IMPROVING COMMUNICATION IN AUDITING AND FINANCIAL REPORTING

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An Analysis of Current Disclosures by Auditors and Board Directors

Dissertation

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List of Abbreviations

AAA	American Accounting Association
a.a.O.	am angeführten Ort
Abb.	Abbildung
ABlEU	Amtsblatt der Europäischen Union
Abs.	Absatz
AG	Aktiengesellschaft
AICPA	American Institute of Certified Public Accountants
AktG	Aktiengesetz
ANCOVA	Analysis of Covariance
ANOVA	Analysis of Variance
AReG	Abschlussprüfungsreformgesetz
ASB	Auditing Standards Board
Aufl.	Auflage
AUP	Agreed-upon Procedures
BilMoG	Bilanzrechtsmodernisierungsgesetz
bspw.	beispielsweise
bzw.	beziehungsweise
CAM	Critical Audit Matters
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRR	Capital Requirements Regulation
DAX	Deutscher Aktienindex
DCF	discounted cash flow
DCGK	Deutscher Corporate Governance Kodex
EARNet	European Audit Research Network

EC	European Commission
EG	Europäische Gemeinschaft
e.g.	exempli gratia/for example
et al.	et alii/und andere
EU	European Union
EWG	Europäische Wirtschaftsgemeinschaft
f.	folgende
Fn.	Fußnote
FRC	Financial Reporting Council
FTSE	Financial Times Stock Exchange
ggf.	gegebenenfalls
GmbH	Gesellschaft mit beschränkter Haftung
grds.	grundsätzlich
H	Hypothesis
HGB	Handelsgesetzbuch
h.M.	herrschende Meinung
Hrsg.	Herausgeber
i.d.F.	in der Fassung
i.d.R	in der Regel
i.e.	id est
i.S.d.	im Sinne der/des
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
i. d. F.	in der Fassung
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.
insb.	insbesondere
ISA	International Standards on Auditing

ISAR	International Symposium on Audit Research
JOA	justifications of assessment
KAM	Key Audit Matters
KGaA	Kommanditgesellschaft auf Aktien
KWG	Kreditwesengesetz
MDAX	Mid-Cap-DAX
Mio.	Millionen
n.F.	neue Fassung
No.	Number
OLG	Oberlandesgericht
PCAOB	Public Company Accounting Oversight Board
PIE	public interest entity
PS	Prüfungsstandard
p-value	probability value
RL	Richtlinie
Rn.	Randnummer
RQ	Research Question
SDAX	Small-Cap-DAX
SE	Societas Europaea
SEC	Securities and Exchange Commission
SSRN	Social Science Research Network
Tab.	Tabelle
Tz.	Textziffer
u. a.	unter anderem
U.K.	United Kingdom
U.S.	United States
S.	Seite

SAS	Statement on auditing standards
vgl.	vergleiche
vs.	versus
z. B.	zum Beispiel

1 Introduction

The usefulness of financial information is an important and persuasive issue in financial reporting. The current debate reveals two opposing trends: on the one hand, there are concerns that financial reporting includes too much irrelevant information causing disclosure overload, while on the other hand, it has been noted that too little decision-useful information is provided (IASB 2017). Whether financial statement users assess financial information as relevant and decision-useful highly depends on how the information is communicated (Smith and Smith 1971; Quick 2016). Therefore, researcher, regulators and practitioners are interested in an effective communication as it can contribute to better investment decisions and lower cost of capital for companies. Contrary, investors may overlook relevant information if the communication is ineffective which can cause poor investment decisions and an increased uncertainty regarding investors' perceptions of companies' prospects, ultimately leading to a higher cost of capital for companies (IASB 2017). Therefore, regulators and standard setters are interested in identifying what financial information is useful and constantly try enhancing the way it is communicated to the addressees.

In the field of auditing, regulators and standard setters saw the need for improving the communication between the auditor and financial statement users for years (Mock et al. 2013). Therefore, the auditor's report – as the primary tool of communication by the auditor – became subject to regulatory changes. Particularly in the aftermath of the financial crisis of 2008, the standardized report format has been extensively criticized as it just allowed limited information by the auditor (Christensen et al. 2014; Mock et al. 2013). Specifically, critics argue that financial statement users received little decision-useful information due to the great similarity of the audit reports (Coram et al. 2011; Turner et al. 2010). Overall, academic research has repeatedly highlighted that investors demand more information about the audit, auditors' responsibilities and the audited financial statements, indicating an information and a communication gap (e.g. Gray et al. 2011; Mock et al. 2013; Turner et al. 2010). Furthermore, accounting literature confirms the persistence of the audit expectation gap (e.g. Chong and Pflugrath 2008; Gold et al. 2012; Ruhnke and Schmidt 2014) that describes the difference between users' expectations of an audit and what an audit actually is (IAASB 2011). As the expectation gap is most notably driven by financial statement users' limited knowledge of the audit work, regulators and standard setters concluded that the auditor should disclose more information on audit risks and procedures in order to increase the transparency of a company's audit (IAASB 2011; Ruhnke and Schmidt 2014). Aiming to improve auditor's communication, regulators und standard setters, including the International Auditing and Assurance Standards Board (IAASB), the European Commission (EC), and the U.S. Public Company Accounting Oversight Board (PCAOB), have adopted new audit reporting standards that require auditors to disclose the most significant audit matters in the audit report referred to as Key Audit Matters (KAMs) (European Commission 2014; IAASB 2015a; PCAOB 2017). According to ISA 701.8, KAMs are "those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period". The new requirements should lead to a more individual and valuable report in order to meet the informational needs of financial statement users.

In the dualistic system of Corporate Governance, the supervisory board is responsible for monitoring and controlling the management. In Germany, the supervisory board has to report the results of the audit in a written report to the annual general meeting, being the primary tool of communication to the stakeholders (§ 171 Abs. 2 AktG). The report of the supervisory board has been perceived as short and less relevant; however, more recent developments reveal an increase of importance accompanying with an extension of the report's scope and content (Hennrichs and Pöschke 2018). CEOs also use a written document to strengthen their communication with financial statement users. Although the publication of a CEO letter is not mandatory, practical evidence shows that it became an integral part of most financial reports. CEOs utilize the letter to report inter alia about corporate events and achievements in the fiscal year as well as embedded beliefs and values (Aerts and Yan 2017). Prior literature highlights the importance of the CEO letter showing that investors use it for their decision-making (e.g. Baird and Zelin 2000; Courtis 1982). As qualitative reporting is becoming increasingly relevant, investors focus more strongly on the CEO letter and the report of the supervisory board, which are usually presented at the beginning of the annual financial report.

Considering the interest of standard setters, researchers and practitioners in improving the effectiveness of disclosures in financial reporting, this cumulative dissertation is aimed at examining the communication of auditors, managers and members of the supervisory board with stakeholders. While the first three papers of this dissertation investigate the effects of the recent changes of the auditor's report, the fourth and the fifth paper examine the report of the supervisory board and the CEO letter regarding their communicative value.

Evaluating auditor’s communication, this dissertation focuses on the requirement to disclose KAMs in the auditor’s report. Even though the disclosure of KAMs is not the only novelty in the audit report model, it is the most substantial amendment leading to a significant expansion of the scope and the information content of the report and is therefore relevant for practitioners and researchers alike. As the disclosure of KAMs was a new regulatory requirement, it evokes a completely new field of research examining the effects of KAM reporting in the auditor’s report. Therefore, it is initially interesting to give an overview of the existing studies regarding KAMs in order to gain insights into the current state of research.

Therefore, the *first paper* of this dissertation “The consequences of disclosing key audit matters (KAMs): A review of the academic literature” provides a literature overview of studies investigating the impact of KAM reporting on different groups of interest. Particularly, we identified four fields of research that focus the impact of KAM reporting on: (1) investor behavior and market reaction, (2) auditor responses, (3) auditor liability and (4) client management responses. The paper summarizes and discusses methods and results of these fields of KAM research as well as implications and suggestions for future research.

Overall, the literature review reveals the need for further research regarding KAM disclosure for at least two reasons. First, it shows that research regarding the effect of KAM reporting on the managers’ behavior is sparse. While the studies mainly focus on investors’ and auditors’ behavior, potential impacts on the management have been largely ignored in the ongoing debate. Thus, it remains an open question whether managers’ reporting behavior might be affected by KAM disclosures. Second, results of the KAM-studies are rather mixed; hence, further research is required in order to gain a clearer view on the outcomes of KAM reporting, particularly regarding its effect on financial statement users. To address these gaps, we conducted two experimental studies on KAM reporting which are presented in the second and the third paper of this dissertation.

