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Examining the Relationship Between Audit Quality and Risk Taking in Value Creation: The Role of Company Size as a Mediator

Hossein Nourani
Associate Professor, Department of Accounting, University of Hormozgan, Bandar Abbas, (Iran. (Corresponding Author
E-mail:Hnourani1355@gmail.com

Razieh Jahandari
Master of Accounting, Department of Accounting, Payame Noor University, Tehran, Iran.
E-mail: r.jahandari70@gmail.com

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Abstract

Objectives: The present study aims to investigate the relationship between audit quality and risk-taking behavior in firms, focusing on the mediating role of company size in value creation.

Design/methodology/approach: This research is applied and employs a causal correlation methodology. The statistical population consists of all firms listed on the Tehran Stock Exchange. A systematic sampling method was utilized to select 140 firms as the study sample, covering a period of 7 years from 2017 to 2022.

Findings: The hypotheses were tested using simple and multiple linear regression analyses after verifying classical assumptions and applying the Chow test due to the mixed nature of the research data. The results indicate that both audit quality and risk-taking have a positive and significant effect on value creation. Additionally, company size plays a crucial mediating role in the relationship between audit quality, risk-taking, and value creation.

Innovation: This ongoing research provides compelling evidence that effective political communication can mitigate the risk of lawsuits against auditors, thereby enhancing audit quality. These findings underscore the importance of integrating governance practices that foster transparency and accountability in financial reporting.

Keywords: Audit quality, Risk-taking, Firm Value, Firm size.

1. Introduction

In general, risk and return are the most important investment concepts that are always associated with investment decisions and are considered the basis of decision-making. Risk-taking can be defined as "engaging in any activity that has at least a vague and uncertain outcome" (Ostadi and Tadrisipour, 2018). By reducing information asymmetry and agency conflict between users and providers of financial statements, auditing corrects the destructive effects of the separation of ownership and management. Therefore, audit quality is a tool to reduce information risk for users of financial statements. Such a reduction in information risk can create value for stakeholders, as it provides users with reasonable assurance about any significant deviations and frauds (Furiady and Ratnawati, 2015). It can be said that the lack of awareness of economic factors, including stock exchange investors, the impact of audit quality, and risk acceptance in creating the value of a business unit and ignoring it can be effective in reducing investment. This can prevent the further development of securities. On the other hand, creating value and increasing shareholders' wealth in the long term is one of the most prominent goals of companies and capital market participants, and this can only be achieved through optimal performance. Underestimating audit quality and risk-taking in creating value in business units of underdeveloped countries with traditional market structures and inefficient capital markets is very important and leads to more appropriate returns. Value creation almost depends on the amount obtained by the end user (buyer) who is focused on creating value, be it an individual, an organization, or a society, and such a desire leads to the exchange of valuable currency obtained. We can mention two main conditions that are critical for success in value-creation activities. First, the amount of currency exchanged must be greater than the producer's costs (currency, time, effort, etc.). Second, the amount of money the buyer paid for the service. These two functional conditions represent what differentiates newly created value from buyers' goals (Sri and Selimun, 2019). In general, without such differences, buyers and value creators seek to repeat such activities in the long run. Based on this, considering the increasing importance of audit quality and risk-taking in a business unit, the topic of the upcoming research is the relationship between audit quality and risk-taking to create value with the mediating role of company size. In the continuation of the structure of the research, firstly, the development of the theoretical foundations, hypotheses, and experimental foundations of the research are presented, followed by the methodology and operational definitions of the research variables and finally, the findings and conclusions of the research are presented.

