

MASTER THESIS

Spring 2010

Kristianstad University
Business Economy and Administration
Coursecode: FE 6202

The impact of audit standards in audit reports in Swedish listed companies

Authors

Kier, Hanna
Lavesson, Marlena

Supervisors

Broberg, Pernilla
Grossi, Giuseppe

Examiner

Holmberg, Leif

Preface

This master thesis is written at the University of Kristianstad during spring 2010. The aim has been to investigate the impact of audit standards in audit reports in Swedish listed companies.

We would like to thank our supervisors Pernilla Broberg and Giuseppe Grossi for the supervision. We would also like to thank Annika Fjelkner for well needed help with the language.

Kristianstad University, June 2010

Hanna Kier

Marlena Lavesson

Abstract

The content of the audit report is often discussed. The aim of this paper is to explain the content in the audit reports and define similarities and differences among audit reports in Swedish listed companies. The analysis is based on data collected from 757 audit reports in Swedish listed companies between 2006 and 2008, it is 98.57 percent of the total population.

The study show that several reports deviate from the Swedish audit standards both in terms of form and content. Only a few reports contain extra information, not required by the Swedish Generally Accepted Audit Standards (GAAS). The audit report mainly deviate from the audit standard in terms length, audit firm used, audited company size and branch. We have found a number of variables that influence deviations from the audit standard; these are length of the report, extra information, language, presence of sub-headings, currency, audit firm, number of auditors, number of employees, net turnover, profit/loss, list on the Stockholm Stock Exchange and branch of the audited company.

We believe deviations due to mistakes could easily be overcome by a greater awareness from the auditors'. In order to alert auditors about problematic parts the Swedish Institute of Authorized Public Accountants (FAR) need to pay more attention to the audit reports form and content issues.

Key words: Audit report, Audit standard, Content of audit report, Form of audit report, Listed companies.

Sammanfattning

Svensk titel: Påverkan av revisionsstandards i revisionsberättelser i svenska börsnoterade bolag.

Revisionsberättelsens innehåll är omdiskuterat. Syftet med denna uppsats är att förklara innehållet i revisionsberättelser i Svenska börsnoterade bolag samt att definiera likheter och skillnader dem emellan. Analysen består av data insamlat från 757 revisionsberättelser i svenska börsnoterade bolag mellan 2006 och 2008, vilket motsvarar 98.57 procent av den totala populationen.

Studien visar att flera revisionsberättelser avviker från den Svenska revisionsstandarden (RS) både i förhållande till formalia och innehåll. Endast ett fåtal innehöll extra information som inte är obligatoriskt i förhållande till RS. Revisionsberättelserna skiljer sig främst åt i fråga om dokumentets längd, revisionsfirma, bolagsstorlek och bransch tillhörighet. Vi har hittat flera variabler som påverkar avvikelser från RS, dessa är längd, förekomsten av extra information, språk, förekomst av underrubriker, valuta i årsredovisningen, revisionsfirma, antal revisorer, antal anställda, omsättning, vinst/förlust, lista på Stockholms börsen och bransch tillhörighet.

Vi tror att avvikelser beroende på misstag lätt kan korrigeras genom ökad medvetenhet av revisorerna. För att uppmärksamma revisorerna på problematiska delar borde bransch organisationen för revisorer (FAR) tydligare fokusera på revisionsberättelsens formalia och innehåll.

Nyckelord: Revisionsberättelse, Revisionsberättelsens innehåll, Revisionsberättelsens formalia, Börsnoterade bolag.

Abbreviations

ABL	Swedish Companies Act
Big 4	The four largest audit firms; PwC, Ernst & Young, KPMG and Deloitte.
BFN	Swedish Accounting Standard Board
CEO	Chief Executive Officer
EUR	Euro
FAR	Swedish Institute of Authorized Public Accountants
GAAS	Generally Accepted Auditing Standards
GAAP	Generally Accepted Accounting Principles
GBP	Great Brittan Pound
IFRS	International financial Accounting Standards
ISA	International Standards on Auditing
MSEK	Million Swedish Crowns
R ²	Determination coefficient
RL	Swedish Auditors Act
RN	Supervisory Board of Public Accountants
RS	Swedish national standards on auditing
RR	Swedish Financial Accounting Standards Council
SEK	Swedish Crown
USD	US Dollar
VIF	Variance Information Factor value

Table of Contents

1. INTRODUCTION	1
2. LITERATURE REVIEW	3
2.1 Development of hypotheses	3
3. METHODOLOGY	10
4. ANALYSIS	14
5. DISCUSSION AND CONCLUSIONS	25
5.1. Suggestions to future research	29
REFERENCES.....	30
LIST OF TABLES	
Table 1. Exchange course Swedish Crown.....	11
Table 2. Number of audit reports divided in score in <i>total form</i> for respective year.	14
Table 3. Number of audit reports divided in score in <i>total content</i> for respective year.	15
Table 4. Number of words per year divided in different languages.	17
Table 5. Audited company's size relation with <i>total form</i>	20
Table 6. Audited company size relation with <i>total content</i>	20
Table 7. Different branches impacts on scores in <i>total form</i> and <i>total content</i>	21
Table 8. Multiple linear regression with <i>total form</i> as dependent variable.	23
Table 9. Multiple linear regression with <i>total content</i> as dependent variable.	24
APPENDICES	
Appendix A - Standard audit report.....	A
Appendix B - Checklist.....	B
Appendix C - Pearson Correlation matrix (all years).	C
Appendix D - Figure 1. Analyses model	D

1. Introduction

The auditors' main purpose is to create trust between companies and their stakeholders (Libby, 1979; FAR, 2006). Several researchers claim that the auditors' role is to increase the trust in the information presented in the audit report, not to contribute with new information (i.e. Dunn, 1996; Bhattacharjee, Moreno & Yardley, 2005). It is the auditors' responsibility to write their statements in an audit report, but it is the responsibility of the board of directors to produce the annual report (RS 200 12., 2010). The auditors' official communication with the stakeholders is through the audit report (FAR, 2006). The report contains the auditors' conclusion and opinion about the appropriateness of the financial statement (Libby, 1979; FAR, 2006; Hayes, Dassen, Schilder & Wallage, 2005; ABL 9:31§, 2005:551).

The form and content of the audit report have often been criticized (i.e. Humphrey *et al.*, 1992; Libby, 1979; Citron & Taffler, 2004; Holt & Morizer, 1990; Brown *et al.*, 1997; King, 1999; Bamber & Stratton, 1997). Previous studies discuss the usefulness of the audit report (i.e. Bamber & Stratton, 1997; Dopuch, Holthausen & Leftwich, 1986; Duréndez Gómez-Guillamóns, 2003; Pringle, Crum & Swetz, 1990). The investment decisions depend on the accuracy of the information available (Lennox, 1999) and when the stakeholders get quality secured information they can make better decisions on how to allocate their resources (Carrington, 2009; Wallace, 2004). In a study, investors in Swedish listed companies were asked if the auditors' affected investment decisions and the answer were clearly yes. However, same research showed that only 46 percent of the investors read the audit report before investing (Jonnergård & Nilsson, 2009). Hence, there is clearly an expectation gap between what stakeholders expect to receive from the auditors' work and what they really receive (Brown, Hatherly & Innes, 1997; Hayes *et al.*, 2005; Duréndez Gómez-Guillamón, 2003; Humphrey, Moizer & Turley, 1992; King, 1999). Therefore, it is important to improve the communication between the auditors and the users (Humphrey *et al.*, 1992), through the content of the audit report. Hayes *et al.* claims that "*Functional audit quality is defined as the degree to which the process of carrying out the audit and communicating its results meets a customer's expectations.*" (2005, p. 51). This means that the content of the audit report

is important because the message the auditors intend to communicate through the audit report could be misunderstood (Libby, 1979; Bamber & Stratton, 1997; Bailey, Bylinski & Shields, 1983).

Audit standards purpose is to provide guidance on the form and the content of audit reports and to make audit more comparable between nations (King, 1999; Mennicken, 2008). All standards issued by the International Auditing and Assurance Standard Board (IAASB) are voluntary for the nations to implement, therefore, the International Standards on Auditing¹ (ISA) do not override the national standards. The Swedish audit standard² (RS) is the Swedish translation of the ISA, also called the Swedish Generally Accepted Audit Standards (GAAS). This study is based on RS. Changes and comments are sometimes changed in order to conform to the Swedish law. If such changes are made, ISAs original item is replaced with an SE-item (FAR, 2006; Preface to Audit standards in Sweden, 2010).

The aim of this paper is to explain the form and content in audit reports and define similarities and differences among audit reports in Swedish listed companies.

The paper intends to discuss the following research questions:

- (1) How often does an audit report deviate from the standard report?
- (2) When audit reports deviate from the standard, in what part do they deviate?

The paper is structured as follows. In the second section of the paper we develop the literature review and hypotheses. The third part describes the empirical data collection method used for the analysis. The fourth part presents the empirical results and analysis. Finally we present a discussion, our conclusions and suggestions for future research.

¹ISA has been mandatory in Europe since 2005 (Hayes *et al.* 2005).

²The Swedish Institute of Authorized Public Accountants (FAR) is responsible for translating the ISAs into RS (Preface to Audit standards in Sweden, 2010).

2. Literature review

The audit report should contain information about whether or not the annual report follows legislations, accounting standards and provides an accurate picture of the company's performance and position. If the annual report not follow the law and regulations the auditor should state this in the audit report (ABL 9:31-34§§, 2005:551; The Swedish Code of Corporate Governance 2008³). An audit report could be unqualified or qualified. The unqualified audit report is often referred to as a clean audit report (Hayes *et al.*, 2005; King, 1999). In order to make it easier for the stakeholders to see if the audit report is not unqualified, all information different from the Swedish GAAS should be typographically different from the other text (FAR, 2006).

2.1 Development of hypotheses

A number of variables that could explain deviations from the standard audit reports form and content have been analyzed: length of the audit report, audit firm, company size, and company branch.