The *second paper* “Do key audit matters impact financial reporting behavior?” experimentally investigates the effect of KAM disclosure on managers’ reporting behavior. Motivated by accountability theory and findings from the disclosure transparency literature, we hypothesize that managers are less likely to make an aggressive financial reporting decision when the audit report includes a KAM that is related to the aggressive financial reporting decision (compared to the absence of this KAM). One hundred four experienced managers in the field of Accounting and Finance participated in this study. Participants were randomly distributed to three different experimental conditions: (1) auditor's report with firm-specific KAMs, (2) auditor's report with non-firm-specific KAMs and (3) auditor's report without KAMs. After reading the case description including one version of the auditor's report, participants were asked to make a goodwill impairment decision. The results support the notion that managers who received an audit report with a firm-specific KAM exhibit a more conservative reporting behavior due to increased accountability. Even in the case of a KAM with non-firm-specific content, managers show a lower tendency to make an aggressive reporting decision indicating that the mere presence of a KAM (regardless its specificity) affects managers' reporting behavior. In line with the archival results by Reid et al. (2019), we conclude that KAMs may lead to a significant improvement of financial reporting quality by attenuating aggressive financial reporting behavior. Overall, the study highlights the impact of KAMs on managerial reporting behavior, a previously ignored benefit of KAMs for the financial reporting environment, contributing to the controversial debate among practitioners and regulators regarding the effectiveness of KAM disclosures.

Another open question in KAM research refers to the audit expectation gap. It has not yet been clarified to what extent the expectation gap can be reduced by KAM disclosures. The audit expectation gap is still subject to a professional debate, as earlier attempts to narrow the gap were ultimately not successful, which is mirrored by academic literature that demonstrates the persistence of the gap (e.g. Gold et al. 2012; Ruhnke and Schmidt 2014). However, prior research primarily refers to wording and structure changes of the auditor's report, while the new requirement to disclose KAMs is a content-related amendment leading to the disclosure of audit-specific information in the auditor's report for the first time. The disclosure of KAMs should help to eliminate information and communication deficits, which may ultimately result in a reduced audit expectation gap.

Therefore, the *third paper* "Does the disclosure of Key Audit Matters reduce the audit expectation gap?" examines whether KAMs are effective in reducing the diverging perceptions between financial statement users and auditors on auditor's responsibilities and the scope of the audit. Using an experimental approach, accounting students representing nonprofessional financial statement users and experienced auditors were asked to participate in an online survey. All participants received a summary of a company's financial statements and an auditor's report that was manipulated by including a KAM section. After reading the case description, participants responded to a set of questions relating to their perceptions of the auditor's responsibility, of the management's responsibility and the reliability of financial statements. The results provide strong evidence for the persistence of the expectation gap under the new ISA 701 regarding the auditor's and management's responsibilities while expectations regarding financial statement reliability just differed marginally. In line with our predictions, financial statement users ascribed significantly higher responsibilities towards the auditor (lower responsibilities for the management) and higher reliability towards the financial statements than auditors did themselves. Most remarkably, the findings reveal that the disclosure of KAMs did not affect the expectation gap between auditors and financial statement users indicating that KAMs may not serve as a compelling instrument to reduce the audit expectation gap.

In the dualistic system of Corporate Governance, the supervisory board is in close contact with the auditor as it is responsible for the audit of the financial statements. In its mandatory annual report, the supervisory board has to comment the audit findings. The new requirements for the auditor to disclose KAMs raise the question of whether the supervisory board itself reports about these matters in the annual report.

Therefore, the *fourth paper* "Key Audit Matters: Qualitätssteigerung für den Bericht des Aufsichtsrats? – Eine empirische Analyse der Aufsichtsratsberichte der DAX-, MDAX- und SDAX-Unternehmen 2017" provides insight into the communication of the supervisory board about KAMs. As prior analyses indicate shortcomings regarding the existing reporting practice (Berndt et al. 2011; Theisen et al. 2007; Velte 2010), the reporting about KAMs may intensify the communication with stakeholders. In addition, the supervisory board may use the communication about KAMs to increase transparency regarding the fulfilling of its tasks and duties while signalizing good monitoring activities, which can ultimately result in greater confidence by stakeholders. Using content analysis, we investigate whether and to what extent KAMs are mentioned in the reports of the supervisory board of companies listed in the DAX, MDAX and SDAX in the first year KAM disclosures became mandatory. The results show that less than two thirds of the supervisory boards refer to KAMs in their annual report. In the case that KAMs are mentioned, there is often just a short reference not explaining in detail how the audit committee dealt with these issues. Therefore, we conclude that there is still potential for improvement regarding the communication about KAMs by the supervisory board.

To ensure an effective communication, it is not only important to consider the content of a report but also to evaluate the language used to transmit the intended message. Therefore, the *fifth paper* „Berichterstattung von Aufsichtsrat und Vorstand. „Der Ton macht die Musik“: eine textimmanente Analyse” provides a textual analysis of CEO letters and of reports of the supervisory board in order to examine the effectiveness of communication between these executive bodies and stakeholders. Prior research indicates that less readable reports cause negative consequences for the company, e.g. less trading volume (Lawrence 2013; Miller 2010); thus, the results of our analysis are interesting for CEOs, supervisory board members and investors alike. While prior research regarding the report of the supervisory board was limited to examining whether regulatory requirements had been implemented (e.g. Berndt et al. 2011; Theisen et al. 2007), there are initial studies that use textual analysis to examine CEO letters (Patelli and Pedrini 2014; Rupertus et al. 2017). However, this research only considers reports in the English language. Therefore, we extend prior studies analyzing and comparing CEO letters and the reports of the supervisory board of German companies. Specifically, we investigate textual attributes like text length, readability and sentiment over time. The results reveal differences in the format of the reports and potential for improvement regarding the language used by board directors.

Overall, the present dissertation highlights the importance of an effective communication by auditors and board directors with stakeholders. Particular attention is placed on the auditor’s report as recent regulatory changes have resulted in a significant increase of its content rising the question whether the disclosure of KAMs contributes to a better communication between auditors and stakeholders. The dissertation indicates a limited impact of KAM disclosures on investors’ perceptions but a positive influence on management behavior. While the expectation gap between investors and auditors seems to persist under the new reporting regime, managers showed a decreased tendency to make an aggressive reporting decision in the presence of KAMs. The mixed results regarding the benefits of KAMs, which also emerge from previous studies, suggest that regulators and standard setters should continue to find ways to strengthen the communication in audit. The same applies to board directors as the dissertation reveals the potential to improve the communication with stakeholders. In total, auditors and board directors should be aware of the impact of their communication on stakeholders, and thus carefully consider which information should be communicated and which language should be used in order to ensure effective communication.

This dissertation is a cumulative work consisting of five individual papers. Please note that four papers have already been published (chapter 2, chapter 3, chapter 5, chapter 6), while one paper is a working paper (chapter 4). Therefore, it is likely that further adaptions of this paper will take place afterwards. Thus, please make sure to cite only the latest version of the paper. Furthermore, for reasons of formal standardization, the line spacing and page margin width as well as the respective numbering of chapter headings, figures, tables, footnotes and page numbers in the present dissertation differ from those of the articles published in the journals. Please consider this when citing and therefore cite only the respective journal.

2 The consequences of disclosing key audit matters (KAMs): A review of the academic literature

2.1 Publication Details

Abstract: Recent years have witnessed a change in the auditor reporting model. One of these developments is the auditor's issuance of so-called Key Audit Matters in the auditor's report, where they disclose "those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period". In this paper, we review the emerging body of academic research which examines the effects of KAM disclosures in the auditor's report. We investigate research that has examined the effect of KAM disclosures on (1) investor behavior and market reaction, (2) auditor responses, (3) auditor liability, and (4) client management responses. The objective of this paper is to provide an overview of the existing literature and to summarize the preliminary findings and implications of 22 studies.

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Keywords: Key audit matters, auditor reporting model, stakeholder responses

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2.2 Introduction

The auditor's report is the primary mean of communication between auditors and financial statement users (PCAOB 2017). However, the traditional reporting model is highly standardized and therefore frequently perceived as insufficiently useful, informative, and transparent (Asare and Wright 2012; Church et al. 2008; IAASB 2011). In particular, in the aftermath of the financial crisis of 2008, regulators, standard setters and the investment community started seriously questioning the informative value of the auditor's report. Similarly, academic research in the last decade has also repeatedly emphasized that there may be a need for change, motivating audit report reforms. For example, Carcello (2012) and Turner et al. (2010) find that users generally valued the auditor's opinion but showed little interest in reading the actual report given its highly standardized format. Users assessed the traditional auditor's report as uninformative in particular because nearly all public companies receive the same unqualified opinion (Church et al. 2008; Gray et al. 2011). In their research synthesis, Mock et al. (2013) conclude that stakeholders desire more information about the audit, the auditor and financial statements. Moreover, Vanstraelen et al. (2012) find that users were interested in additional disclosures on audit findings such as key areas of risks. Overall, research results indicate that there is a gap between information that users desire about financial statements and the audit and what is available through a company's audited financial statements and the auditor's report. Standard setters and researchers refer to this phenomenon as the "information gap" (IAASB 2012; Mock et al. 2013). In 2012, the chairman of the IAASB stressed that "more than ever before, [...] users of the audited financial statements are calling for more pertinent information for their decision-making in today's global business environment with increasingly complex financial reporting requirements" (IAASB 2012). The information gap is closely related to the long-standing expectation gap which describes the difference between users' expectations of an audit and what an audit actually is (IAASB 2011). As academic research provides ample of evidence on the persistence of this gap (e.g., Chong and Pflugrath 2008; Gold et al. 2012), Gray et al. (2011) argue that there is a need to make significant changes to the auditor's report in order to reduce misperceptions.