Theoretical, empirical, and research hypotheses

The securities exchange is the most important way of equipping and allocating capital in the country, and knowledge of this market and its elements and relationships is one of the important factors in the development of the capital market. Investors are one of the most important elements of this market. Investors have different goals when investing in the shares of companies. They try to push their resources to the most profitable for them, and if their investment does not lead to the desired profit, they will exit the stock market and invest in other activities (Jahanshad and Shabani, 2015). In this regard, awareness of the level of risk for companies can also play a significant role in decision-making. In financial literature, risk is defined as the probability of a difference between actual returns and expected returns and is divided into two categories. The first category includes risks that relate to internal factors such as management risk, liquidity risk, inability to pay debt, etc., which is called unsystematic (reducible) risk. The second category includes risks that are not specific to one or more firms but are related to general market conditions such as economic ,political,social ,and other conditions and are uncontrollable and irreducible under the name of systematic risk (β) ,hence it can play a significant role in decision-making by managers of companies and investors. One of the important factors in companies is the corporate governance structure of these companies, which has a significant impact on the decisions of the organization and its financial statements (Poor Ahmadi et al., 2021).

Profit is one of the most important items in financial statements that is considered by firms as one of the criteria for evaluating performance and determining the value of the firm. The purpose of earnings reporting is to provide useful information for measuring management efficiency, predicting the future of the for-profit unit, and the future distribution of dividends. It is also a basis for tax diagnosis, price analysis of products, etc. It is for beneficiaries. A lot of research has been done on profit. Many of these studies have examined the impact of different factors on the profitability of companies. In reviewing the performance of companies, it is important to pay attention to internal and external factors that affect their profitability (Ebrahimi Kordelar and Javani Ghalandari, 2016). Corporate risk and audit quality are factors that can play an important role in the value of the company. Risk is the probability that a particular action or action (or inaction) will result in undesirable or unintended losses or outcomes. Almost all human endeavors involve some degree of risk, but some of them carry more risks. In financial literature, risk can be defined as unexpected events, usually changes in the value of assets. Or debts, he said. Firms are exposed to different types of risk, and therefore, risk is inevitable for the company. Auditing is the duty of evaluation to be created by the management of the economic units to investigate the internal control system and to ensure the adequacy of the control system of the company in terms of correct, appropriate, economical, effective, and efficient use of resources, test, evaluation, and reporting (Sayadi et al., 2019). Expansion and increasing complexity of economic units in the world have advanced. Today, the needs resulting from the lack of resources and increased competition, the existence of a variety of risks in the financial, administrative, and commercial fields that threaten their organizational goals and objectives, both internally and externally, have made it impossible to direct and individual control of these units and the need to establish an effective system of control as an integral part of an efficient management system, such as auditing. Attention will be given to them. Audit quality is also important for the company's survival. One of the most common definitions of audit quality is the one given by D'Angelo (1981). He defines audit quality as "an evaluation of the market" of the probability that the auditor will (1) discover cases of significant distortions in the financial statements or accounting system of the owner and (2) report significant distortions discovered. The use of this definition to describe the actual quality of an audit is made with the basic assumption that the perception of audit quality reflects the actual quality of the audit. Auditors who specialize in the industry can perform higher-quality audits due to their ability to identify and deal with specific industry problems. In addition, the more experience an audit firm gains in an industry, the more interest it has in providing superior-quality auditing services because of its positive reputation. For example, Benito Arrunanda (2000) showed that auditors with specific industry audit expertise have higher audit quality for two major reasons. First, more familiarity with the accounting and auditing problems of those industries is due to the continued implementation of the second audit and the motivation to gain and maintain reputation in auditing that particular group of industries. According to the mentioned materials, the hypotheses of the present study are presented as follows:

Research Hypotheses

H1: Audit quality has a positive and significant impact on value creation.

H2: Risk-taking has a positive and significant impact on value creation.

Hy3: Company size plays a mediating role in the relationship between audit quality and value creation.

H4: Firm size mediates the relationship between risk-taking and value creation.

