

## Impact of Audit Quality on Firms' Financial Performance

Kumari, T.H.P.S<sup>1</sup> and Sujeewa, G.M.M.<sup>2</sup>

<sup>1,2</sup>*Department of Accountancy, University of Kelaniya*

<sup>1</sup>*sachinithenuwara215@gmail.com, <sup>2</sup>mudith@kln.ac.lk*

### Abstract

Financial reporting is essential in communicating reliable information about the business to the stakeholders and a significant tool in evolving corporate legitimacy while managing affairs with stakeholders. The financial statement audit is associated with managing both conflict of interests and information asymmetry and thus it has indeed a significant role in monitoring agency contracts while providing reasonable assurance. The aim of this study is to examine the perceived impact of audit quality on firm's financial performance. This study is conducted among all listed companies in Colombo Stock Exchange excluding banks, insurance and diversified financial companies, as the sample and obtain the data from the published audited annual reports for the financial period of 2016 to 2020. The study uses descriptive measures and multiple linear regression analysis through E-views software. The findings of the study will provide insights whether the auditor size, auditor tenure and auditor independence have significant impacts on the firm's financial performance. Thereby, this study will be useful to stakeholders in the Colombo Stock Exchange (CSE) as it provides evidence on the impact of audit quality on the firms' financial performance.

**Key words:** *Audit Quality, Financial performance, Auditor's independence, Audit Firm size and Auditor's tenure*