These debates and research findings have resulted in multiple initiatives across the globe to enhance the communicative value of the auditor's report. The International Auditing and Assurance Standards Board (IAASB), the European Commission (EC), the Public

Company Accounting Oversight Board (PCAOB), and the U.K. Financial Reporting Council (FRC) finalized their projects to enhance the auditor's report. One of the most significant amendments is the disclosure of Key Audit Matters (KAMs) or Critical Audit Matters (CAMs, which are the equivalent concept in the U.S. jurisdiction) in the auditor's report. According to ISA 701.8, key audit matters are "those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period". Unlike the traditional auditor's report, the revised form allows for more customized information disclosed about the client- and engagement-specific observations made by the auditor. As such, the primary objective of standard setters and regulators is the transformation of the traditional pass/fail-model into a more individual and valuable report in order to meet the informational needs of financial statement users.

In this paper, we review the emerging body of academic research which examines the effects of KAM disclosures in the auditor's report. We do so by examining four distinct streams of research. First, we review research papers that investigate whether KAM disclosures indeed have the potential of meeting the expectations of standard setters and regulators with respect to providing a more valuable reporting model. Second, some scholars argue that the introduction of the KAM section in the auditor's report may not only influence financial statement users' perception and decisions but could also have an influence on the audit itself. For example, Reid et al. (2018) suggest that auditors may exert more effort during the audit because of an increased sense of accountability due to anticipation of KAM disclosure. Similarly, the IAASB (2015b) refers to such potential increases of auditor professional skepticism in areas where KAMs are identified and, as a result, increased audit quality, not only in the perception of the users. As a result of the potential of audit quality implications, a second stream of research examines auditor responses to KAM disclosures. Third, in the course of the development of the new reporting requirements, auditor legal liability was a frequently debated controversy, particularly in the United States (e.g., Tysiac 2013). The concern is that disclosing KAMs might increase jurors' perceptions of auditor liability, especially when auditors have failed to detect misstatements. Hence, a third stream of literature examines the effects of KAM disclosure on auditor's liability. Fourth, there is a burgeoning literature on client management reporting behavior in response to KAM disclosure. A potential benefit of KAM disclosures in this area is that client management may adopt less aggressive accounting in anticipation of auditor disclosure (Reid et al. 2018). The IAASB (2015b) also referred to increased attention by management to KAM disclosures, which could have an indirect, beneficial effect on reporting behavior.

The objective of this paper is to provide an overview of the existing literature and to summarize the preliminary findings and implications of 22 studies.[1] In our review, we include research studies available until 1 August 2018. Since research in this area is in its infancy, we include working papers in our review rather than focusing exclusively on published articles.

The remainder of this paper is organized as follows. In the next section, we provide a brief overview of related regulatory developments. Section 3 summarizes and discusses the results of academic studies on KAM disclosures. The final section presents our conclusions including implications for future research and for the audit profession.

2.3 Regulatory background

In May 2011, the IAASB published the consultation paper "Enhancing the value of auditor reporting: Exploring options for change", discussing possible ways to improve the auditor's report, particularly regarding the increased need for information by users and the persisting expectation and information gap (IAASB 2011). The IAASB's (2012) *Invitation to Comment* resulted in a high level of support by various stakeholders for the amendments proposed by the IAASB (Prasad and Chand 2017; Simnett and Huggins 2014). In July 2013, these initiatives were followed by the Exposure Draft "Reporting on audited financial statements: Proposed new and revised International Standards on Auditing (ISAs)" (IAASB 2013). On 15 January 2015, the IAASB concluded its project with the release of the final version of the new and revised ISAs including the requirement to disclose KAMs in the auditor's report of public entities (IAASB 2015a, ISA 701). KAMs are selected from matters communicated with those charged with governance and that required significant auditor attention in performing the audit including significant auditor judgments, areas of higher assessed risk of material misstatement, and the effect on the audit of significant events or transactions that occurred during the period (ISA 701.9). The description of a KAM shall include an explanation of (1) why the matter is considered as strongly significant in the audit, (2) how the matter was addressed in the

[1] In addition to the disclosure of KAMs, regulatory developments also include other changes to the content and the form of the auditor's report. However, our literature review focuses on studies examining the impact of KAM disclosures only.

audit, (3) and a reference to the related disclosures in the financial statements (ISA 701.13). ISA 701 is effective for audits of financial statements of listed entities for periods ending on or after 15 December 2016.

The European Commission aspires to improve auditor reporting in a similar way. According EU-Regulation No 537/2014 the auditor's report shall provide: (1) a description of the most significant assessed risks of material misstatement, (2) a summary of the auditor's response to those risks, and (3) where relevant, key observations arising with respect to those risks. The EU-Regulation is directly applicable in all Member States and is effective for audits of public interest entities from 17 June 2016 (European Parliament and European Council of the European Union 2014).

In the UK, the FRC revised their reporting requirements already in June 2013 in order to enhance the transparency of the auditor's report aiming a better communication between auditors and users. Provisions became effective for audits of financial statements for periods commencing on or after 1 October 2012 and require auditors, among other things, to report the risks of material misstatement that had the greatest effect on: (1) the overall audit strategy, (2) the allocation of resources in the audit, and (3) directing the efforts of the engagement team (FRC 2013).

In a similar vein, the PCAOB is currently undertaking changes to the existing auditor's report, including the communication of Critical Audit Matters. Similar to KAMs, these are matters that were communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements, and (2) involved especially challenging, subjective, or complex auditor judgment. The new requirements regarding CAM disclosures will take effect for audits for fiscal years ending on or after 30 June 2019 for large accelerated filers. For all other companies to which the provisions apply, the new regulations will be effective for periods ending on or after 15 December 2020 (PCAOB 2017).

Despite the use of different terminologies, the implemented reforms of expanded auditor reporting overlap considerably. Although the requirements differ in the details, standard setters and regulators globally have clearly concluded that there is a need to disclose additional information about risk-related matters in the auditor's report. Thus, for the first time, investors gain insights into significant audit findings and procedures.

2.4 Recent research on the disclosure of KAMs

A substantial and growing body of literature investigates the effects of the disclosure of KAMs in the auditor's report. To find the relevant studies, we used different databases (for example EBSCO, Google Scholar, SSRN, Web of Science) and searched for the key words "key audit matters" and "critical audit matters" in combination with "auditor reporting", "audit report" and comparable terms. Due to the currency of the topic, a time limitation was not necessary. Although it is common to consider only published research in literature reviews, we extended our literature review to include publicly available working papers because the majority of related studies have not yet been published. Therefore, we included working papers that have been presented at pertinent academic conferences (e.g., conferences of the American Accounting Association (AAA), the European Audit Research Network (EARNet), the International Symposium on Audit Research (ISAR)).[2]

The existing studies are based on experimental designs and archival data. We note that due to the lack of archival data, the majority of KAM research is experimental. Related reforms were adopted very recently, so that the only archival data for meaningful analyses is currently available from the UK, where auditors were required to report KAM since 2013.

We group the recent studies on KAM disclosures in four categories. The first category examines the effects of KAM disclosure on investor behavior and market reaction (Christensen et al. 2014; Köhler et al. 2016; Boolaky and Quick 2016; Carver and Trinkle 2017; Sirois et al. 2018; Bédard et al. 2018; Lennox et al. 2018; Gutierrez et al. 2018; Almulla and Bradbury 2018). The second category focuses on auditor responses investigating KAM effects on auditor judgement, audit fee and audit quality (Reid et al. 2018; Gutierrez et al. 2018; Almulla and Bradbury 2018; Li et al. 2018; Bédard et al. 2018; Asbahr and Ruhnke 2017, Ratzinger-Sakel and Theis 2018). The third category of papers examines whether the disclosure of KAMs will affect jurors' assessments of auditor liability (Brasel et al. 2016; Kachelmeier et al. 2018; Brown et al. 2016; Gimbar et al. 2016; Backof et al. 2018; Vinson et al. 2018). Finally, we review a handful of studies that investigate how management reporting practices are affected by (anticipated) KAM

[2] We caution readers that findings and conclusions reported in working papers may change as a result of the academic review process, which we however consider a relatively minor trade-off to our choice to include working papers in our review.

disclosures (Cade and Hodge 2014; Bentley et al. 2018; Klueber et al. 2018). Table 2.1 provides an overview of the recent studies about KAM disclosure.