Research Background

Dhifi et al. (2024) conducted research titled "The Relationship between Audit Quality and Firm Performance: The Mediating Effect of Integrated Reporting." They stated that decision-makers in any organization require an audit to ensure the reliability of the information presented in reports. This task is performed by a qualified person who meets specific criteria such as experience, competence, and credibility, which are essential for implementing integrated reporting. The aim of this study was to provide empirical evidence of the mediating effect of integrated reporting (IR) on the relationship between audit quality and company performance. The sample included 36 French companies from 2012 to 2021. The data was analyzed using a structural equation model and hypotheses were tested using Stata 17 software. The empirical results showed that IR quality plays a mediating role (complementary mediation) in the relationship between Big4 firms, auditors' competence and experience, and the performance of French companies. However, it negatively mediated the relationship between auditors' experience and performance in a complementary way.

Abu Afifa et al. (2023) stated in their research titled "Mediating Influence of Earnings Management in the Nexus between Audit Quality and Company Value: New Evidence from the Jordanian Market" that audit firm industry specialization positively affects earnings management practices while size and tenure do not. This implies that industry specialization does not restrict earnings management but rather leads to an increase in opportunistic behaviors. Audit firm size and industry specialization positively affect company value, while audit firm tenure does not. Additionally, the findings indicate that earnings management practices negatively affect company value, and earnings management acts as a mediator for the audit quality and company value relationship.

Birjandi et al. (2020) studied the relationship between audit quality and risk-taking on value creation in companies. The purpose of the study was to investigate the impact of audit quality on risk-taking to create corporate value. A sample of 185 companies listed on the Tehran Stock Exchange from 2013 to 2018 was selected. The Multivariate regression method was used to test hypotheses using the panel method. The criteria used to assess audit quality were the auditor's expertise, auditor tenure, audit institution size, ownership concentration, and non-executive board members. The results showed that all components of audit quality and risk factors significantly impacted the company's value. Additionally, all components modified the effect of risk-taking on the company's value creation.

Phan et al. (2020) conducted a study titled "The Impact of Audit Quality on the Performance of Hanoi Stock Market Member Firms." The study investigated the impact of audit quality on the performance of listed companies in the securities trading class of Hanoi, Vietnam. Data from 228 listed companies in the Hanoi securities trading class were analyzed using SPSS 22 and Smart PLS 3.0. The results showed that audit quality positively impacted the financial performance of companies in the Hanoi securities trading class. It also had a positive impact on customer loyalty and employee satisfaction. The study provided recommendations for improving audit quality in Vietnam.

Florackis et al. (2020) examined innovative risk, risk-taking motives, and the relationship between managerial ownership and corporate value. Using parametric and semi-parametric estimation methods, they investigated how managerial ownership affects firm value, considering the trade-off between alignments and risk substitution effects. They found that risk substitution affects the effect of management ownership alignment in companies with severe succession problems, leading to a weak or absent relationship between managerial ownership and company value. By demonstrating that companies exposed to risk substitution demonstrate more conservative investment and financing policies, they identified an acceptable channel for these effects. They also showed that including stock options in management compensation packages reduces the problem of risk substitution to some extent. The research findings suggested that semi-parametric methods may be useful for future studies focusing on nonlinear properties in the data.

Mohammadi et al. (2020) studied the moderating effect of audit quality and financial analysts on the readability of financial reporting and agency costs in firms listed on the Tehran Stock Exchange. They investigated the moderating effect of audit quality and financial analysts' coverage on the readability of financial reports and agency costs. The sample included 145 firms listed on the Tehran Stock Exchange from 2011 to 2017. The results of dynamic panel estimation showed that companies with better financial report legibility experienced reduced agency costs, and the negative relationship between readability and agency costs was more pronounced in companies with higher audit quality, internal control quality, or analyst coverage. Reading financial reports can help monitor the opportunistic behavior of internal employees, thereby reducing agency costs.

Sri, et al. (2019), wrote an article titled "The Relationship between Audit Quality and Risk-Taking for Value Creation in Indonesia." The purpose of this paper is to assess the impact of audit quality and risk-taking on value creation. This study is based on panel data and the multivariate regression method. The research uses fixed and random effects to estimate regression. In this paper, five components of audit quality, including auditor expertise, tenure, size of the audit firm, ownership concentration, and percentage of limited members of the board of directors, are studied. The results of this study showed that, among the studied variables and risk factors, only tenure and ownership concentration have a significant effect on the value creation of companies. In other words, both ownership concentration and tenure have a positive effect on value creation, while other variables have no significant effect on value creation. Moreover, none of them can affect value risk.