Content and form

All European Union member states have a corporate legislation that prescribes the form and the content of the auditors' report (Spathis, Doumpos & Zopounidis, 2003). According to RS 709, 5SE (2010) the audit report is standardised in order to be clear and easy to understand, this since a standardised report makes it easier for the users to note deviations from the standard (Hayes *et al.*, 2005). The audit report form is regulated in the Annual Accounts Act (ABL 9:28-37§§, 2005:551). The Swedish Institute of Authorized Public Accountants (FAR) has a standard report for the unqualified audit report in companies that use the International Financial Accounting Standards⁴ (IFRS). A Swedish audit report must have a specific form and content as

³The Swedish Code of Corporate Governance is applied in all Swedish listed companies since 2005.

⁴All companies listed in European Union have to follow IFRS since 2005 (Alfredson, Leo, Pactor, Picker, Radford & Wise, 2007). The IFRS is issued by the International Accounting Standards Committee (IASC) that is the international authority in accounting standard setting for private sector companies (Argento, 2008).

described in RS 709, 5SE (2010). According to this standard, the audit report should contain the following elements; (a) *Headline*; should contain the words “Audit report”. (b) *Receiver*; should be “To the annual meeting of the shareholders of [company name].” (c) *Corporate identity number*. (d) *Introduction*; should contain identification of the annual report that have been audited and clarification of the board of directors, the CEOs and the auditor’s responsibility. (e) *Description of what audit is*; with reference to Swedish GAAS, description of the auditors work. The auditor describe “that I (we) plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free from material misstatement”. (f) *Statement and, in applicable cases, remarks and statements*; the annual accounts have to be prepared in accordance with the Annual Accounts Act and give a “true and fair view” of the company’s financial position and results of operations in accordance with the Swedish Generally Accepted Accounting Principles (GAAP). The part should also include information on that the financial accounts have been prepared in accordance with the IFRS. The auditor should also give an opinion on if the statutory administration report is consistent with other parts of the annual accounts. If the auditors cannot recommend or oppose in their report they usually refer the decision to the shareholders annual general meeting (Eklöv, 2001). (g) *Date*; the day the audit was completed. Production of the audit report is a service that stakeholders can use after it is published. The service part is transparent for all parties involved in the production process such as the auditor, representatives from the audited company and the Supervisory Board of Public Accountants (RN) (Eklöv, 2001). (h) *Place*; usually where the auditor has the office. (i) *Auditors signature*. If an audit firm is the elected auditor the firms name is to be written before the auditor’s signature. After the signature should be a remark on the auditor’s qualification; authorized/approved public accountant (for further knowledge see Appendix A).

King’s (1999) result showed that Swedish large industrial companies all had an appropriate title of the audit report, dated the audit report and named the location of the auditor’s office. Only 14 percent of the companies examined had a signed report. Same study showed that audit reports did not contain a statement of the management and auditors responsibility, nor identified the financial statement audited. All reports had identified which dates the audit covered. Bavishi, Gangolly and Hussein (1986)

performed a study focused on the content of the audit report in 27 countries all around the world and categorized them in five groups with similar audit practice. The groups were identified by different environmental issues, for example, legal system origin and standard setting body. Sweden had a roman-origin legal system, set standards through the law and has a codified standard. In the same group were Belgium, Denmark, France, Norway and Switzerland included (Bavishi *et al.*, 1986).

During 2007 and 2008 quality controls on Swedish auditors were performed by the FAR; three percent had such serious failures that they were transferred to the RN. The reason behind such transfers could be that the auditor did not follow the professional ethics for accountants or the Swedish GAAS (Bengtson, 2009). We therefore, assume that not all auditors in Swedish listed companies follow the audit standard. This reasoning leads us to the following two hypotheses:

H1a: Not all auditors in Swedish listed companies write audit reports that have a correct form.

H1b: Not all auditors in Swedish listed companies write audit reports that have a correct content.

Length

Audit reports abroad are often very brief and do not contain more than a few lines. A study from the USA shows that the average number of words in audit reports were 175, also the UK audit reports consist of a limited number of words, on average 100 (Hayes *et al.*, 2005; Woolf, 1986). The auditors are supposed to express their opinion and can, therefore, provide additional information in the audit report (Gul, 1987). In Sweden, volunteer disclosure in the unqualified audit report is allowed (RS709 29SE, 2010; ABL 9:35§, 2005:551) but the auditor could be held responsible for contingent damage (RL 37§, 1999:1079; ABL 29:2§, 2005:551). Gibbins, Richardson and Waterhouse (1990, p. 122) describe financial disclosures as “*any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels*”. More information does not always fill any function and it also raises costs and increases the bureaucracy (Lundvall, 2010). In contrast, Ijiri (1983) stress that more

information is preferred to less, as long as it is cost effective. Brown *et al.* (1997) showed that the expansion of the audit report does not mean that the users raise their perception of holding auditors accountable. Citron and Tafflers' (2004) results stress the importance of audit report disclosure standards; it is necessary to ensure that new audit standards also describe how new information should be communicated.

In order to reduce the inconsistency and complexity of the unqualified audit report, the short standard form is preferred by Holt and Moizer (1990). Longer audit report do not always mean higher quality, moving towards longer audit report appears to give readers more information about auditing rather than more information about the findings and results of the audit (Humphrey *et al.*, 1992). On the contrary, King (1999) claims that audit reports do not provide information that explain what the auditors really do, which tend to increase the expectation gap when stakeholders are limited to their own confidence in the auditors' opinion. Further, when Brown *et al.* (1997) evaluated a short audit report the expectation gap was higher than an extended report. An extended audit report made the expectation gap lower as the audits purpose was more clearly communicated to the users. If the audit standard is followed in detail, we assume the audit report to be more informative. Since more information would be expressed in more words, we believe the length of the audit report could affect the correctness of the audit report in terms of form and content and this leads to the hypotheses:

H2a: There is a positive relationship between the length of the audit report and a correct form of the audit report.

H2b: There is a positive relationship between the length of the audit report and a correct content of the audit report.

Audit firm

The audit firm can have an impact on the quality of the audit report (Fuerman & Kraten, 2009). However, Abbott (1986, p. 188) describes a profession as a homogeneous unit that has “*a particular structural and cultural form of occupational control.*” Professions legitimate their control by connecting their education and knowledge to the rationality, efficiency and science that they perform specific tasks better than others

(DiMaggio & Powell, 1983; Abbott, 1986). Auditors have a profession that uses this through special standards and legislations⁵ (Fogarty & Rogers, 2005). On the contrary, Mennicken (2008) discusses the problem with the different views on the audit profession in the world. She notes that traditional standard setters and networks play an important role in the globalization process and point that the ISA is just codifying existing practice instead of reforming it.

The Institutional Theory can explain the audit firms' impact of audit reports. In the Institutional Theory, organizations have to follow social norms in order to live up to stakeholders' expectations; they try to show that they act rational. Organizations often try to copy attributes of successful competitors in order to create an image of rationality and legitimacy (Rollins & Bremser, 1997). This could explain why all audit firms, especially the Big 4 (PwC, Ernst & Young, Deloitte & KPMG) act in a similar way. Brand name auditors, such as Big 4, have formalized their work in order to follow institutional rules and have, thereby, gained more social legitimacy and power than smaller firms (Rollins & Bremser, 1997). Francis and Yu (2009) found evidence that larger audit firms, such as the Big 4, perform a more qualitative audit than auditors in smaller firms. It could depend on their broader network with other auditors within the firm but also the possibility to work with more clients that will lead to greater experience. Therefore, we find it important to study if listed companies use a Big 4 auditor to perform their audit and if the use of the Big 4 auditors has any impact on the form and content of the audit report. This reasoning supports following hypotheses:

H3a: There is a positive relationship between the use of a Big 4 audit firm and a correct form of the audit report.

H3b: There is a positive relationship between the use of a Big 4 audit firm and a correct content in the audit report.

⁵RL (1999:1079) 4-5§§ prescribes that an authorized public accountant should practice the audit profession, be currently living in Sweden, in the European Economic Space or Switzerland, be able to have control over her/his recourses, have the correct education and experience, have an examination of professional competence as authorized auditor and be suitable to practice the audit profession.

Size

There are several explanations to the relationship between size and the content of information (Adrem, 1999). One explanation could be that the media and the public demand more information from large companies than from small (Zarzeski, 1996). Firm size is an important factor since larger corporations tend to have more at stake than smaller corporations (Watts & Zimmerman, 1978). The Positive Accounting Theory was developed in order to create a better understanding of the accounting standard setting process. The choice of accounting standard can affect regulatory procedures, information production costs and political costs. The Positive Accounting Theory considers all possible stakeholders of firms and discusses the contracting costs⁶ that could occur in the interaction with the company; these costs depend on firm size (Watts & Zimmerman, 1990).

The Agency Theory provides an explanation why firm size is an important factor to explain behaviors, large firms tend to have larger gap between the owners (principals) and the managers (agents) than small firms. The separation between principals and agents leads to opportunistic agent behavior when the agent tries to get as much as possible with the smallest possible effort. Further, Prencipe (2004) suggests that size is a proxy for agency costs. Agency cost⁷ is due to the problems when ownership and management are separated. Wright, Kroll, Mukherji and Pettus (2009) suggest that external monitoring could lower the agency costs. Auditing is one type of monitor function that could help lowering the agency cost as long as the audit cost does not exceed the agency cost; in that case auditing will not be cost effective (Jensen & Meckling, 1976).

Reynolds and Francis (2001) wrote about how client size can influence the auditors' reporting decisions. They found that larger clients pose greater litigation risk and that Big 4 audit reports are more as expected when it is a large client, but they do not treat larger clients more favorably than smaller. They also claim that larger clients in offices are more likely to receive going concern audit reports. The Positive Accounting Theory and the Agency Theory support the following hypotheses:

⁶Contracting cost contains costs connected to transaction, agency problems, information gathering renegotiation and bankruptcy (Watts & Zimmerman, 1990).

⁷Agency cost is the sum of the monitoring expenditures by the principal, the bonding cost by the agent and the residual loss (Jensen & Meckling, 1976).

H4a: There is a positive relationship between the audited company's size and a correct form of the audit report.

H4b: There is a positive relationship between the audited company's size and a correct content in the audit report.