2.4.1 Investor behavior and market reaction

Christensen et al. (2014) are among the first to demonstrate that KAM disclosures have the potential of influencing the decisions of financial statement users. They conducted an experiment among U.S. business school graduates representing nonprofessional investors and found that investors who received a KAM-like paragraph regarding the uncertainty of management estimates were more likely to stop investing in the company compared to investors who received a standard audit report (an information effect) or investors who received the same information in management's footnotes (a source credibility effect). However, they also found that the inclusion of a resolution paragraph, which contains auditor insurance for critical matters, reduces this KAM effect. Köhler et al. (2016) also undertook an experiment to examine the communicative value of the expanded auditor's report among professional and non-professional investors for a sample that consisted primarily of German users. They find that investment professionals' assessments of the economic situation of a company are influenced by variations in the KAM disclosures. However, KAM disclosures appear to have no communicative value on non-professional investors as they may have difficulties to process the new information revealed by KAM. Another German study (Boolaky and Quick 2016) focuses on yet another financial statement user group, that of bank directors. The authors examine the effect of KAM disclosure on bank directors' perceptions of financial reporting quality and credit approval decisions, but found no effect of KAM disclosure.

An experimental study by Carver and Trinkle (2017) examines the impact of KAM disclosure on nonprofessional investors' perceptions of audit report readability, their valuation judgments, and their evaluations of management's credibility. Findings suggest that KAM disclosures lead to a less readable report that did not result in incremental changes of investors' valuation judgments (neither directly nor through its effect on readability). However, they found a negative impact of KAM disclosure on investors' perceptions of management's credibility when earnings just meet analyst's forecasts.

Table 2.1: Summary of reviewed papers on the disclosure of KAMs (listed in alphabetical author name order)

Date*	Author(s)**	Method and Sample	Dependent Variable	Independent Variable	Main results
Panel A: Investor behavior and market reaction					
2018 (wp)	Almulla/ Bradbury	Archival; New Zealand; 2015, 2016, 2017 132 firms	Audit effort, audit quality, client firm disclosures, investor reaction	KAM	• Association with investor uncertainty
2018 (wp)	Bédard/ Gonthier-Besacier/ Schatt	Archival; France, 2002-2011; 1,857-2,341 firm-year observations	Market reaction, audit quality, audit delay, audit costs	JOA	• Short-term effects: No significant market reaction • Long-term effects: association with lower agreement among investors
2016	Boolaky/ Quick	Experimental; 105 bank Directors	Perceived financial statement quality	KAM, assurance level, materiality level	• No significant effect of reporting KAM or materiality level in the auditor's report • But positive impact regarding the disclosure of assurance level
2017 (wp)	Carver/ Trinkle	Experimental; 150 non-professional investors	Readability, investors judgment, management credibility	CAM	• CAMs have a negative impact on readability • CAMs do not influence investor's valuation judgments • However, CAMs can reduce perceived management's credibility
2014	Christensen/ Glover/ Wolfe	Experimental; 141 Alumni from a public business school	Investor behavior	CAM	• Investors who receive a CAM are more likely to change their investment decision • Effect is reduced by offering a resolution paragraph

2018	Gutierrez/ Minutti-Meza/ Tatum/ Vulcheva	Archival; UK, 2011-2015, 2560/2652/2056 firm-year observations	Market reaction, audit fee, audit quality	Risk of material misstatement	• No significant change regarding market reaction
2016 (wp)	Köhler/ Ratzinger-Sakel/ Theis	Experimental; 89 professional and 69 non-professional investors	Communicative value	KAM	• Higher communicative value only for professional investors (no communicative value for non-professional investors)
2018 (wp)	Lennox/ Schmidt/ Thompson	Archival; UK; 2013; 488 companies	Market reaction	Risk of material misstatement	• Investors do not find disclosures informative (both “short window” and “long window” tests)
2018	Sirois/ Bédard/ Bera	Experimental; 98 students	Information value	KAM	• Attention directing impact: users pay more attention to KAM-related disclosures • Disclosure of several KAMs leads to reduced attention towards remaining parts of the financial statements
Panel B: Auditor responses					
2018 (wp)	Almulla/ Bradbury	Archival; New Zealand; 2015,2016,2017 132 firms	Audit effort, audit quality, client firm disclosures, investor reaction	KAM	• No incremental effect on audit fees, audit delay or absolute abnormal accruals
2017 (wp)	Asbahr/ Ruhnke	Experimental; 122 auditors	Auditor judgment	KAM	• No significant effect on professional skepticism

2018 (wp)	Bédard/ Gonthier-Besacier/ Schatt	Archival; France, 2002-2011; 1,857-2,341 firm-year observations	Market reaction, audit quality, audit delay, audit costs	JOA	• Short-term effects: positive association with audit lag and audit fees • Long-term effects: association with lower agreement among investors and reporting quality
2018	Gutierrez/ Minutti-Meza/ Tatum/ Vulcheva	Archival; UK, 2011-2015, 2560/2652/2056 firm-year observations	Market reaction, audit fee, audit quality	Risk of material misstatement	• No significant change regarding audit fee and audit quality
2018 (wp)	Li/ Hay/ Lau	Archival; New Zealand; 2016; 182/242 firm-year observations	Audit quality, Audit fees	KAM	• Improvement of audit quality accompanying with an increase in audit fees
2018 (wp)	Ratzinger-Sakel/Theis	Experimental; 73 auditors	Auditor judgment performance	KAM	• Less professional skepticism when KAM consideration is present
2018 (wp)	Reid/ Carcello/ Li/ Neal	Archival; UK; 1088 (888, 884)/ 1304/1292 firm-year observations	Financial reporting quality, audit fee, audit delay	Risk of material misstatement	• Significant improvement in financial reporting quality • No effect on audit fee and audit delay

Panel C: Auditor liability					
2018 (wp)	Backof/ Bowlin/ Goodson	Experimental; 163 undergraduate students	Auditor liability	CAM	• When the audit report includes a related CAM disclosure, jurors perceive auditors as more negligent • However, clarifying the concept of reasonable assurance mitigates this effect
2016	Brasel/ Doxey/ Grenier/ Reffett	Experimental; 528 participants from Amazon Mechanical Turk	Auditor liability	CAM	• CAMs reduce jurors' auditor liability judgments under certain conditions (but only if undetected misstatements are, absent CAM disclosure, relatively difficult to foresee)
2016 (wp)	Brown/ Majors/ Peecher	Experimental; 239 participants from Amazon Mechanical Turk and 116 law students	Auditor liability	CAM (only as a supple-mental manipulation)	• No significant main effect of CAMs on liability judgments
2016	Gimbar/ Hansen/ Ozlanski	Experimental; 234 students	Auditor liability	CAM	• Under precise standards, both related and unrelated CAMs increase auditor liability • CAMs increase auditor liability by a lesser amount under imprecise standards than precise standards
2018 (wp)	Kachelmeier/ Schmidt/ Valentine	Experimental; 70 attorneys, 50 financial analysts and 150 MBA students	Auditor legal exposure	CAM	• CAM disclosure decreases assessments of auditor responsibility when the misstatement is in the same area as the CAM • "Disclaimer effect" is manifest in different ways for different groups

2018 (wp)	Vinson/ Robertson/ Cockrell	Experimental; 168 participants from Amazon Mechanical Turk	Auditor liability	CAM	• Higher auditor negligence when a CAM is removed • Highest assessed negligence when auditor removes a CAM after reporting it for multiple years
Panel D: Client management responses					
2018 (wp)	Bentley/ Lambert/ Wang	Experimental; 140 corporate managers	Manager's decision making	CAM	• Given a Standard CAM, managers were less likely to hedge (a risk-decreasing transaction), but more likely to speculate (a risk-increasing transaction) • A Disclaimer CAM mitigates the impact of CAM on speculation
2014 (wp)	Cade/ Hodge	Experimental; Alumni	Communication between management and auditors	Additional disclosures	• Managers are less willing to share accounting choices with auditors
2018 (wp)	Klueber/ Gold/ Pott	Experimental; 54 participants	Manager's decision making	KAM	• Reduced earnings management if KAM section includes firm-specific information

* "wp" indicates that a paper is not yet published at the time of writing this review.
** The articles are listed in alphabetical order of the author names.