Blandon and Bosch (2017), in a study titled "Audit Partner's Expertise in Industry and Audit Quality," concluded that the lack of industry expertise for the audit partner has a significant impact on audit quality. It seems that considering the relationship between an auditor's expertise and audit quality is an appropriate criterion for empirical studies in this field, and the most deficient aspect in existing studies is emphasizing the importance of organizational structure in the review. The relationship between audit quality and various variables.

Tehranchian et al. (2017), in a study titled "Examining the Role of Audit Quality on Decision-Making of Information Users," concluded that if financial data users have the necessary assurance that an auditor specializing in the relevant industry is in the company, they will identify that unit as an honest and impartial information provider demanding transparency and minimizing the possibility of asymmetric information in their minds. As a result, their investment will be fully aligned with the disclosed information.

Darvishi (2017) examined the impact of audit report quality on the financial performance of companies listed on the Tehran Stock Exchange. The purpose of this study was to investigate the effect of audit report quality on the financial performance of companies listed on the Tehran Stock Exchange. The statistical population of this study is all firms listed on the Tehran Stock Exchange that were active between 2011 and 2015. To determine an appropriate sample size for this study, 125 companies were selected using a systematic exclusion method and applying restrictions. All steps in the Eviews software were performed by a panel regression test. The results showed that the type of auditor's report has an impact on the firm's performance.

Robu and Robu (2015), in a study entitled "The Impact of the Auditor's Report on the Relevance of Accounting Information Reported by Romanian Exchange Firms," concluded that, analytically, based on four econometric models evaluated, the return supplied by stocks is directly and positively affected by reported accounting results.

Taghizadeh Khanghah (2014), in a study entitled "Investigating the Relationship between Audit Quality and Financial Reporting Quality," concluded that the existence of audit rules and principles, as well as the application of supervision to ensure the proper implementation of existing rules by auditors, improves the quality of the financial statements provided by the Board of Directors. The higher the guarantee of the implementation of these rules, the less likely it is for individuals to attempt to circumvent them.

Ahmadi et al. (2014) studied the effect of audit quality on the future stock returns of companies listed on the Tehran Stock Exchange. Auditing increases the credibility of information available to users, and with an increase in the quality of the audit, the quality of the information also increases. Auditing reduces the information asymmetry between management and users so that users of financial reports can evaluate and predict the financial performance of the company. This research investigates the relationship between audit quality and future stock returns. The statistical sample of this study was the data of 100 firms listed on the Tehran Stock Exchange from 2005 to 2011. Panel analysis was used to test the research hypotheses. The findings of the study indicated that there was a significant positive relationship between the auditor's expertise and the size of the audit institute and future stock returns, and there was a significant negative relationship between the period of the auditor's tenure and future stock returns.

Research Methodology

The present research is applied and, from a methodological perspective, a causal correlation type (post-event). The statistical population included all listed firms on the Tehran Stock Exchange, and the study period was 2017 to 2022. Companies listed on the Tehran Stock Exchange that meet the following criteria have been selected as a sample. To be comparable, the financial year for the firms ends in March. During the 6-year period, the examination period has not changed the financial period. Information about the variables selected in this study is available. They are not banks, insurance companies, or investment firms. Finally, 140 companies were selected as the final sample for the research. Data analysis is done using the mixed data method and panel data approach, using Eviews 12 software and standard error tools to test hypotheses.

Operational Definitions of Research Variables

Regression models of research:

$Roait = \alpha_0 + \alpha 1\ Auditqit + \varepsilon it$

$Roait = \alpha 0 + \alpha 1\ Riskit + \varepsilon it$

$Roait = \alpha 0 + \alpha 1\ Auditqit + \alpha_2\ Sizeit + \varepsilon it$

$Roait = \alpha 0 + \alpha 1\ Risk_{it+\ \alpha 2}\ Sizeit + \varepsilon it$

Operational definitions of variables:

Dependent variable: ROA: The rate of return on assets (ratio of net profit to assets)

Independent variables: Auditq: The quality of the audit, which is made up of two components: the auditor's tenure and the size of the auditor.