Branch

The branch that a corporation is active within could affect what laws and regulations it has to follow, it could influence companies' decisions. The Legitimacy Theory can partly explain corporate social disclosure motivation, but differences in branches and the reason for differences are often more complex and the Legitimacy Theory is inadequate in explaining them on its own (Adams, Hill & Roberts, 1998). Legitimacy Theory considers reputation, the contract between the corporation and the society (Bebington, Larrinaga-González & Moneva-Abadía, 2008). Since the Legitimacy Theory is not enough to explain differences between branches, it is important to also consider the Institutional Theory when explaining the impact of branches. The theory describes reasons behind the fact that organizations act similar to one another. DiMaggio and Powell (1983) claims that in order to legitimate, the organization company act similarly due to direct or indirect pressure from stakeholders; they also argue that organizations tend to follow traditional structures and/or that professionalization pressures the organization to act in a certain way. The authors describes that organizations organize in a similar way when they act within the same branch in order to be viewed as a rational legitimate organization (DiMaggio & Powell, 1983). Since regulations, expectations and other social pressure is different for different branches we could expect to find differences in the correct form and content in audit reports between different branches, therefore, following hypotheses were constructed:

Hypothesis 5a: There is a relation between the audited company's branch and a correct form of the audit report.

Hypothesis 5b: There is a relation between the audited company's branch and a correct content in the audit report.

3. Methodology

In order to answer the research questions it was essential to perform a quantitative study to see if all audit reports were similar to each other or not. This study was necessary to ensure that audit reports are really as similar as assumed. To our knowledge there is no other study on differences and similarities of audit reports of Swedish listed companies. To fill this empirical gap we have examined audit reports in all Swedish listed companies at the Stockholm Stock Exchange in the years 2006, 2007 and 2008. The target group includes all Swedish listed companies on the Stockholm Stock Exchange in 31 March 2010. Companies with a divided fiscal year (i.e. 2007/2008) were classified as the most recent year. The quantitative study will form the base of our study.

The study is primarily based on the English version of the audit report, if available on the companies' webpage. Some companies did not have an English version of their annual report for all years; instead we used the Swedish version. Since the mother tongue of most Swedish auditors is Swedish and not English, and since the auditor reports in this research were mainly in English, there is a risk that they are only a translated version that could exclude some elements that could be present in the original Swedish version. The risk for this to occur is, however, very small since all companies examined are listed; this means that most of them have international investors and communication with such investors is mainly in English.

We have analysed 757 audit reports from all the 256 listed companies in Sweden; the sample consisted of 768 reports, the study thereby consists from 98.57 percent of the total population. 552 reports were found in English and the remaining 205 reports in Swedish. The total loss is, thereby, eleven reports which could be due to that the company did not exist the year we were looking for. Three audit reports were only found in Norwegian and they are counted as loss. We find no reason to believe that the loss has affected the outcome of our study. In order to raise the reliability we have both co-examined the audit reports and unclear classifications have been discussed before categorization.

Some financial reports were submitted in a currency other than Swedish Crown. Those numbers were all recalculated using the Swedish toll exchange rates for the different balance sheet days. The different courses used are defined in table 1.

Table 1. Exchange course Swedish Crown.

Currency	2008.12.31	2007.12.31	2006.12.31
USD	8.0425	6.3275	7.1000
EUR	11.1335	9.3535	9.1295
GBP	12.0425	13.0250	13.5075

Dependent variable

In order to measure how well the Swedish audit reports in listed companies follow the Swedish standard audit report in terms of form and content, we used a checklist based on similar checklist used in earlier studies (i.e. King, 1999; Bavishi *et al.*, 1986). The study contains two dependent variables called *total form* and *total content*. Each issue about the form and content in the checklist were treated as a dummy variable where “1” indicates that the audit report follows the specific part of the standard and “0” indicates that the audit report does not follow the certain part of the standard. For more detailed information, see Appendix B.

Total form is measured as a sum of scores from 8 different variables measuring (1) correct title, if (2) the receiver and (3) corporate identity number is clearly stated. If there are different (4) parts for scope and opinion in the report, that the report is (5) dated and has stated a (6) place of auditors office. That the auditor has (7) signed the report in hand writing and that the report reveal (8) the auditors qualification.

Total content is measured as a sum of scores from 16 different variables that measures if (1) audited parts and (2) audit period are clearly revealed. That the responsibility of (3) the Board of Directors and the CEO is revealed as well as for (4) the auditors . If the report contain the right scope, (5) a description of what audit is, that the auditor follow (6) the Swedish GAAS or international audit standards. Further we examine if the report is (7) examined on a test basis, if it (8) asses the accounting principles used and if the report (9) provides a reasonable basis for opinion. We also examine if the report contain opinions about if the annual accounts (10) follow the Annual Accounts Act, if they give (11) a true and fair view of the company and if (12) the consolidated accounts

is prepared in accordance with IFRS. We also check if the opinion contains information about if (13) the statutory administration report is consistent with other parts of the annual accounts. Finally we control if the auditor (14) recommend shareholders to approve the balance sheet and the income statement, (15) follow profit/loss proposal set out by the board and if the auditor (16) recommend shareholders to discharge members of the board and the managing director of responsibility.

Independent variable

Several independent variables were analyzed. These are length, audit firm, size and branch.

Length is measured by counting the words in the audit report. We also considered if the auditor disclosed extra information and has sub-headings. As control variables we used language and currency of the annual report.

Audit firm is measured by checking if the audit report is audited by the Big 4. All other audit firms are counted as “other firm” and the third option is “no firm” which is the case when a specific auditor has been personally elected by the audited company. As control variables we used the gender of the auditor, number of signing auditors and number of audit firms.

Size is measured as number of employees, company turnover, balance sheet total and profit/loss as a surrogate for firm size. As a control variable we used list on Stockholm Stock exchange.

Branch division follows the definition by the Financial Times branch index which divides companies into nine different branches: finance, healthcare, industry, technology, retail and consumer, media, energy, telecom and transport.

Statistical method

We accept values as significant if p-values fall below five percent. The 95-percent significance level is suggested by many statisticians (i.e. Djurfeldt, Larsson & Stjärnhagen, 2003).

The correlation of most of the hypotheses was tested by the Bivariate regression. The test can be used since the sample is large and can be assumed to be normally distributed and if less than 20 percents of the cells have an expected frequency less than five (Cochran, 1952). The ANOVA-test was used when the variance and standard deviation between more than two groups were tested; this is the case for audit firms and branches. If the p-value is under five percent there are differences between the groups. In order to define between which groups there are difference, a post-hoc test was performed (Djurfeldt *et al.*, 2003).

Multi linear regression tests were performed in order to explain how different independent variables together could affect the correctness of the audit report. The determination coefficient (R^2) shows the part of the total variance of the dependent variable that could be referred to the independent variables. Multicollinearity shows if the independent variables are correlated with each others independently or group wise. If the tolerance level is over 0.4 and the Variance Information Factor value (VIF) is lower than 2.5 we have accepted that no multicollinearity exists between the variables (Djurfeldt *et al.*, 2003).

4. Analysis

Form and content

Only 18.4 percent of all the audit reports in our study had a completely correct form. Most audit reports end up in the seven-point-category due to the lack of signature. If signature would be excluded from the variable *total form* 87.32 percent of the audit reports had a correct form. In the group of variable *total form* a few questions stand out from the rest and many audit reports, thereby, do not fulfill the requirements set out. In 8.7 percent of the cases is the corporate identification number missing, 80.2 percent do not have a signature and 5.8 percent do not disclose auditor qualifications. The different scores are presented in table 2.

Table 2. Number of audit reports divided in score in *total form* for respective year.

Score	2006 Frequencies	2006 Percent	2007 Frequencies	2007 Percent	2008 Frequencies	2008 Percent
N	249	100	254	100	254	100
8	49	19.7	42	16.5	48	18.9
7	173	69.5	180	70.9	173	68.1
6	10	4	16	6.3	20	7.9
5	13	5.2	10	3.9	10	3.9
4	4	1.6	6	2.4	3	1.2
minimum	4		4		4	
maximim	8		8		8	
mean	7.00		6.95		7.00	
std. deviation	0.770		0.774		0.730	

Hypothesis H1a (*Not all auditors in Swedish listed companies write audit reports that have a correct form*) is supported; we conclude that all auditors in Swedish listed companies do not produce an audit report with a correct form since all reports did not receive full score on form.

In the investigation of the content, a few questions stand out more than others, hence, audit reports differ from the Swedish standard audit report. The deviation was in the part about if the companies follows the Swedish GAAS, 7.1 percent did not, if the company follows the Annual Accounts Act, 7.5 percent did not reveal such information and 6.5 percent do not reveal information about if the company follows the IFRS or not. Further, the data about recommended approved balance sheet and income statement indicates that 6.1 percent did not contained such information, nor did 6.5 percent of the

sample recommend the shareholders to approve the profit/loss distribution suggested by the board of directors or give recommendations to the shareholders to discharge the members of the board and the manager director of responsibility. The frequency and percentage of how often the audit reports in Swedish listed companies deviate from the audit standard in terms of content divided upon different years is showed in table 3.

Table 3. Number of audit reports divided in score in *total content* for respective year.

Score	2006		2007		2008	
	Frequencies	Percent	Frequencies	Percent	Frequencies	Percent
N	249	100	254	100	254	100
16	199	79.9	208	81.9	216	85
15	28	11.2	21	8.3	18	7.1
14	4	1.6	4	1.6	1	0.4
13	0	0	1	0.4	2	0.8
12	0	0	0	0	0	0
11	8	3.2	10	3.9	5	2
10	3	1.2	4	1.6	6	2.4
9	5	2	4	1.6	4	1.6
8	2	0.8	2	0.8	2	0.8
Minimum	8		8		8	
Maximum	16		16		16	
Mean	15.42		15.41		15.48	
std.deviation	1.607		1.634		1.587	

The hypothesis H1b is supported meaning that not all auditors in Swedish listed companies compile an audit report that completely follow the audit standard in terms of the audit reports content.

