure percentage of change in the dependent variable due to the change in independent variables.

Table (4) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.363a	.132	.121	1.293	1.936

a. Predictors: (Constant), KURT, LEV, IFRS, ROA, Size, SIGMA

b. Dependent Variable: NCSKEW

It is clear from the above table that, the independent variables (audit quality) explained 12.1% of the total change in the dependent variable (stock price crash risk). The rest of the 87.9% due to random error in the

equation, or perhaps the lack of inclusion of other independent variables that should be included in the model.

1/11/6 Testing the relationship between stock price crash risk and audit quality

After testing the moral quality of the model, testing the explanatory power of model and making sure that the study model was free from multi-collinearity and autocorrelation problems, the researcher analyzed the results of the study model to determine the effect of independent variable on the dependent variable.

After the results of descriptive analysis have proved that there was a difference in stock price crash risk between the study sample, the main question of the research problem arises: Does audit quality affect stock price crash risk for the sample? To answer this question, the researcher depended on multiple regression model to test the relationship between independent and dependent variables which results were as follows:

Table (5) Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.941	.517		-1.819	.070		
	MTB	-.023	.009	-.116	-2.615	.009	.916	1.092
	Size	-.031	.039	-.041	-.804	.422	.696	1.437
	LEV	-.096	.232	-.022	-.412	.681	.658	1.519
	ROA	-2.026	.618	-.166	-3.280	.001	.700	1.428
	SIGMA	3.966	2.351	.095	1.687	.092	.563	1.776
	KURT	.038	.012	.176	3.195	.001	.591	1.691

a. Dependent Variable: NCSKEW

The previous table indicates regression analysis results of the relationship between stock price crash risk and audit quality for the sample. The data in the table represents the Regression Coefficient **(β)**, Standard Error **(SE)**, calculated t-Statistics **(t)** and Significance level **(Sig)**.

To test the research hypothesis, the study aimed to determine whether audit quality affect stock price crash risk for the sample? through the following hypothesis:

H1: there is a negative significant relationship between audit quality and stock price crash risk.

The results in table (5) indicate a negative significant relationship between audit quality and stock price crash risk where **(β)** value of audit quality is negative and equals to -.023, the value of **(t)** = -2.615 at a significance level **(Sig) =** .009 less than the approved level of significance 5%. This result means that audit quality is negative and significant in interpreting the difference in stock price crash risk of the study sample. Therefore, the research hypothesis was accepted.

1/12 Research results

At the end of the research, the researcher concluded the following results:

- Audit quality is important to all parties of the audit process. achieving audit quality benefits both the company being audited, the auditor who performs the audit process, as well as the users of the financial statements
- Audit quality helps the auditor to avoid the negative effects of poor audit quality, thus avoiding exposure to lawsuits
- Audit quality reduce agency problems, supporting the concept of corporate governance, and improving the quality of accounting information in the financial statements and thus increasing its credibility
- Stock price crash risk is an infectious phenomenon that increases the possibility of a sharp decline in the prices of all shares in the capital markets.
- There is a negative significant relationship between audit quality and stock price crash risk.

1/13 Recommendations:

Relying on study findings, and in light of research objectives, the researcher recommends the following:

- The researcher recommends setting strong regulatory mechanisms to enhance high-quality audits, which in turn would reduce stock price crash risk.

- Depending on big audit offices, because of the expertise and skills they have will increase audit quality level, consequently reducing stock price crash risk.
- The need to set the necessary controls and legislation to limit the actions of opportunistic managers and prevent them from withholding bad news, enhancing transparency and improving audit quality, which reduces stock price crash risk.
- Researchers to be aware of the importance of conducting further accounting studies and research on determining the determinants and effects of stock price crash risk in the Egyptian business environment.

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الملخص

- يتمثل الهدف الرئيسي من هذا البحث في قياس أثر جودة المراجعة على خطر انهيار أسعار الأسهم. وقد تضمنت عينة الدراسة علي 125 شركة غير مالية مدرجة بالبورصة المصرية خلال الفترة من 2016 إلى 2019 وقد بلغ العدد الإجمالي للمشاهدات 490 مشاهدة بعد استبعاد 10 مشاهدات لعدم اكتمال البيانات. وقد خلصت نتائج البحث إلى وجود علاقة سلبية معنوية ذات دلالة إحصائية بين جودة المراجعة وخطر انهيار أسعار الأسهم. ويوصي الباحث بضرورة وضع آليات تنظيمية قوية لتعزيز جودة عملية المراجعة، والتي من شأنها تقليل خطر انهيار أسعار الأسهم. كما يوصي الباحث بضرورة الاعتماد علي مكاتب المراجعة الكبري ، نظرًا للخبرات والمهارات تمتلكها تلك المكاتب والتي من شأنها زيادة مستوي جودة عملية المراجعة، وبالتالي تقليل خطر انهيار أسعار الأسهم. بالإضافة إلى ضرورة وضع الضوابط والتشريعات اللازمة للحد من تصرفات المديرين الانتهازية ومنعهم من حجب الأخبار السيئة، وتعزيز الشفافية وتحسين جودة المراجعة ، مما يقلل من خطر انهيار أسعار الأسهم.
- **الكلمات المفتاحية:** جودة المراجعة – خطر انهيار اسعار الاسهم – الشركات المصرية المدرجة