Tenure: The Term Of Auditor

One quantitative indicator of audit quality is the auditor's professional care and ability to supervise, which is influenced by the duration of the auditor's tenure. Therefore, the longer the auditor's tenure, the greater their knowledge of the client and expertise in the specific industry will be, ultimately enhancing the quality of the audit (Myers et al., 2003).

AudSIZE: Auditor Size

The quality of work from audit firms can vary, leading researchers to seek alternatives to distinguish between high-quality and low-quality firms. Factors such as the size, age, and brand of the auditing institutions serve as distinguishing criteria. Larger and more established brands are generally associated with higher quality work than other institutions (D'Angelo, 1981).Risk: Risk-taking: To measure this variable, unsystematic risk is used.

Unsystematic risk refers to the volatility of fluctuations in the prices of eleven individual shares during previous periods, as measured by their standard deviation (Tehran Stock Exchange Organization, 2018).

$$\alpha = \sqrt{\left(\frac{1}{n-1}\right)\sum_{i=0}^{n}(ri - E(r)^\wedge 2)}$$

Mediator Variable:

Size: The size of the firm, which is equal to the natural logarithm of the firm's Assets.

Research Findings

Descriptive statistics

Table 1 displays the descriptive statistics of the research variables. It is evident that the average yield of assets is 0.087, indicating that the majority of the data centers around this point. The highest standard deviation is associated with company risk (57.39), while the lowest is linked to auditor experience (1.18). The maximum and minimum values also represent the highest and lowest points in the data set.

It has been observed that all variables are at a static level, and the null hypothesis, which is based on the existence of a single root and non-static variables, is rejected at a 95% confidence level. Therefore, there is no issue of false regression.

The Chow test statistic value is 0.862, which is greater than 0.05. Therefore, the null hypothesis is not rejected. For research models, the pooling model is selected as the preferred model, as the widths of the bases are equal. Consequently, the Hausman test is not necessary.

Table 1: Descriptive statistics variables

Variable	ROA	AUDITS	AUDIT	RISK	SIZE
Mean	0.087119	0.200355	2.129433	48.26416	5.916752
Median	0.091930	0.000000	2.000000	29.92000	5.886384
Max.	0.808576	1.000000	5.000000	470.8800	7.352191
Min.	-0.744335	0.000000	1.000000	0.000000	5.084408
Std.v	0.233619	0.400621	1.185729	57.39583	0.412329

Table 2: Unit root test of Variables

Variable	Test Statistics	Sig
AUDITS	-2.78956	0.0000
AUDITT	-2.04348	0.0000
RISK	-10.7130	0.0000
SIZE	-10.2948	0.0000
ROA	-14.7505	0.0000

Table 3: Result Test F-Limer

Model	Sig
Pooling Model	0.862

Table 4: Test results of research hypotheses

Variables	Coefficients	Statistic t	Sig
$Roa_{it} = \alpha_0 + \alpha_1\ Tenure_{it} + \varepsilon_{it}$			
Tenure	27.7323	6.09113	0.0000
C	0.0847	8.8848	0.0000
Coefficient of determination	0.061	F	0.0000
$Roa_{it} = \alpha_0 + \alpha_1\ AudSize_{it} + \varepsilon_{it}$			