The research shows that the language affects the correctness of the audit reports. There is a significant (0.001) relation between the variables *total form* and language, were audit reports written in Swedish has higher score in the variable *total form* than audit report written in English. No Swedish report got a lower score than 6 on *total form*. Also the *total content* is significantly (0.001) negatively dependent on the language; the Swedish audit reports have higher score in the variable *total content* than the English reports, all report with low score on *total content* (8-14) are in English, while all Swedish reports have scored between 15 and 16. The differences are significant with the bivariate correlation (Form: -0.268; Content: -0.182). There is also a significant (0.001) relation between the currency and the variables for form and content. This could be due to that all reports with a currency different than Swedish Crowns were written in English. Since language has a significant influence on form and content it is natural to

have a significant relation also between currency and the variables form and content. The companies with Swedish Crown as currency have a higher mean (Form: 7.14; Content: 15.86) than reports with other currencies (Form: 6.98; Content: 15.44). Further, 94.1 percent have no sub-heading to each part of the audit report. Audit reports with sub-headings have a negative significant (0.001) correlation (Form: -0,556; Content: -0,767) with the variables *total form* and *total content*. The mean differs so that reports with sub-heading has a lower score (Form: 5.31; Content: 10.53) than reports without sub-headings (Form: 7.09; Content: 15.75). The results could be due to that the reports with sub-headings are significant (0.001) strongly correlated with language and all reports with sub-headings are in English, the variable is also significant (0.001) strongly correlated with currency and nearly all (99.7 %) reports with sub-headings have a currency different to Swedish Crown.

Several reports contained mistakes such as spelling mistakes and inadequate or incorrect translation. Mistakes are usually repeated several years until the auditor is replaced, this could be because the auditors copy their own work from one year to another. One common mistake is that, in several cases, the auditor writes GAAP instead of GAAS. Also, some reports do not have a different scope of opinion. Many auditors clearly just copy the standard and then only do some changes in the text. This was obvious in a few reports where the auditor forgot to change the page number from x-x to the real page numbers. At times the auditor even forgot to change the year of audit in the audit report.

Length

The bivariate correlation test shows that there is a significant (0.001) negative relation (-0.209) between the number of words of the audit report and the correct form, the formula is expressed as number of points in form = $7.851 - (0.209 \times \text{number of words})$. The formula is significant (0.001). The hypothesis H2a (*There is a positive relationship between the length of the audit report and a correct form of the audit report*) is thereby denied; we have not found supporting evidence that indicate that the length of the audit report affects the correct form positively. Further, there is also a weak negative relation (-0.063) between length and correct content. The relation is, however, not significant (0.084). We have therefore not found any support for the H2b (*There is a positive*

relationship between the length of the audit report and a correct content of the audit report). Hence the hypothesis is denied.

Instead of number of words, the form seems to be dependent on which language the report is written in. When the Swedish and English audit reports are separated we do not find significant relations. What is more interesting is that both languages, divided in separate years, show a significant (2006: 0.001; 2007: 0.007; 2008: 0.001) negative relation (2006: -0.252; 2007: -0.168; 2008: -0.209). The language of the audit report affects the correct form and the correct content, the bivariate correlation indicate that the two variables length and language is significantly (0.001) and strongly correlated (0.799). The average number of words in the reports is presented in table 4.

Table 4. Number of words per year divided in different languages.

	2006	2007	2008	All years
Mean	475	479	488	481
Swedish	362	365	371	366
English	522	521	527	523
Minimum	234	203	262	203
Swedish	290	290	331	290
English	234	203	262	203
Maximum	854	924	899	924
Swedish	482	474	470	482
English	854	924	899	924
Std.Deviation	89.298	86.851	87.170	87.824
Swedish	29.216	24.823	19.575	25.239
English	58.291	58.733	68.827	59.983

Table 4; show that the number of words in audit reports is constantly increasing. The average English reports, however, contain more words than Swedish reports, since the English reports are spread over several countries these reports are more different from each others which is shown through the standard deviation measurement. It seems as the Swedish reports are becoming more and more similar to one another in number of words, while the English reports differs more and more from each others.

Reports with extra information does automatically mean that the length of the report increases, therefore, there are correlation between the variables extra information and length. The bivariate correlation shows that there is a significant (0.001) negative relation (-0.233) between correct form and extra information. There is also a significant (0.001) negative relation (-0.291) between correct content and extra information. Only a

few audit reports contained extra information. The results of the variable extra information showed that 91.8 percent did not reveal extra information in the audit report. The additional extra information was, in example, about the auditor such as date of birth, pictures, auditor position, how long they have been working as auditor in the company and if they were partners. Companies operating in the branch of Finance often hold extra information about specific credit institution laws. Reports do sometimes contain extra information about other countries laws and regulations dependent on which country the report was produced in. Other extra information could be the exact time for media publication or changed accounting methods. Some reports makes the viewer aware of specific parts in the annual report such were the viewer can find further information about the audit, a special loan list, that the auditor make it clear which part he/she did not audit or remarks about specific board members attendance to meetings. There are also some warnings in a few reports considering the risk of bankruptcy or large liquidity problems due to reconstruction.

Audit firm

Our sample includes reports from all Big 4 audit firms as well as other audit firms, some reports are written by auditors who not reveal which firm they are working for (N: 141). The ANOVA-test shows that there are significant (0.001) differences between audit firms, and the Post-Hoc test shows that there also is a significant (0.001) difference between Big 4 firms audit reports and audit reports which not disclose the audit firm in terms of form. Furthermore, there are significant (0.001) differences between the Big 4 and other auditors in terms of content. The Big 4 perform a lower score both in form and content compared to other firms.

Deloitte has the lowest mean score in the variable *total form* (6.89) but PwC and Ernst & Young (both 6.90) are right behind. KMPG (6.85) also have a significantly lower mean score than other audit firms (7.16) while none (7.28) scored higher than the average (6.98). The result show that other audit firms and audit reports which not reveal any audit firm have a higher mean in the variable *total form* than a Big 4 firm (6.91). The difference between Big 4 and others in form is significant (0.001) with the Post-Hoc test. There are no specific significant differences within 2006 and 2008. In 2007 there is a significant (0.020) difference between firms with the ANOVA-test, the

differences is between PwC and none, where PwC (6.81) has a lower score in the variable *total form* than auditors that does not reveal an audit firm (7.30), the mean difference is -0.490. The results do not support the H3a (*There is a positive relationship between the use of a Big 4 audit firm and a correct form of the audit report*), hence, the hypothesis is denied since there is a negative relation between Big 4 audit firm and correct form.

According to the ANOVA-test there are significant (0.004) differences depending on audit firms when it comes to the audit reports correctness in content and audit firm but we cannot for sure say between which firms the differences are. Mean score for the variable *total content* is higher for other audit firms (15.95) than Big 4 (15.34). Auditors that do not mention which audit firm they are working for have a higher mean score (15.79). There is no significant difference the different years for variable *total content*. When it comes to the H3b (*There is a positive relationship between the use of a Big 4 audit firm and a correct content in the audit report*), we cannot test it completely. The hypothesis is denied since there are significant differences between audit firms and correct content but we did not exactly discover which firms the differences are between.

There is a significant (0.001) positive relation (0.282) between number of auditors and the variable *total form* with the bivariate correlation. The mean score in form for companies that did not reveal the auditor was 4.6 while those which had three auditors had a mean of 7.25. Also total score on content is significantly (0.001) positively correlated (0.314) with number of auditors. The mean for reports that does not reveal the auditors name is as low as 9.36 while reports with three auditors all score 16. The number of auditors therefore affects the audit reports correctness in both terms of form and content. The more signing auditors, the more correct seems the audit report become.

Size

In order to define if the form and the content of the audit reports are dependent on audited company's size a bivariate correlation was performed. The data indicates no significant (0.657) relationship (0.016) between the variable *total form* and balance sheet total. On a contrary, there is strong significant negative relation between the correct form of the audit report and the size of the company in term of number of

employees (0.001), net turnover (0.001) and profit or loss (0.001). The correlations are negative also when different years are analyzed. Table 5 shows the results of the correlation tests.

Table 5. Audited company's size relation with *total form*.

Explanatory variable	Test	2006	2007	2008	Total
Employees	Constant	7.107	7.050	7.079	7.078
	sig.	0.001	0.001	0.001	0.001
	Pearson correlation	-0.247***	-0.239***	-0.213***	-0.232***
Net turnover	Constant	7.061	7.000	7.042	7.033
	sig.	0.001	0.002	0.001	0.001
	Pearson correlation	-0.225***	-0.195**	-0.205***	-0.205***
Balance sheet total	Constant	7.01	6.95	6.995	6.985
	sig.	0.767	0.739	0.871	0.657
	Pearson correlation	0.019	0.021	0.010	0.016
Profit/loss	Constant	7.038	6.987	7.012	7.012
	sig.	0.021	0.010	0.012	0.001
	Pearson correlation	-0.147*	-0.161**	-0.158*	-0.155***

* Correlation is significant at the 0.05 level

** Correlation is significant at the 0.01 level

***Correlation is significant at the 0.001 level

The results of the correlation between the variable *total content* and size showed significant negative results for number of employees (0.001), net turnover (0.001) and profit or loss (0.001). On the other hand, balance sheet total did not result in a significant (0.958) difference. Table 6 shows the results of the correlation tests.

Table 6. Audited company size relation with *total content*.

Explanatory variable	Test	2006	2007	2008	Total
Employees	Constant	15.659	15.643	15.715	15.671
	sig.	0.001	0.001	0.001	0.001
	Pearson correlation	-0.268***	-0.261***	-0.266***	-0.264***
Net turnover	Constant	15.528	15.514	15.583	15.54
	sig.	0.001	0.001	0.001	0.001
	Pearson correlation	-0.210***	-0.204***	-0.206***	-0.204***
Balance sheet total	Constant	15.436	15.411	15.488	15.445
	sig.	0.839	0.941	0.857	0.958
	Pearson correlation	0.013	-0.005	-0.011	-0.002
Profit/loss	Constant	15.498	15.499	15.526	15.507
	sig.	0.009	0.001	0.003	0.001
	Pearson correlation	-0.166**	-0.199***	-0.188**	-0.185***

* Correlation is significant at the 0.05 level

** Correlation is significant at the 0.01 level

***Correlation is significant at the 0.001 level

There is a positive relation between the list on Stockholm Stock Exchange and variables *total form* (0.001) and *total content* (0.001). This relation indicates that small cap (7.05;

15.57) have better mean scores than large (6.8; 14.95) and medium cap (7.01; 15.58). The results imply that the higher list a company is listed on the more mistakes in form and content are made.