The experimental study by Sirois et al. (2018) provides interesting insights into how users' information search strategies are affected. The authors asked graduate accounting students in Canada to assume the role of bank loan officer and examined the influence of KAMs on users' attention to financial statement information. Using innovative eye-tracking technology, the researchers found that KAMs have an attention-directing effect, such that KAMs increase users' attention to KAM-related information in the financial statement disclosures. Moreover, the presence of KAMs leads to a reduction of the level of attention devoted to parts of the financial statements not covered by the KAMs, indicating that KAMs have the potential of helping investors effectively navigate through the financial report and to focus their attention on pertinent issues.

While most research thus far is based on experiments, there is also some initial evidence from archival studies. First, Bédard et al. (2018) investigate the effects of "justifications of assessment (JOAs)" in the French setting. Since 2003, auditors in France have been required to disclose items important to the understanding of the financial report. As these disclosures include a summary of auditor's assessments, performed procedures and a conclusion, the research results are comparable to KAM settings and thus relevant for our objective. Bédard et al. (2018) do not observe a significant market reaction to disclosure of first JOAs, but subsequent disclosure of JOAs was significantly associated with larger abnormal trading volume (i.e., lower agreement among investors). Lennox et al. (2018) examine the expanded UK reporting model. Using short-window and long-window tests, the authors investigate market reactions following risk disclosure in the auditor's report to assess whether investors perceive the new disclosures as informative. Their results suggest that the new disclosures were reliable but that they lack of incremental information content because users were already informed about the majority of the risks before these risks were reported in the auditor's report. Gutierrez et al. (2018) perform an archival study to examine the consequences of additional information in the auditor's report on investor's reaction, audit fees and audit quality. Implementing a difference-in-difference research design, they do not find evidence for an incremental short market reaction. Their results regarding investor's reaction (measured by abnormal returns and abnormal trading volume) align with the findings of Lennox et al. (2018) concluding that KAM disclosure does not influence investor behavior.

In contrast to the above archival studies, Almulla and Bradbury (2018) find that KAMs are associated with investor uncertainty. Interestingly, examining the first year of KAM disclosures in New Zealand, they observe that investors already valued the risks in the year before KAM disclosure was implemented.

Overall, the above studies provide mixed results regarding investor behavior and market reaction in response to KAMs. Some experimental studies suggest that there is an effect on users, showing that users are less likely to invest in a company and that they focus their attention on particular parts of the financial statements in the presence of KAM disclosure. However, other experimental results do not confirm these effects and, importantly, archival research has not been able to find evidence in support of a significant market reaction. In view of these mixed results, further research is necessary to explore the economic consequences associated with KAM disclosure. In particular, archival research will be feasible once regulatory developments in other jurisdictions take effect and sufficient data is available.

2.4.2 Auditor responses

While the impact of KAMs on reducing the information gap and thus investor behavior is most directly aligned with the intended objectives of the expanded audit reporting model, some researchers have also examined whether the requirement to disclose KAMs influences auditor behavior. According to Reid et al. (2018), the audit may be affected by KAM disclosure because (1) management may adopt a more acceptable accounting behavior due to the threat of auditor disclosure, and (2) auditors may feel more accountable for their work and therefore do a better job. There are several working papers that offer initial evidence of the association between audit report expansion and audit-related outcomes.

First, while not focusing exclusively on disclosure of KAMs, Reid et al. (2018) is one of the first studies to examine the relationship between the new reporting regime (which includes KAM disclosure) and audit-related outcomes. They focus on the UK and find that the new reporting regime leads to significant improvement in financial reporting quality (as proxied by absolute abnormal accruals, the propensity to just meet or beat analyst forecasts, and a significant increase in earnings response coefficients) without detecting a significant increase in audit costs (neither fees or audit delays). While these findings may be driven by other elements of the new reporting model, the study provides initial evidence of beneficial effects of KAMs for audit quality.

Gutierrez et al. (2018) also focus on the UK experience but report slightly different results with respect to audit-related outcomes. They observe no significant association between the expanded auditor's report and either audit fees or audit quality. Initial evidence from New Zealand offers inconsistent insights. First, Almulla and Bradbury (2018) find no incremental effect of the expanded auditor's report on either audit fees, audit delay or absolute abnormal accruals. In contrast, Li et al. (2018) report that the introduction of the new and revised audit reporting standards were followed by an improvement in audit quality (as proxied by a reduction in absolute abnormal accruals) and a significant increase in audit fees, suggesting that although the new auditor reporting model results in audit quality improvements, such benefit comes at a cost.

Bédard et al. (2018) focus more directly on disclosure of JOAs in the French setting, which, as discussed, are similar to KAMs. They find negative efficiency effects in the first year of disclosure (i.e., longer audit report lag and increased audit fees), but not in subsequent years. Interestingly, in subsequent years (but not the first year) the disclosure of JOAs is *negatively* associated with financial reporting quality (as proxied by discretionary accruals). While these findings are inconsistent with the results reported by Reid et al. (2018) and Gutierrez et al. (2018), the authors argue that they could also be explained by the fact that clients for which JOAs are disclosed are subject to accounting information that is more difficult to audit and thus measurement error and bias are more likely in these cases.

While these studies provide important preliminary archival evidence, additional research over more years and in other jurisdictions will help better reconcile the longer-term effects. Finally, we are aware of two working papers that use the experimental method to examine how auditors in Germany respond to the (anticipated) disclosure of KAMs (Asbahr and Ruhnke 2017; Ratzinger-Sakel and Theis 2018). Interestingly, both studies suggest that auditors that are asked to consider KAMs exhibit less professional skepticism than when they do not consider KAMs, suggesting adverse effects of KAMs on auditor judgment performance.

Again, we conclude that the evidence with respect to the association between KAM disclosure and audit-related outcomes is mixed, but we note that surprisingly many studies suggest adverse effects, which require deeper investigation to be corroborated and analyzed.

2.4.3 Auditor liability

In the course of the development of the new reporting requirement auditor legal liability was a frequently debated controversy, particularly in the United States (e.g., Tysiac 2013). According to some, disclosing KAMs might increase jurors' auditor liability judgments when auditors have failed to detect misstatements. As a result, a third stream of research examines experimentally whether KAM disclosure influences liability judgments. Typically using jury-eligible individuals as participants, some studies have found that disclosing KAMs can actually *reduce* auditor liability (Brasel et al. 2016; Kachelmeier et al. 2018) or have *no effect* (Brown et al. 2016), suggesting that the concern over the legal hazards of disclosing KAMs is likely unwarranted. Other studies have found that KAMs have the potential of *increasing* liability. For instance, Gimbar et al. (2016) find that KAMs increase auditor liability relative to the traditional audit report, albeit to a lesser degree under imprecise standards. Similarly, Backof et al. (2018) find that reporting a KAM increases jurors' negligence assessments, but explaining the concept of reasonable assurance mitigates this effect. Vinson et al.'s (2018) experiment considers longer-term effects of KAM disclosure. They find that removing a KAM that is reported for multiple years, relative to a KAM that is reported for one year, results in higher negligence assessments due to higher perceptions that the misstatement was foreseeable to the auditor.

2.4.4 Client management responses

A few working papers have examined whether and how client management responds to (anticipated) KAM disclosures by their auditors. It is possible that KAMs may influence managerial decision making, given the increased scrutiny by auditors as a result of KAMs. We are aware of three experimental studies which are relevant in this regard. First, Cade and Hodge (2014) investigate whether KAM-like details in the auditor's report affect how openly managers communicate with their auditors. Interestingly, they find that managers share less private information with their auditors about their accounting choices when they are told that the auditor will publicly disclose such choices, a potentially adverse effect of the KAM regime. Anticipating auditors' disclosure of audit procedures does not have such adverse effects.

Bentley et al. (2018) investigate whether the anticipation of KAM-like auditor disclosures affect managerial decision-making and find that managers are more likely to speculate and less likely to hedge when they anticipate a KAM disclosure. This effect is mitigated when the KAM report contains a disclaimer related to the scope of the auditor's assurance role.

Finally, Klueber et al. (2018) ask managers about their financial reporting choices and examine whether earnings management is reduced as a result of anticipated KAM disclosure. They find that as long as the KAM section includes firm-specific information, it indeed has the potential of reducing earnings management in financial reporting.

2.5 Conclusions, implications and suggestions for future research

Responding to extensive criticism of the traditional pass/fail-model of auditor reporting, standard setters and regulators worldwide have recently released new auditor reporting requirements, including the requirement for auditors to disclose Key Audit Matters (KAMs). The disclosure of KAMs is supposed to enhance the information value and decision usefulness of the auditor's report, and may also have effects on the performance of auditors and managers, as well as liability judgments of jurors. We identified 22 research studies examining the consequences of KAM disclosures for investor behavior, auditor responses, jurors' assessments of auditor liability, and client management responses.