Variables	Coefficients	Statistic t	Sig
C	0.0835	9.2757	0.0000
AudSize	4.5784	10.4717	0.0000
Coefficient of determination	0.163	F	0.0000
$Roa_{it} = \alpha_0 + \alpha_1 Risk_{it} + \varepsilon_{it}$			
C	0.0816	7.9815	0.0000
Risk	0.0655	3.2354	0.0013
Coefficient of determination	0.021	F	0.0000
$Roa_{it} = \alpha_0 + \alpha_1 Tenure_{it} + \alpha_2 Size_{it} + \varepsilon_{it}$			
Tenure	94.0299	8.3176	0.0000
Size	3.3398	11.4797	0.0000
Coefficient of determination	0.260	F	0.0000
$Roa_{it} = \alpha_0 + \alpha_1 AudSize_{it} + \alpha_2 Size_{it} + \varepsilon_{it}$			
C	0.0738	8.1514	0.0000
AudSize	4.1561	9.9866	0.0000
Size	0.9829	9.2677	0.0000
Coefficient of determination	0.299	F	0.0000
$Roa_{it} = \alpha_0 + \alpha_1 Risk_{it} + \alpha_2 Size_{it} + \varepsilon_{it}$			
C	0.0718	7.1316	0.0000
Risk	0.1974	6.0800	0.0000
Size	2.0978	9.8898	0.0000
Coefficient of determination	0.207	F	0.0000

In the table above, the impact of the auditor's tenure on return on assets was investigated. The regression model test results, as described in the table, show that the absolute value of the t statistic for the auditor's tenure variable is greater than 2, indicating a significant relationship between this variable and value creation. Therefore, the null hypothesis is rejected, and audit quality (as indicated by auditor tenure) has a positive and significant effect on value creation. The P-value for the F-statistic (prob (F-statistic)) is 0.000, indicating the model's significance at a 95% confidence level. Additionally, Watson's camera statistic falls between 1.5 and 2.5, showing no autocorrelation between the model's residuals.

Similarly, in the table above, the impact of the auditor's rotation period on return on assets was examined. The results show that the absolute value of the t statistic for the auditor's size variable is greater than 2, indicating a significant relationship between this variable and value creation. Consequently, the null hypothesis is rejected, and audit quality (based on auditor size) has a positive and significant effect on value creation. The P-value for the F-statistic is 0.000, confirming the model's significance at a 95% confidence level. Watson's camera statistic also falls between 1.5 and 2.5, indicating no autocorrelation in the model's residuals.

Furthermore, the table above explores the effect of risk-taking on value creation. The results show that the absolute value of the t statistic for the risk variable is greater than 2, demonstrating a significant relationship between this variable and value creation. Therefore, the null hypothesis is rejected, and risk-taking has a positive and significant effect on value creation. The P-value for the F-statistic is 0.001, indicating the model's significance at a 95% confidence level. Watson's camera statistic remains between 1.5 and 2.5, indicating no autocorrelation in the model's residuals.

In the table above, the mediating effect of firm size on the relationship between auditor tenure and return on assets was investigated. The results show that the absolute value of the t statistic for both the auditor's tenure variable and company size is greater than 2, with a significant relationship observed between these variables and value creation. The coefficient of determination increased to 0.26 compared to 0.06 without the mediator variable, indicating that company size plays a mediating role in the relationship between auditor tenure and value creation. The model's significance at a 95% confidence level is confirmed by a P-value of 0.000 for the F-statistic, and Watson's camera statistic shows no autocorrelation in the model's residuals.

Similarly, in the table above, the mediating effect of firm size on the relationship between auditor size and return on assets was examined. The results show a significant relationship between the auditor size variable, company size, and value creation. The coefficient of determination increased to 0.29 compared to 0.16 without the mediator variable, indicating that company size mediates the relationship between auditor size and value creation. The model's significance at a 95% confidence level is confirmed by a P-value of 0.000 for the F-statistic, and Watson's camera statistic shows no autocorrelation in the model's residuals.

Overall, the results suggest strong relationships between auditor tenure, auditor size, risk-taking, company size, and value creation, with significant mediating effects of company size in the relationships between auditor tenure and auditor size with value creation.

Therefore, the null hypothesis was rejected, and it can be concluded that company size plays a mediating role in the relationship between risk-taking and value creation. The P-value associated with the F-statistic (prob (F-statistic)), which signifies the overall significance of the regression, is 0.000, indicating that the model is significant at a 95% confidence level. Additionally, the Durbin-Watson statistic falls between 1.5 and 2.5, suggesting no autocorrelation among the residuals of the model.