Since the relation between size in terms of number of employees, net turnover, profit or loss and list on the Stockholm Stock Exchange indicates that larger companies has an audit report with a less correct form and content compared to smaller companies, both hypotheses H4a (*There is a positive relationship between the audited company's size and a correct form of the audit report*) and H4b (*There is a positive relationship between the audited company's size and a correct content in the audit report*) is denied. Instead the relation between firm size and correctness of form and content are negatively correlated.

Branch

There is a difference in the mean for the variables *total form* and *total content* between branches. The mean results for each branch are shown in table 7.

Table 7. Different branches impacts on scores in *total form* and *total content*.

	Branch	Finance	Health care	Industry	Technology	Retail & consumer	Media	Energy	Telecom	Transport
Form	N	132	84	201	117	110	6	54	44	9
	Mean	7.13	6.73	7.02	7.10	6.89	6.00	7.13	6.75	7.00
	Std. Dev.	0.544	1.068	0.728	0.462	0.805	1.095	0.870	0.866	0.000
	Minimum	5	4	4	6	4	5	5	4	7
	Maximum	8	8	8	8	8	7	8	8	7
Content	N	132	84	201	117	110	6	54	44	9
	Mean	15.66	15.05	15.63	15.69	15.34	13.50	14.87	15.07	16.00
	Std. Dev.	1.097	2.167	1.351	0.933	1.878	2.739	2.190	2.050	0.000
	Minimum	10	9	8	10	8	11	9	9	16
	Maximum	16	16	16	16	16	16	16	16	16

The average *total form* is 6.98 and branches such as Finance (7.13), Industry (7.02), Technology (7.1), Energy (7.13) and Transport (7) scored higher than the other branches. The findings show that there are significant (0.001) differences between branches and correctness of the form in the audit report with the ANOVA-test. Therefore, H5a (*There is a relation between the audited company's branch and correct form of the audit report*) is supported which mean that there are relations between correct form and branch.

There is also a difference in the mean for the variable *total content* between branches; the average *total content* is 15.44 and branches such as Finance (15.66), Industry (15.63), Technology (15.69) and Transport (16) scored higher than the mean. Energy (14.87) and Media (13.5) have a lower mean. The ANOVA-test is significant (0.001), there are differences with the Post-Hoc test but we cannot for sure say between which branches the differences are between. Hypothesis H5b (*There is a relation between the audited company's branch and correct content in the audit report*) is supported since there are significant differences between branches.

Multiple analyses

Multiple linear regressions was performed since the bivariate regression only describe the relation between two variables, therefore, the test is necessary in order to gain a deeper understanding for how several explaining variables together affects the correctness of the audit report (Djurfeldt *et al.*, 2003). The variable branch was reclassified into nine dummy-variables. The variable technology was excluded from the test and used as a reference group. The study contains some variables that measure the same things, these variables are used one at a time, however, only one variant of the regression is presented here. As several variables was used as proxy for company size, number of employees and balance sheet total was excluded and only net turnover is used in the test. List on Stockholm Stock Exchange is used as a control variable. Since profit/loss covariates with company size this variable was also excluded. The table also excludes the variables language and sub-headings that correlates with number of words. Further, auditors' gender and number of audit firms was excluded since they do not affect any hypotheses. The results from the multiple linear regression analyses are shown in table 8 and 9.

Table 8. Multiple linear regression with *total form* as dependent variable.

Independent variable	Coefficient	Std. error	Sig.	Tolerance	VIF	
(Constant)	8.139	0.250	0.000	-	-	
Numbers of words	0.000	0.000	0.009	0.741	1.349	
Extra information	0.060	0.081	0.456	0.792	1.263	
Currency	-0.992	0.044	0.000	0.710	1.408	
Big 4	0.031	0.123	0.803	0.956	1.046	
Numbers of auditors	0.147	0.043	0.001	0.822	1.217	
Net turnover	-0.000	0.000	0.107	0.710	1.408	
Stock list	0.010	0.034	0.769	0.576	1.736	
Branch						
	<i>Finance</i>	0.118	0.080	0.140	0.466	2.048
	<i>Health care</i>	-0.027	0.083	0.746	0.595	1.681
	<i>Industry</i>	0.024	0.073	0.0739	0.427	2.344
	<i>Retail & consumer</i>	0.096	0.081	0.232	0.526	1.901
	<i>Media</i>	-0.123	0.228	0.591	0.856	1.169
	<i>Energy</i>	0.393	0.103	0.000	0.637	1.569
	<i>Telecom</i>	-0.009	0.106	0.934	0.640	1.563
	<i>Transport</i>	-0.068	0.191	0.723	0.921	1.085

Table 8 describes the regression coefficient in *total form* to 0.762 (R^2 : 0.580). The result is significant with the ANOVA-test (0.001). When the years were separated the results were still significant (0.001). No multicollinearity between variables can be assumed according to the tolerance and VIF values.

The model supports the denial of H2a (Length) since there is a significant relation between the variables *total form* and number of words. Further the variable currency suggests that financial information in annual reports expressed in Swedish Crowns have a better form, this also supports our denial of H2a since reports expressed in a currency different to Swedish Crowns is generally written in English. Numbers of auditors influence the *total form* positively. Finally, the model shows that there are significant differences between branches which support H5a (Branch). The Energy branch has significant higher score on *total form*. In contrast to the bivariate regression, the multivariate analysis can not confirm any significant differences in terms of audit firm and company size.

Table 9. Multiple linear regression with *total content* as dependent variable.

Independent variable	Coefficient	Std. error	Sig.	Tolerance	VIF	
(Constant)	16.924	0.325	0.000			
Numbers of words	0.002	0.000	0.000	0.741	1.349	
Extra information	-0.131	0.105	0.214	0.792	1.263	
Currency	-2.882	0.058	0.000	0.710	1.408	
Big 4	0.229	0.159	0.151	0.956	1.046	
Numbers of auditors	0.097	0.056	0.081	0.822	1.217	
Net turnover	-0.000	0.000	0.134	0.710	1.418	
Stock list	0.123	0.044	0.005	0.576	1.736	
Branch						
	<i>Finance</i>	0.291	0.104	0.005	0.466	2.148
	<i>Health care</i>	0.027	0.107	0.805	0.595	1.681
	<i>Industry</i>	0.092	0.094	0.329	0.427	2.344
	<i>Retail & consumer</i>	0.320	0.105	0.002	0.526	1.901
	<i>Media</i>	0.532	0.296	0.073	0.856	1.169
	<i>Energy</i>	-0.015	0.134	0.911	0.637	1.569
	<i>Telecom</i>	0.026	0.138	0.851	0.640	1.563
	<i>Transport</i>	0.298	0.248	0.429	0.921	1.085

Table 9 describe the regression coefficient in *total content* is 0.927 (R^2 : 0.859). The model is significant with the ANOVA-test (0.001). Tolerance and VIF values show that all independent variables are within the permitted limits and therefore no multicollinearity exists.

The model supports H2b (Length) since there is a positive significant relation between the variable *total content* and number of words. The currency variable suggests that a shorter audit report has a more correct content than a longer since reports in another currency than Swedish Crowns are generally written in English. List of Stockholm Stock Exchange influence the content of the audit report, the larger list, the lower score on variable *total content*; this supports the rejection of H4b (Size). Finally, there are significant differences between branches and score on *total content*. Finance and Retail & consumer have a positive influence. This confirms H5b (Branch). In contrast to the bivariate regression, the multivariate analysis cannot confirm any significant differences in terms of audit firm.

5. Discussion and Conclusions

This study focuses on the form and content of the audit report in Swedish listed companies. This finishing section aims to discuss the research questions. The conclusions of the study point out that several audit reports in Swedish listed companies deviate from the Swedish audit standard. Only 18.4 percent have a correct form, on the other hand, if the variable signature was excluded, 87.32 percent had a correct form. There are also deviations from the standard in the content; howsoever, 82.03 percent of the audit reports had a correct content. The study also aims to answer how many audit reports that contains extra information, not required by the Swedish GAAS (RS). The result shows that only 8.2 percent contained extra information. The audit report mainly deviate from the audit standard in terms of signature, corporate identification number and auditors qualification, expression if the company comply the Swedish GAAS (RS), the Swedish Annual Accounts Act and IFRS, recommended approved balance sheet and income statement, approved profit/loss as suggested by the board of directors and if the auditor give recommendations to the shareholder to discharge the members of the board and the manager director of responsibility. We have found that several variables influence deviations from the audit standard. The data in the correlation matrix of all the variables (see Appendix C) indicate support of the same hypotheses as the bivariate analyses. Figure 1 presents an interpretation of the analyses.

Insert Figure 1 about here

The analyse model in figure 1 (see Appendix D) is a conclusion of our findings. The figure shows all significant relationships with the correctness of the audit report and different dependent and control variables. There are negative significant relationships between *total form* and the variables; language, length of the audit report, extra information, sub-headings, number of audit firms, audit firm (PwC), number of employees, net turnover, profit/loss and branch (Health care, Media & Telecom). Further, there are positive relationships between the *total form* and the variables; currency, number of auditors, list on Stockholm Stock Exchange and branch (Finance). There are negative significant relationships between the *total content* and the variables;

extra information, language, sub-headings, audit firm (PwC & Ernst & Young), number of employees, net turnover, profit/loss and branch (Health care, Media & Energy). There are positive relationships between *total content* and the variables: currency, number of auditors and list on Stockholm Stock exchange.