Several research findings support the intended benefits of KAM disclosures. For example, experimental evidence suggests that KAMs have the potential of influencing the decisions of financial statement users, particularly with regard to non-professional investors. KAMs also have the potential of effectively directing financial statement users' attention to pertinent areas and decrease managers' earnings management attempts. While these findings are promising, preliminary archival research fails to support a wider capital market reaction to KAM disclosures, raising questions about the economic significance of the changed reporting model.

KAM disclosures also appear to have some unanticipated, and sometimes even adverse consequences. Archival research finds efficiency losses in terms of increased audit report lags and audit fees, and experimental evidence suggests that auditors may be *less* professionally skeptical in the presence of KAMs. Finally, managers' willingness to share information with their auditor as well as their risk-taking behavior is affected by anticipated KAM disclosures, not always in a beneficial direction.

Based on the findings reviewed in this paper, we offer some important implications and recommendations for audit practice. First, auditors should be aware that the disclosure of KAMs has attention-directing impacts on financial statement users and should therefore carefully decide how many, and in particular what matters, they disclose as KAMs in the auditor's report. Second, some adverse consequences of KAM disclosures can be mitigated by an explanation of the concept of reasonable assurance (e.g., Backof et al. 2018) and providing information specificity in KAMs (e.g., Klueber et al. 2018). As a result, standard setters may consider prescribing more clarifying language in KAM disclosures. In general, standard setters and regulators should pay close attention to adverse effects that KAM disclosures may have in the coming years.

In a relatively short time span, a substantial number of research papers has appeared with the objective of examining the consequences of KAM disclosures for a variety of stakeholders, suggesting this is a growing body of auditing research. The findings thus far suggest several fruitful avenues for future research. In particular, the mixed nature of results of previous studies indicate that there may be insufficient research to assess all the consequences of KAM disclosure. First, due to the mixed findings on investor and market reactions, more research is needed on how exactly investors process the additional information provided in KAM sections, while differentiating between sophisticated and unsophisticated investors. In this regard, we recommend greater use of qualitative research methods (e.g., interviews or focus groups) to better understand how users process this information. Eye-tracking research, such as the study by Sirois et al. (2018) may also provide additional insights into such processes. Second, as data becomes available in ISA jurisdictions, UK archival studies should be replicated to make comparisons between different jurisdictions. As ISA 701 is mandatory for audits for periods ending on or after 15 December 2016, further archival research can be expected soon; and the emerging CAMs in the United States will also offer plenty of research opportunities. Finally, future studies could focus on the production process of KAMs which has not yet been considered in prior research and which may also have (indirect) effects on various reporting and quality outcomes. For example, future field studies could examine the process used to identify and select KAMs and how this process influences auditor communications with management and audit committees.

3 Do key audit matters impact financial reporting behavior?

3.1 Publication Details

Abstract: This study experimentally examines whether the implementation of key audit matters (KAMs) in auditors' reports affects managers' reporting behavior. In line with prior research in psychology, we argue that greater transparency through KAMs leads to higher accountability pressure as managers may expect their judgments to be scrutinized more strongly in the presence of KAMs and, hence, to an improvement of financial reporting quality. Further, we examine whether informational precision (firm-specific versus nonfirm-specific information) in a KAM section moderates the effect of KAM presence on reporting behavior. Our findings show that managers' tendency to make an aggressive financial reporting decision is reduced in the presence of KAMs (compared to the absence of KAMs). This effect remains even when the description of the KAM is of low informational precision. Thus, our results suggest that KAMs serve as a beneficial mechanism for enhancing financial reporting quality by attenuating aggressive financial reporting behavior, regardless of the precision employed by auditors.

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3.2 Introduction

Standard-setters and audit regulators worldwide, including the Public Company Accounting Oversight Board (PCAOB) and International Auditing and Assurance Standards Board (IAASB), have recently initiated an expanded audit reporting model to respond to concerns about the lack of transparency in auditor reports (IAASB, 2015a; PCAOB, 2017). One significant change in both PCAOB and IAASB amendments is the implementation of key audit matters (KAMs), which are new disclosure requirements providing information about significant matters auditors encountered during the audit.[3] The primary objective of the new audit report is to communicate those matters and to enhance investors' understanding of the auditor's role and responsibility.[4] One essential benefit recognized by regulators, but largely ignored thus far in the ongoing debate, is the effectiveness of KAMs regarding the financial reporting environment. Bruce Webb, chairman of the American Institute of Certified Public Accountants auditing standards board, states "that the presence of KAM sections in audit reports may cause management to think more carefully about the quality and the robustness of their processes and controls" (Katz, 2013).[5] This statement suggests that KAMs may not only improve transparency for users of financial statements, but also enhance managerial financial reporting behavior. In this article, we experimentally examine whether indeed KAM disclosures can mitigate aggressive financial reporting behavior.[6]

Our theoretical predictions are motivated by accountability theory and findings from the disclosure transparency literature. Prior accountability research indicates that the expectation that one may be called upon to justify one's view to others affects judgment and decision quality as individuals feel more pressure to provide justifiable explanations and, hence, exert greater effort in their judgment and decision-making (Tetlock, 1983;

[3] In the PCAOB's proposal, regulators use the term "critical auditor matters" for those matters that are of most significance for the auditor. The content among both amendments from the PCAOB and IAASB is similar. In this article, we use the term "key audit matters". ISA 701.8 determines key audit matters as those matters that required significant auditor attention in performing the audit, including (a) areas that involve significant judgment, (b) areas in which the auditor encountered significant difficulty during the audit or (c) circumstances that required significant modification of the auditor's planned approach to the audit.

[4] Similar to the requirement to disclose KAMs in the auditor's report, the EU-Regulation No 537/2014 stipulates a description of the most significant assessed risks of material misstatement by the auditor (European Parliament, 2014).

[5] Brian Coteau, a deputy chief accountant at the SEC, also notes "that increased disclosures in the audit report may lead management to think more carefully about disclosures they've made, and perhaps enhances disclosures they've made as a result of the auditor's highlighting a particular area" (Katz, 2013).

[6] Following Hackenbrack and Nelson (1996) and Agoglia, Doupnik, and Tsakumis (2011), we define aggressive financial reporting as a method that portrays the company's financial situation favorably when that method is not clearly indicated by the facts.

Tetlock, 1985). We predict that in the presence of KAMs, managers expect their judgments to be scrutinized more strongly by investors and auditors than in the case of an unmodified auditor report without KAMs. Findings from the disclosure transparency literature show that greater transparency reduces the likelihood of earnings management activities due to higher risk of detection by market participants (Cassell, Myers, & Seidel, 2015; Hirst & Hopkins, 1998; Lee, Petroni, & Shen, 2006). Therefore, we expect that second-guessing concerns caused by greater transparency in auditor's reports increase the level of managerial accountability and, thus, improve reporting quality.

We also examine how higher versus lower levels of information precision as a measure of disclosure transparency in KAM sections affect financial reporting behavior. As such, we respond to concerns from regulators and investors that communication of KAMs may quickly result in more standardized disclosure, potentially reducing the informational value of KAM sections (IAASB, 2017). We address these concerns by considering how varying levels of information precision impact managers' level of accountability for decision-making, as investors' ability to second-guess may vary with information precision in KAM sections. Prior textual disclosure literature has shown that specificity in risk disclosure can significantly affect investors' ability to process and evaluate information and thus has an incremental impact on investors' decision-making. Following this line of reasoning, we predict that the effect of KAMs on financial reporting behavior is weaker when KAM disclosures are less precise, because of managers' reduced expectations to be second-guessed by investors.

To test our predictions, we conduct a 3 × 1 between-subjects experiment in which we manipulate KAM disclosure in auditor reports: KAM absent, KAM with firm-specific content, and KAM with non-firm-specific content. Experienced executives were asked to assume the role of the CFO at a fictitious publicly traded company with the task of evaluating financial estimates on goodwill impairment. Conservative financial reporting in this context emerges when managers decide to employ key assumptions that will cause goodwill impairment. The case facts were designed in such a way that management has incentives to not impair goodwill and to ensure lower leverage and more favorable financing ratios (Cohen, Krishnamoorthy, Peytcheva, & Wright, 2013).[7]

[7] Prior research has shown that individuals do not have incentives to maximize their wealth to the fullest extent under moral hazard (Church, Lynn Hannan, & Kuang, 2014; Evans, Hannan, Krishnan, & Moser, 2001; Luft, 1997).

Consistent with prior research, we find that greater transparency in auditors' reports disclosed in KAMs serves as a compelling tool through which managers decision-making processes are enhanced. First, our findings show that managers choose a higher goodwill amount in the presence of a goodwill-related KAM (compared to the absence of this KAM) indicating that the expectation to justify one's decision to others may lead to less aggressive financial reporting behavior. However, we do not find evidence that this effect is reduced by less-precise KAM disclosures. Contrary to our expectations, there is no significant difference in the chosen impairment charge between managers who received a KAM with firm-specific content and managers who received a KAM with non-firm-specific content. Even in the case of a KAM with non-firm-specific content, managers show a lower tendency to make an aggressive reporting decision (compared to managers who received an audit report without KAMs) indicating that the mere presence of a KAM (regardless its specificity) has an impact on managers' reporting behavior. Taken together, our results suggest that the presence of KAMs in the audit report leads to less aggressive financial reporting behavior and, hence, to an improvement of financial reporting quality. Thus, our findings provide support for the SEC's and AICPA's expectation that the presence of KAMs might lead managers to exert more effort when thinking about their judgment and decision choice.