Discussion and Conclusion

The purpose of this study is to investigate the relationship between audit quality and risk-taking in order to create value, with company size playing a mediating role. The results of the regression model test related to the first hypothesis and the independent variable of auditor tenure showed that the absolute value of the t-statistic for the auditor's tenure period variable is greater than 2. A significant relationship was observed between this variable and value creation, leading to the rejection of the null hypothesis. The quality of the audit, from the perspective of auditor tenure, had a positive impact on creating value.

When investigating the first hypothesis with the independent variable of auditor size, it was found that the absolute value of the t-statistic for the auditor size variable was also greater than 2. A significant relationship was observed between this variable and value creation, leading to the rejection of the null hypothesis. The quality of the audit, based on the size of the auditor, had a positive and significant effect on value creation.

Many experts argue that audit quality improves as the auditor's tenure increases, as the auditor becomes more familiar with the business owner's activities and reporting issues, thus gaining more experience. Most studies have found a positive relationship between audit quality and auditor tenure. The size of an audit firm is also a factor that influences audit quality. Larger audit firms provide higher-quality auditing services to enhance their reputation in the market. These firms strive to deliver high-quality work by investing in resources and training for their auditors. Larger companies benefit from auditors working in larger audit firms, as evidenced by various studies in the accounting literature linking audit quality to financial performance.

In the second hypothesis, the effect of risk-taking on value creation was explored. The results of the regression model test showed a significant relationship between risk-taking and value creation, with risk-taking having a positive and significant effect on value creation. This theory suggests that increased risk-taking can lead to higher profits and benefits, supported by various studies. Risk is a key component of decision-making, involving uncertainty in specific areas. Organizations that take risks and adapt to changes and conditions tend to have better revenue and operations.

The third hypothesis, examining the auditor's tenure and company size as independent variables, revealed a significant relationship between these variables and value creation. The size of the organization plays a mediating role in the relationship between audit quality and performance, with higher audit quality in larger organizations leading to performance improvements.

In the fourth hypothesis, the mediating effect of company size on the relationship between risk-taking and value creation was investigated. The results showed a significant relationship between risk, company size, and value creation, with company size strengthening the impact of risk on performance. Larger organizations experienced higher performance with greater risk-taking, indicating a positive correlation between risk and performance.

Limitations of research

Researchers are constantly confronted with limitations in their research, some of which become apparent right from the start. One of the fundamental aspects of research is having access to statistics and information. However, there are various challenges that hinder access to research resources such as books, journals, statistics, databases, and more. This is particularly difficult in our country. Additionally, one of the major challenges in conducting research is accurately determining the quantity of variables involved, including the quality of audits.

Suggestions derived from research findings

According to the results of this study, the following suggestions are made for utilizing these findings:

- **The analysis of**
  - the first hypothesis revealed that audit quality has a positive and significant impact on value creation. Therefore, it is recommended that:
  - Managers aim to enhance company performance by engaging auditors with a track record of prior involvement with the company.
  - Managers should consider hiring audito
  - rs from reputable auditing institutions to improve company performance.
- **The findings of the second hypothesis indicate that risk-taking has a positive and significant influence on value creation. Hence, it is advised that:**
  - Managers utilize market research techniques and analyze environmental data to tailor their risk-taking strategies to the organization's internal conditions.
  - Managers should use their own actions as benchmarks to increase their willingness to take risks.
  - The third hypothesis demonstrates that company size plays a mediating role in the connection between audit quality and value creation. Therefore:
  - Company managers are encouraged to adjust the level of audit quality based on the organization's size, enhancing audit quality as the organization expands.
  - The results of the fourth hypothesis suggest that company size acts as a mediator in the relationship between risk-taking and value creation. Thus:
  - Managers and investors should consider the company's size and its risk-taking behavior, ensuring alignment between these two variables.

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