Compared to King's (1999) investigation, audit reports contain a higher number of signatures today. The improvement has, however, not lead to a high percentage of signed reports which could be due to the audit report in the annual report on the webpage is not the original document or that the English version is a translation of the original document. The original document could be assumed to be signed. There is also an improvement compared to King (1999) in statements about the managers and the auditors' responsibilities. Our study shows that almost all reports contain this information. The finding that audit reports written in Swedish has higher score in the variables *total form* and *total content* than audit report written in English could be due to inadequate or incorrect translation. These problems have in some reports been solved through clear expression that the audit report is a translation of the original Swedish document. It is in both in the auditors and the companies' interest to have a correct audit report to show to international investors and, therefore, we suggest that more focus is placed on the translation procedure. The difference between languages could also, in some cases, be explained through that the audit report could be written in a country other than Sweden. This imply that foreign companies does not apply Swedish laws and regulations and therefore the scores on form and content gets lower than for the Swedish companies reports.

The longer audit reports, the less correct form and content. This confirms Lundvall's (2010) statement that increased information does not mean better information. Also Humphrey *et al.* (1992) argues that a longer audit report is not equivalent to higher quality which is confirmed in our study. The reason behind the negative relation between correctness and length of the audit report could depend on the auditors will to reveal extra information in order to hide something else. Due to audit profession pressure to follow standards, there is only a modest space for extra information. This impact on revealed extra information has a negative correlation with correctness. The reason why so few audit reports contain extra information could be because the raised

cost of producing such information. As Ijiri (1983) points out, additional information is only valuable as long as it is cost effective. Another reason for the negative relation between length and correctness of the audit report could be the auditors risk to become liable for contingent damages in the audited company. Hayes *et al.* (2005) and Woolfs (1986) assumption, that audit unqualified audit reports are very brief, are clearly invalid for reports in Swedish listed companies, since our study showed that audit reports written in English contained an average number of 523 words.

The results about impact of the audit firm indicate that there is a negative relationship between the use of a Big 4 firm and the correctness of the audit report. This could be due to that the Big 4 audit firms are more standardized among each other, in order to show rational thinking and act similar to one another. They are well aware of current limits of laws and regulations, therefore, they do not bother writing an audit report that meet more than the current requirements. While other firms probably work harder to fulfill requirements in order to please their clients and get the possibility to increase their client stock. The reason behind that auditor with no firm has a higher total score both in form and content could be because the auditor is personally elected and thereby is more risk exposed in case of mistakes that risks damage the audited company. Since the auditor bear higher risk there is a higher incentive to do things right. Further, the numbers of auditors have positive effects on the correctness of the audit report. This is clearly depending on that more signing auditors have to cooperate when writing the audit report and therefore mistakes in form or content are more likely to be discovered.

This research also discusses the impact the audited company's size has on the audit report. The data showed that the larger the audited company gets the less does the audit report follow the Swedish audit standard. This could depend upon that larger firms are more international and obliged to follow a standard different than the Swedish. The Positive Accounting Theory suggests that the choice of accounting standard could affect regulatory procedures and information production (Watts & Zimmerman, 1990). Our results on the variable currency confirm that international reports received lower scores in form and content. Raynolds and Francis (2001) concluded that large audit clients are more likely to receive a going concern report than smaller clients, this could perhaps depend on that auditors in large firms can not afford losing the large client and therefore

please the clients will and write a report that is less correct. The auditors' independence could perhaps also be the key to why audit reports in larger firms are less correct, the auditor could be affected by the client since the relationship between them are not totally independent due to economical dependence and pressure from the own firm not to lose the client.

The study provides evidence for differences in form and content in the audit report between branches. The result could be explained by the Legitimacy Theory and the Institutional Theory which both suggests that branch affects the corporate behavior. We believe that certain branches could, due to internal and external pressures, affect the auditor in writing a report that has a more or less correct in terms of form and content. The result could also be explained by that companies in different branches might follow the accounting standards differently which could affect the auditors' basic condition of writing the audit report.

The result shows only variables tested in this study, however, the multivariate analysis show that there is space for other explaining variables important to describe deviations from the Swedish GAAS (RS). We believe that the general findings in this study, if confirmed by others, have important implications for the development of the auditors' production of the audit report. It is our belief that the correctness of the audit report could be raised simply by awareness of deviations found in this study. In order to alert auditors about problematic parts, the FAR need to pay more attention to the audit reports form and content issues. The translation risk needs to be alerted in order to be corrected. Therefore, the auditor could suggestively be the only one that is allowed to translate an audit report. We believe there are cases were companies do the translation on their own using the auditors' name, this practice puts the auditors name at risk, especially when the translation is not made properly. Perhaps FAR needs to issue standards also for the translation procedure.

The results could be generalised for countries similar to Sweden. All European Union member states follow similar audit standards, ISAs. Hence, what could be said about auditing in Swedish listed companies could therefore be valid also for other European listed companies.

Overall, audit reports in Swedish listed companies seem to be similar to each other except from some deviation that could easily be observed by an observant auditor. Differences occur more frequently between audit reports and the audit standard rather than between audited companies.

5.1. Suggestions to future research

This study focuses on if audit reports in Swedish listed companies follow the Swedish GAAS. Since the results of the research indicate that there are deviations between audit reports, it would be of interest to make interviews with auditors in order to understand the outcome of our investigation and to get a deeper knowledge on the subject. It could also be interesting to make a similar study in another country or to perform same study on Swedish companies other than those listed on the Stockholm Stock Exchange in order to compare the results with our study. Further, our study could be repeated common years in order to see if there has been any improvements.

References

- Abbott, A. (1986). Jurisdictional conflicts: A new approach to the development of legal professions. *American bar foundation research journal*. Vol. 11, No. 2, pp. 187-224.
- Adams, C. A.; Hill, W.-Y.; Roberts, C. B. (1998). Corporate social reporting practices in Western Europe: legitimating corporate behavior. *British accounting review*. No. 30, pp. 1-21.
- Adrem, A. H. (1991). Essays on disclosure practices in Sweden - causes and effects. Lund: Lund University Press.
- Alfredson, K.; Leo, K.; Pactor, P.; Picker, R.; Radford, J.; Wise, V. (2007). *Applying international financial reporting standards*. China: Print plus limited.
- Argento, D. (2008). Review: Kees Camfferman & Stephen A. Zeff, Financial reporting and global capital markets. A history of the International Accounting Standards Committee, 1973–2000. *Journal of management and governance*. No. 12, pp. 127-132.
- Bailey, K. E.; Bylinski, J. H.; Shields, M. D. (1983). Effects of audit report wording changes on the perceived message. *Journal of accounting research*. Vol. 21, No. 2, pp. 355-370.
- Bamber, E. M.; Stratton, R. A. (1997). The information content of the uncertainty-modified audit report: evidence from bank loan officers. *Accounting horizons*. Vol. 11, No. 2, pp. 1-11.
- Bavishi, V. B.; Gangolly, J. S.; Hussein, M. E. A. (1986). International similarities and differences in the auditor's report. *Auditing: A journal of practice and theory*. Vol. 6, No. 1, pp. 124-133.
- Bebbington, J.; Larrinaga-González, C.; Moneva-Abadía, J. M. (2008). Legitimizing reputation/the reputation of legitimacy theory. *Accounting, Auditing & Accountability Journal*. Vol. 21, No. 3, pp. 371-374.
- Bengtson, M. (2009). Kvalitetskontrollen är även en vägledning för revisorn. *Tidsskriften balans*. Vol. 35, No. 1, pp. 14-15.
- Bhattacharjee, S.; Moreno, K.; Yardley, J. (2005). Auditors as underwriters: an alternative framework. *International journal of auditing*. Vol. 9, No. 1, pp. 1-19.
- Brown, T.; Hatherly, D.; Innes, J. (1997). The expanded audit report – a research study within the development of SAS 600. *Accounting, auditing & accountability journal*. Vol. 10, No. 5, pp. 702-717.
- Carrington, T. (2009). Vad är revision? Begreppets innebörd styr argumenten i debatten om revisionsplikten. *Tidsskriften balans*. Vol. 35, No. 11, pp. 37-39.
- Citron, D. B.; Taffler R. J. (2004) The comparative impact of an audit report standard and an audit going-concern standard on going-concern disclosure. *Auditing: A journal of practice and theory*. Vol. 23, No. 2, pp. 119-130.
- Cochran, W. G. (1952). The χ^2 test of goodness of fit. *The annals of mathematical statistics*. Vol. 23, No. 3, pp. 315-345.
- DiMaggio, J. P.; Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *The American sociological review*. Vol. 48, No. 2, pp. 147-160.
- Djurfeldt, G; Larsson, R.; Stjärnhagen, O. (2003). *Statistisk verktygslåda – samhällsvetenskaplig orsaksanalys med kvantitativa metoder*. Lund: Studentlitteratur.