The results of this study have implications for audit research and practice. First, while recent literature has primarily investigated the consequences of the new auditor reporting model on investor perceptions and market reactions (Bédard, Gonthier-Besacier, & Schatt, 2018; Boolaky & Quick, 2016; Christensen, Glover, & Wolfe, 2014; Gutierrez, Minutti-Meza, Tatum, & Vulcheva, 2018; Lennox, Schmidt, & Thompson, 2019; Sirois, Bédard, & Bera, 2018), auditor responses (Asbahr & Ruhnke, 2019; Reid, Carcello, Li, & Neal, 2019), and auditors' legal liability (Brasel, Doxey, Grenier, & Reffett, 2016; Gimbar, Hansen, & Ozlanski, 2016; Kachelmeier, Rimkus, Schmidt, & Valentine, 2020),[8] our study highlights the impact of KAMs on *managerial reporting behavior*, a previously ignored benefit of KAMs for the financial reporting environment. Second, the implementation of KAM sections is subject to a controversial debate among practitioners and regulators. While advocates, such as the PCAOB and IAASB, emphasize the value of KAMs for investors due to greater transparency in the audit process (PCAOB, 2017), opponents, including audit firms and financial statement preparers, fear greater legal

[8] See also a recent review of the KAM literature by Gold and Heilmann (2019).

liability (Tysiac, 2014). Given this ongoing discussion about the benefits of KAM disclosures, our research is timely and can be beneficial to regulators and standard setters to evaluate the effects of the implemented audit report modifications. Third, our study contributes to the voluminous literature on judgment and decision-making in financial reporting settings. While recent archival research already indicates a positive impact of KAM disclosures on financial reporting quality (Reid et al., 2019), such research is limited in drawing causal connections due to its lacking ability to “peer into the minds” of CFOs (Rose, Mazza, Norman, & Rose, 2013). Our experimental approach provides insights into management’s decisions processes and, hence, helps to understand whether financial statement preparers are directly influenced by the new audit requirements. Fourth, we also contribute to prior research on textual risk disclosure that examines the impact of specificity in risk disclosure on investors’ decision-making, as our findings focus on managerial reporting behavior. As standard setters have expressed concerns that auditors could end up using standardized language that would negatively affect the usefulness of additional information in the auditor report (IAASB, 2017), we contribute to this discussion investigating the impacts of KAM disclosures with different levels of information precision.

The remainder of the article is organized as follows. Section 2 presents the theoretical background and develops the hypotheses. Section 3 describes the experimental design for testing the hypotheses, while Section 4 presents the results. The final section concludes with a discussion of the major findings and the study’s limitations.

3.3 Background and Hypotheses Development

3.3.1 Transparency and Financial Reporting Behavior

Conventional economic theory predicts that managers engage in actions that maximize their own utility at others’ expense in situations where their behavior is unobservable and severe consequences, such as reputational damages and job loss, are of secondary concern (Jensen & Meckling, 1976; Kotowitz, 2008). Prior research appears consistent with this notion showing that managers use the flexibility in accounting choices to intentionally influence the outcome of financial reports to gain personal benefits when financial statement users’ ability to detect earnings management activities is low (Cassell et al., 2015; Hirst & Hopkins, 1998; Lee et al., 2006).[9] For example, Cassell et al. (2015) examine the association between the transparency of disclosures related to activity in the bad-debt allowance, inventory allowance, and deferred tax assets allowance accounts and accruals-based earnings management. They find that firms choose to reduce the extent of earnings management activities when they provide transparent disclosures about activity in these accounts. Using an experimental approach, Hirst and Hopkins (1998) provide evidence that saliently displayed comprehensive income components enable buy-side financial analysts' detection of earnings management activities through available-for-sale securities and, thus, improves analysts' valuation judgment relative to less saliently displayed comprehensive income components. Lee et al. (2006) study comprehensive income reporting decisions of property-liability insurers in the first year of the Statement of Financial Accounting Standards No. 130's adoption. The authors find that insurers with a greater tendency to manage earnings are more likely to report comprehensive income in a statement of changes in shareholders' equity than in a performance statement, implying that managers are aware of greater transparency in performance reporting.

Taken together, these findings provide empirical evidence that managers believe they derive personal benefits from limiting investors' ability to detect earnings management by using flexibility in accounting choices and that such benefits decrease with greater transparency as the likelihood of detection by market participants increases. These implications are consistent with Fields et al. (2001), who argue that managers consciously utilize inherent market imperfections (e.g., information asymmetries) reflecting financial statement users' inability or unwillingness to disentangle the effects of earnings management activities to mislead shareholders about underlying company performance to gain some personal benefits. Concluding, managers seem to weigh potential consequences to determine whether to make self-serving decisions or not under increased monitoring. Thus, greater transparency in financial reporting can help to mitigate aggressive financial reporting behavior.

Prior literature indicates that, besides reduced information asymmetries, one potential benefit of increased transparency includes an increase in individuals' accountability for decision-making. For instance, Rose et al. (2013) examine the effects of stock ownership on directors' independence and objectivity. They find that stock-owning directors serving

[9] In this study, we use Fields, Lys, and Vincent (2001)'s definition of accounting choice to encompass "any decision whose primary purpose is to influence […] the output of the accounting system in a particular way."

on audit committees are less likely to agree with managerial aggressive reporting when board discussion transparency increases. This is because directors who own stock are concerned that supporting management's attempts to manage earnings might be viewed as making more self-serving decisions by external parties when board discussion transparency is high, damaging directors' reputation. These findings suggest that increased accountability through greater transparency is particularly effective when individuals have incentives to act in their own interests. In this article, we suggest that KAM disclosures potentially offer such accountability mechanisms to managerial decision-making, as explained next.

3.3.2 The Role of Accountability Mechanisms on Managerial Judgment Behavior

The social contingency model of judgment and choice in social psychology asserts that having to justify one's views, beliefs, feelings, and actions to others affects both the manner in which individuals reach a decision and the nature of the decision they reach (Tetlock, 1983; Tetlock, 1985). Tetlock (1985) finds that the expectation that one may be called upon to justify one's actions to others results in information being processed more "vigilantly," and that the decision maker engages in more preemptive self-criticism. This self-critical approach to decision-making implies the consideration of multiple perspectives and an anticipation of others' potential objections to decisions (Tetlock & Boettger, 1989; Tetlock & Lerner, 1999). As a result, individuals who anticipate being accountable for their decision-making feel more pressure to provide justifiable explanations, as well as the need to consider potential consequences for their actions more carefully and, hence, exert greater effort in their judgment and decision-making (Kim & Trotman, 2015).

Consistent with this notion, psychology research shows that accountable individuals are more accurate in judgment making (Rozelle & Baxter, 1981), take more information into account (Siegel-Jacobs & Yates, 1996), think more carefully about their decisions (Ford & Weldon, 1981), and induce more-complex decision strategies (Ashton, 1992; Tetlock & Kim, 1999). For example, Mero and Motowidlo (1995) examined the effect of accountability on participants' performance ratings of videotaped individuals, finding that accountable raters are more accurate in evaluating their subordinates by attending more to relevant information, taking more and better notes, and being more engaged in the task than their nonaccountable counterparts. Further, Ashton (1992) argues that the expectation to justify one's decision-making results in more thorough, complex, analytic, and systematic information processing compared to situations were a justification requirement is absent, and, thus, enhances the consistency of judgment. Collectively, these studies provide evidence that holding individuals accountable for their decision-making leads them to more thoroughly weigh alternative behavioral options and to consider the extent to which each of these alternatives can be defended toward others.

Another stream of research shows that accountability pressure does not only induce more effortful and self-critical decision-making, resulting in higher judgment quality, but also serves as a beneficial mechanism to reduce managerial opportunistic behavior (Pitesa & Thau, 2013; Rus, van Knippenberg, & Wisse, 2012). Arguing that increased accountability leads to less automatic information processing and therefore enhancing normative compliance, Rus et al. (2012) find that holding powerful agents accountable for their decision-making results in less self-serving behavior. Pitesa and Thau (2013) consider whether agents' power and the manner in which they are held accountable jointly determine the likelihood to engage in self-serving actions under moral hazard. Testing the theoretical predictions in the context of financial investments decision-making, their findings are consistent with Rus et al. (2012), revealing that agents' tendency to make opportunistic decisions increases with power, but only in the absence of any accountability mechanisms.