- Dopuch, N.; Holthausen, R. W.; Leftwich, R. W. (1986). Abnormal Stock returns associated with media disclosures of 'subjects to' qualified audit opinion. *Journal of accounting and economics*. No: 8, pp. 93-117.
- Dunn, J. (1996). *Auditing: Theory and practice*. (2nd edition) Eastbourne, Great Britain: Pearson Educational Limited.
- Duréndez Gómez-Guillamón, A. (2003). The usefulness of the audit report in investment and financial decisions. *Managerial auditing journal*. Vol. 18, No. 6/7, pp. 549-559.
- Eklöv, G. (2001). *Auditability as interface: negotiation and signification of intangibles*. Edsbruk: Akademitryck AB.
- FAR (2006). *Revision -En pratisk beskrivning*. Kristianstad: FAR Förlag.
- FAR SRS (2010) *Samlingsvolymen 2010 –Revision*. Alvestad: FAR SRS Förlag AB.
- Fogarty, T. J.; Rogers, R. K. (2005). Financial analysts' reports: an extended institutional theory evaluation. *Accounting, organizations and society*. No. 30, pp. 331-356.
- Francis, J. R.; Yu, M. D. (2009). Big 4 office size and audit quality. *The accounting review*. Vol. 84, No. 5, pp. 1521-1552.
- Fuerman, R. D.; Kraten, M. (2009). The Big 4 audit report: should the public perceive it as a label of quality? Available at SSRN: <http://ssrn.com/abstract=1404086>. Access: 2010-05-30.
- Gibbins, M.; Richardson, A; Waterhouse, J. (1990). The management of corporate financial disclosures: opportunism, ritualism, policies and processes. *Journal of accounting research*. Vol. 28, No. 1, pp. 121-143.
- Gul, F. A (1987). The Effects of Uncertainty Reporting on Lending Officers' Perceptions of Risk and Additional Information Required. *Abacus*. Vol. 23, No. 2, pp.172-181.
- Hayes, R.; Dassen, R.; Schilder, A.; Wallage, P. (2005/1999) *Principles of auditing –An introduction to international standards on auditing* (2: nd edition). Harlow: Pearson education limited.
- Holt, G.; Moizer, P. (1990). The Meaning of Audit Reports. *Accounting and business research*. Vol. 20, No. 78, pp. 111-121.
- Humphrey, C.; Moizer, P.; Turley, S. (1992). The audit expectations gap -plus ca change, plus vest la meme chose? *Critical perspectives on accounting*. No. 3, pp. 137-161.
- Ijiri, Y. (1983). On the accountability-based conceptual framework of accounting. *Journal of accounting and public policy*. No. 2, pp. 75-81.
- Jensen, M. C.; Meckling, W. H. (1976). Theory of the firm: managerial behaviour, agency cost and ownership structure. *Journal of financial economics*. Vol. 3, No. 4, pp. 305-360.
- Jonnergård, K.; Nilsson, O. (2009). Revisionen viktig vid investeringsbeslut. *Tidskriften balans*. Vol. 35, No. 5, pp. 32-34.
- King, C. G. (1999). The measurement of harmonization in form and content of the auditor's report in European Union. *Journal of international accounting, auditing and taxation*. Vol. 8, No. 1, pp. 23-42.
- Lennox, C. S. (1999) The accuracy and incremental information content of audit reports in predicting bankruptcy. *Journal of business, finance and accounting*. No. 26, pp. 757-778.
- Libby, R. (1979). Bankers' and auditors' perceptions of the message communicated by the audit report. *Journal of accounting reseach*. Vol. 17, No. 1, pp. 99-122.

- Lundvall, S. (2008) En revisionsberättelse bör vara kort, klar och koncis. *Tidsskriften balans*. Vol. 34, No. 2, pp. 6-7.
- Mennicken, A. (2008). Connecting worlds: the translation of international auditing standards into post-Soviet audit practice. *Accounting, organizations & society*. No. 33, pp. 384-414.
- Prencipe, A. (2004). Proprietary costs and determinants of voluntary segment disclosure: evidence from Italian listed companies. *European accounting review*. Vol. 13, No. 2, pp. 319-340.
- Pringle, L. M.; Crum, R. P.; Swetz, R. J. (1990). Do SAS No. 59 format changes affect the outcome and the quality of investment decisions? *Accounting horizons*. Vol. 4, No. 3, pp. 68-76.
- Revisionsstandard i Sverige, RS (2010).
- Reynolds, K. J.; Francis, J. R. (2001). Does size matter? The influence of large clients on office-level auditor reporting. *Journal of accounting and economics*. No. 30 pp. 375-400.
- Rollins, T. P; Bremser, W. G. (1997). The SEC's enforcement actions against auditors: an auditor reputation and institutional theory perspective. *Critical perspectives on accounting*. Vol. 8, No. 3, pp. 191-206.
- Spathis, C.; Doumpos, M.; Zopounidis, C. (2003). Using client performance measures to identify pre-engagement factors associated with qualified audit reports in Greece. *The international journal of accounting*. No. 38, pp. 267-284.
- Swedish Auditors Act, RL. (1999:1079).
- Swedish Companies Act, ABL (2005: 551).
- The Swedish Corporate Governance board (2008) *The Swedish Code of corporate governance 2008* Kollegiet för Svensk bolagsstyrning.
- Wallace, W. A. (2004). The economic role of the audit in free and regulated markets: A look back and a look forward. *Research in accounting regulation*. Vol. 17, pp: 267-298.
- Watts, R. L.; Zimmerman, J. L. (1978). Towards a positive theory of the determination of accounting standards. *The accounting review*. Vol. 53, No. 1, pp. 112-133.
- Watts, R. L.; Zimmerman, J. L. (1990). Positive accounting theory: a ten year perspective. *The accounting review*. Vol. 65, No. 1, pp. 131-156.
- Woolf, E. (1986/1979). *Auditing today*. (2 ed.) Exeter, Great Britain, Prentice-hall international ltd.
- Wright, P.; Kroll, M.; Mukherji, A.; Pettus, M. L. (2009) Do the contingencies of external monitoring, ownership incentives, or free cash flow explain opposing firm performance expectations? *Journal of management and governance*. No. 13, pp. 215-243.
- Zarzeski, M. T. (1996). Spontaneous harmonization effects of culture and market forces on accounting disclosure practices. *Accounting horizons*. Vol. 10, No. 1, pp. 18-37.

Appendix A - Standard audit report.

Unqualified audit report for parent company preparing its consolidated accounts in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act

[This is the translation of the auditor's report in Swedish, approved by FAR SRS as of December, 2006.]

AUDIT REPORT

To the annual meeting of the shareholders of... Corporate identity number 556000-0000

I (We) have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of . for the year .YYYY (the financial year). [The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages x-y.] The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My (Our) responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my (our) audit.

I (We) conducted my (our) audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I (we) plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my (our) opinion concerning discharge from liability, I (we) examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I (We) also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I (We) believe that my (our) audit provides a reasonable basis for my (our) opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

(A separate list of loans and collateral has been prepared in accordance with the stipulations in the Companies Act.)

I (We) recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit (loss) of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Place and date

(signature on original document)

AA

Auktoriserad/Godkänd revisor

(Authorized/Approved Public Accountant)

Appendix B - Checklist.

Name

1. Name of audited company

Language

2. Is the audit report in English No = 0, Yes = 1

Form

3. Title "Audit report" No = 0, Yes = 1
4. Receiver "To the annual meeting of shareholders of ..."
5. Corporate identity number of receiver No = 0, Yes = 1
6. Different parts for scope and opinion No = 0, Yes = 1
7. Date of auditor's report No = 0, Yes = 1
8. Place of auditors office No = 0, Yes = 1
9. Signature in hand writing No = 0, Yes = 1
10. Auditor's qualification: authorized/approved public accountant No = 0, Yes = 1
11. Total form (maximum 8 points) Summarised score

Content

Introduction

12. Audited parts No = 0, Yes = 1
13. Audited period No = 0, Yes = 1
14. Responsibility of the Board of Directors and the CEO No = 0, Yes = 1
15. Responsibility of the auditor No = 0, Yes = 1

Scope

16. Description of what audit is No = 0, Yes = 1
17. In accordance with Swedish GAAS
No = 0, Yes (Swedish GAAS) = 1, Follow international audit standards = 2
18. Examined "on a test basis" No = 0, Yes = 1
19. Assessing the "accounting principles" used No = 0, Yes = 1
20. Auditing provide "reasonable basis for opinion" No = 0, Yes = 1

Opinion

21. The annual accounts follow the Annual Accounts Act No = 0, Yes = 1
22. The accounts give a "true and fair view" of the company No = 0, Yes = 1
23. Consolidated account is prepared in accordance with IFRS No = 0, Yes = 1
24. The statutory administration report is consistent with other
parts of the annual accounts No = 0, Yes = 1
25. Recommend shareholders to approve BS and IS No = 0, Yes = 1
26. Recommend to follow profit/loss proposal No = 0, Yes = 1
27. Recommend shareholders to discharge members of the board
of directors and the managing director of responsibility No = 0, Yes = 1
28. Total content (maximum 16 points) Summarised score

Unqualified

29. The audit report is unqualified No = 0, Yes = 1

Length

30. Number of words in audit report
31. Audit report contains extra information No = 0, Yes = 1
32. Audit report has sub-heading for every part No = 0, Yes = 1

Variables of difference

Audited company

33. List on Stockholm Stock Exchange 2010
Large cap = 1, Mid cap = 2, Small cap = 3
34. Branch
1 = Finance, 2 = Healthcare, 3 = Industry, 4 = Technology,
5 = Retail and Consumer, 6 = Media, 7 = Energy, 8 = Telecom, 9 = Transport
35. Number of employees
36. Net turnover/sales (msek)
37. Total assets (msek)
38. Profit (or loss) after financial items (msek)
39. Currency
1 = SEK, 2 = EUR, 3 = USD
40. Year of audit report
1 = 2006, 2 = 2007, 3 = 2008

Auditor

41. Gender
Male = 0, Female = 1, Do not reveal = 2
42. Audit firm
PwC = 1, Ernst & Young = 2, KPMG = 3, Deloitte = 4, Other = 5, None = 6
43. Audit firm, Big 4 No = 0, Yes = 1
44. Number of auditors 1 = 1, 2 = 2
45. If two, are both authorized public accountants
No = 0, Yes = 1, Not relevant = 2
46. Number of audit firms 1 = 1, 2 = 2
47. If two, what gender has the second one?
Male = 0, Female = 1, Not relevant = 2

Appendix C - Pearson Correlation matrix between all variables (all years).

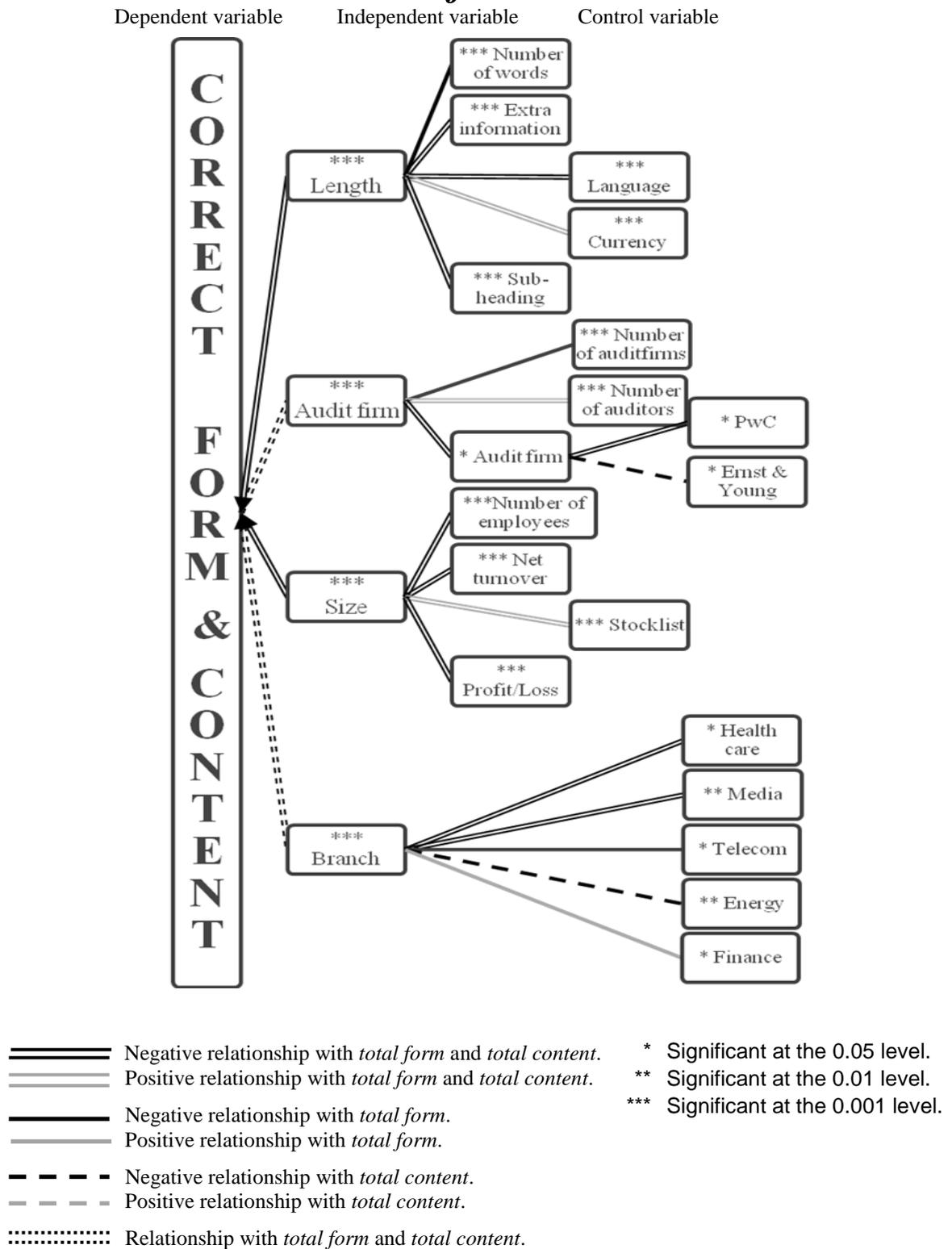
		1	2	3	4	5	6	7	8a	8b	8c	8d	8e	8f	8g	8h	8i	9	10	11	12	13	14	15	16	17	18a	18b	18c	18d	18e		
1.	Total form	1.000																															
2.	Total content	0.757***	1.000																														
3.	Language	-0.268***	-0.182***	1.000																													
4.	Length	-0.209***	-0.063	0.799***	1.000																												
5.	Extra information	-0.236***	-0.291***	0.084*	0.237***	1.000																											
6.	Sub-heading	-0.556***	-0.767***	0.153***	0.212***	0.312***	1.000																										
7.	List	0.118***	0.134***	-0.425***	-0.426***	-0.106**	0.203***	1.000																									
8a.	Branch	<i>Finance</i>	0.088*	0.063	-0.057	-0.040	0.040	-0.027	-0.159***	1.000																							
8b.		<i>Health care</i>	-0.120***	-0.086*	-0.002	0.000	0.002	0.000	0.118***	-0.162***	1.000																						
8c.		<i>Industry</i>	0.028	0.071	0.084*	0.057	-0.081*	-0.063	-0.078*	-0.276***	-0.212***	1.000																					
8d.		<i>Technology</i>	-0.051	-0.026	-0.010	0.002	0.109**	0.023	-0.021	-0.276***	-0.146***	-0.248***	1.000																				
8e.		<i>Retail and consumer</i>	-0.051	-0.026	-0.010	0.002	0.109**	0.023	-0.021	-0.189***	-0.146***	-0.248***	1.000***	1.000																			
8f.		<i>Media</i>	-0.116***	-0.108**	0.054	0.036	-0.027	0.167***	-0.030	-0.041	-0.032	-0.054	-0.037	-0.037	1.000																		
8g.		<i>Energy</i>	0.053	-0.098**	0.042	-0.008	-0.008	0.126***	-0.132***	-0.127***	-0.098**	-0.167***	-0.114**	-0.114**	-0.114**	1.000																	
8h.		<i>Telecom</i>	-0.077*	-0.057	0.037	0.091*	-0.074*	0.033	0.133***	0.114**	-0.088*	-0.149***	-0.102**	-0.102**	-0.022	-0.069	1.000																
8i.		<i>Transport</i>	0.002	0.038	-0.070	-0.052	-0.033	-0.028	0.055	-0.050	-0.039	-0.066	-0.045	-0.045	-0.010	-0.003	-0.027	1.000															
9.	No. of employees	-0.232***	-0.264***	0.210***	0.283***	0.180***	0.300***	-0.494***	-0.104**	-0.065	0.174***	-0.015	-0.015	-0.014	0.019	0.139***	0.015	1.000															
10.	Net turnover	-0.205***	-0.204***	0.180***	0.281***	0.110**	0.292***	-0.440***	-0.098**	-0.042	0.084*	-0.018	-0.018	-0.014	-0.039	0.232***	0.009	0.900***	1.000														
11.	Balance sheet total	0.016	-0.002	0.105**	0.184***	0.376***	0.031	-0.273***	0.228***	-0.043	-0.057	-0.059	-0.059	-0.013	-0.014	0.026	-0.011	0.293***	0.243***	1.000													
12.	Profit/loss	-0.155***	-0.185***	0.141***	0.286***	0.194***	0.256***	-0.353***	-0.018	0.030	0.001	-0.040	-0.040	-0.013	-0.015	0.230***	-0.024	0.689***	0.778***	0.361***	1.000												
13.	Currency	0.680***	0.899***	-0.180***	-0.143***	-0.283***	-0.808***	0.178***	0.047	-0.050	0.079*	-0.071	-0.071	-0.138***	-0.088*	-0.051	0.032	-0.318***	-0.274***	-0.020	-0.233***	1.000											
14.	Gender	-0.049	0.018	0.038	0.034	-0.061	-0.035	0.111**	-0.025	0.086*	-0.018	-0.043	-0.043	-0.029	-0.012	0.020	0.008	-0.002	0.009	-0.040	0.023	0.044	1.000										
15.	No. Of audit firm	-0.144***	-0.065	0.183***	0.180***	0.125***	0.086*	-0.245***	0.028	0.033	-0.023	-0.006	-0.006	0.134***	-0.036	0.033	0.009	0.136***	0.104**	0.233***	0.118***	-0.101**	0.045	1.000									
16.	No. of auditors	0.282***	0.314***	-0.044	0.025	-0.097**	-0.215***	-0.094**	0.013	-0.144***	0.113**	-0.002	-0.002	0.116***	-0.013	0.007	0.006	0.073*	0.0045	0.164***	0.048	0.285***	-0.008	-0.041	1.000								
17.	Big 4	0.055	0.060	-0.146	-0.140***	-0.024	-0.050	0.119**	-0.007	0.107**	-0.041	-0.074	-0.074	-0.018	-0.011	-0.046	-0.020	-0.066	-0.057	-0.034	-0.043	0.059	0.067	0.017	0.002	1.000							
18a.	Audit firm	<i>PWC</i>	-0.079*	-0.081*	0.057	0.057	-0.038	0.129***	-0.115**	-0.141***	-0.006	0.002	0.009	0.009	-0.061	0.098**	0.134***	0.004	0.103**	0.123***	0.045	0.064	-0.069	0.092*	0.266***	0.145***	-0.143***	1.000					
18b.		<i>Ernst & Young</i>	-0.053	-0.079*	0.000	-0.045	-0.018	-0.005	0.019	0.005	0.059	0.037	0.016	0.016	-0.043	-0.066	-0.017	0.011	0.017	-0.016	-0.059	-0.026	-0.046	-0.146	0.195***	-0.047	-0.097*	-0.325***	1.000				
18c.		<i>KPMG</i>	-0.021	0.039	0.157***	0.178***	0.065	0.021	-0.103**	0.072*	-0.031	0.000	0.002	0.002	0.185***	-0.016	-0.077*	-0.053	0.052	0.033	0.053	0.076	-0.060	0.045	0.235***	-0.190***	-0.098*	-0.329***	-0.230***	1.000			
18d.		<i>Deloitte</i>	-0.040	0.016	-0.010	-0.004	0.096**	-0.045	-0.010	0.118***	-0.003	-0.077*	0.016	0.016	-0.029	-0.074*	-0.006	0.087*	-0.037	-0.042	0.053	-0.045	-0.033	-0.088*	0.133***	-0.136***	-0.066	-0.224***	-0.157***	-0.159***	1.000		
18e.		<i>Other</i>	0.037	0.051	-0.111**	-0.115**	-0.017	-0.040	0.094**	-0.007	0.105**	-0.039	-0.066	-0.066	-0.014	-0.012	-0.040	-0.018	-0.054	-0.047	-0.028	-0.037	0.048	0.068	0.074*	-0.012	1.000***	-0.109**	-0.076*	-0.077*	-0.053	1.000	

* Correlation is significant at the 0.05 level.

** Correlation is significant at the 0.01 level.

*** Correlation is significant at the 0.001 level.

Appendix D - Figure 1. Variables that affect the outcome of score in *total form* and *total content*.



Disclaimer

We hereby certify that in preparing this term paper we did not consult the help of another person or made use of a different source other than the ones stated. We have indicated the positions where we adopted the exact or abstract content of a source and credited its origin (including internet sources). This document has never been presented to any other examining board in this or a similar format. We are aware of the fact that any false declaration will lead to legal consequences.

Kristianstad University, June 2010

Hanna Kier

Marlena Lavesson