In accounting research, Libby, Salterio, and Webb (2004) study the effectiveness of accountability pressure and provide evidence that increased effort through increased accountability for decision-making enhances the usage of unique measures in managerial performance evaluation judgments. Agoglia et al. (2011) hypothesize that CFOs are less likely to report aggressively when applying a less-precise (more principles-based) standard than a more-precise (more rules-based) standard due to higher second-guessing concerns from regulators in a principles-based environment. They find that financial reporting quality is enhanced by audit committee strength, but only under rules-based standards. While prior research provides evidence about the effectiveness of accountability for managerial decision-making regarding a variety of parameters, such as standard precision and power, there is limited evidence on how increased accountability through greater transparency influences managerial behavior in financial reporting decisions.

3.3.3 The Effect of KAM Disclosures on Managers' Reporting Behavior

In accordance with findings from the disclosure transparency literature and accountability theory, we expect that managers' propensity to make an aggressive financial reporting decision will decrease in the presence of a KAM that is related to the aggressive financial reporting behavior, relative to its absence, because the likelihood of detection increases. First, managers might change their reporting behavior due to the increased anticipated scrutiny by auditors. If the auditor has once disclosed a certain matter in the audit report as KAM, it is reasonable to assume that this area will also be a topic of interest in the subsequent audit. Managers likely expect that the auditor spends additional time and resources on reviewing the adequacy of the KAM-related financial statement disclosures. As the auditor is responsible for KAM reporting, it would be plausible that the auditor him- or herself perceives a heightened level of scrutiny and, thus, might demonstrate a higher level of professional skepticism (Asbahr & Ruhnke, 2019; PCAOB, 2017).[10] Therefore, we expect that managers show a less-aggressive reporting behavior as they expect their judgments to be scrutinized more strongly by the auditor when the auditor disclosed a KAM related to their current reporting decision in the previous fiscal year. Further, managers could also adapt their reporting behavior, as the auditor may gain more negotiating power due to the possibility to disclose a certain financial statement area as KAM. Auditors might achieve a less-aggressive managers' reporting behavior in exchange for no longer highlighting the financial statement disclosure as increased area of misstatement risk in the audit report (Reid et al., 2019).

Second, we also argue that managers might change their reporting behavior due to the increased attention of investors. Using eye-tracking technology, Sirois et al. (2018) document greater investor attention to financial statement disclosures related to KAMs. Due to the salience of these audit areas, it is reasonable to assume that investors' ability to detect aggressive financial reporting behavior increases. Since managers are more likely to avoid aggressive reporting decisions when they are easier to detect (Rose et al., 2013), we argue that managers may apply a more conservative approach regarding areas that were disclosed as KAMs in the auditor's report. Due to the increased transparency, managers might fear to be viewed as self-serving if they engage in aggressive financial

[10] The experimental results of Asbahr and Ruhnke (2019) show that auditors do not provide more skeptical judgment and even a lower degree of skeptical action in case of KAM reporting, as auditors seem to use KAMs as moral license. However, it is reasonable to assume that managers might expect a higher level of professional skepticism, and thus provide a more conservative reporting behavior as they are likely to perceive a greater risk of second-guessing by the auditor.

reporting and thus would potentially suffer reputational damage. Managers might enhance the quality of their reporting as they expect that investors will be scrutinizing more closely the matters identified as KAMs (PCAOB, 2017). Further, managers might fear the disclosure of certain financial statement areas in the auditor's report and, hence, they may change their reporting decisions and adopt a more conservative accounting approach due to the "threat of disclosure" (Reid et al., 2019). Specifically, Reid et al. (2019) argue that areas involving subjective managerial judgment might be treated more conservatively in order to avoid that the auditor comments on the issue in a negative manner.

Overall, as a result of increased anticipated scrutiny by both auditor and investors, we predict that greater transparency, by means of auditor KAM disclosures, and an increase of managerial accountability evoke a more critical and thorough evaluation of decision choices, which ultimately results in an improvement of financial reporting quality (Gaynor, McDaniel, & Neal, 2006). We formally state this prediction in the following hypothesis:

Hypothesis 1. *Managers are less likely to make an aggressive financial reporting decision when the audit report includes a KAM that is related to the aggressive financial reporting decision compared to the absence of this KAM.*

3.3.4 Firm-specific versus nonfirm-specific information in KAM disclosures

Early evidence from U.K. audit reports show that disclosed KAMs vary in the amount of words and the specificity of risk information disclosed (Financial Reporting Council [FRC], 2016). These findings correspond to concerns from regulators and investors that communication of KAMs may quickly result in standardized disclosure, reducing the informational value of KAMs. Since investors' tendency to second-guess managerial judgment making may vary with the level of information precision, we further examine how the effectiveness of KAMs on financial reporting behavior is affected by the level of information precision in KAMs disclosed in the auditor's report.

Prior textual disclosure literature focusing on investors' decision-making has shown that high specificity in risk disclosure leads to stronger investor responses as they are better able to process, evaluate, and verify disclosures with greater information precision. These findings are consistent with information-processing research suggesting that individuals make trade-offs when processing information and, hence, are often unlikely to encode information that does not draw their attention or that requires significant processing (Hirshleifer & Teoh, 2003). As a result, individuals put more weight on information that eases cognitive effort and, thus, facilitates incorporation of information into their decision-making (Bozanic, Roulstone, & van Buskirk, 2018). Prior research evidence is consistent with this notion, indicating that greater information precision in risk disclosure leads investors to a greater portion of risk information being processed and thus enhances individuals’ risk understanding (Campbell, Chen, Dhaliwal, Lu, & Steele, 2014; Hope, Hu, & Lu, 2016; Kravet & Muslu, 2013). For example, Hope et al. (2016) show that greater specificity in risk disclosure induces greater market reactions, posited to be the result of increased information processing. Further, Kravet and Muslu (2013) find that annual increases in the number of risk sentences are positively associated with increased stock return volatility and higher trading volume. Campbell et al. (2014) also show that information precision in risk disclosure is incrementally valuable for investors in assessing firms’ accounting information. Taken together, prior research suggests that specificity in risk disclosure can significantly affect investors’ ability to process and evaluate information and thus has an incremental impact on investors’ decision-making. However, while these studies primarily investigate the effect of specificity in risk disclosure on investors’ (and analysts’) trading behavior, there is no empirical evidence on how the level of information precision in risk disclosure, for example, KAMs, affects investors’ tendency to second-guess managerial judgment and, in turn, financial reporting behavior.

Drawing on findings from the textual disclosure literature, we argue that nonfirm-specific KAM disclosures, compared to firm-specific KAM disclosures, attract less investor attention, and this is also anticipated by managers. Given that standardized information potentially reduces the informational value of KAMs, investors are likely to spend less time and effort to process and evaluate the information. If KAM disclosures are strongly standardized, investors may not associate them with specific business transactions of the company but perceive them as general risks exchangeable for a variety of companies. Therefore, we expect that KAM disclosures without firm-specific content (relative to firm-specific content) are less likely to affect managerial reporting behavior, because managers are less likely to expect their reporting behavior to be second-guessed by investors.

In line with findings from textual disclosure literature, we predict that greater information precision in KAMs will increase the level of management accountability as a result of expected investors' increased information-processing efficiency, ultimately leading to greater financial reporting quality. This reasoning is formulated in the following hypothesis:

Hypothesis 2. *The reducing effect of KAM disclosures on managers' likelihood to make an aggressive financial reporting decision is weaker when a KAM (that is related to the aggressive financial reporting decision) includes nonfirm-specific information than when this KAM includes firm-specific information.*

3.4 Research Method

3.4.1 Research design and independent variable

The purpose of our study is to experimentally examine whether KAMs disclosed in auditor reports impact the aggressiveness of managerial financial reporting behavior. To test our hypotheses, we conduct a 3 × 1 between-subjects experimental design varying the level of KAM disclosures: KAM absent, KAM with firm-specific information, and KAM with nonfirm-specific information.

Financial statement preparers completed the experiment using a Web-based instrument administered through the online survey tool UniPark. This software allows random distribution to three between-participant treatment conditions.[11] Participants were asked to assume the role of the CFO at a fictitious publicly traded company in the retail sector, which distributes outdoor products in Europe and the United States as well as water sport accessories through a subsidiary company. The case begins with a short description of the company, followed by the auditor's report on the financial statements from the previous fiscal year.[12] Participants learn that the company had performed well in the current fiscal year.

[11] The experiment was administered in German. The English translation of the wording of the manipulations is provided in Exhibit A.

[12] We showed participants the auditor's report on the previous fiscal year's financial statements, as the presentation of this year's report would not have left any discretion to the participants in their reporting decisions. To ensure that participants assume a similar company's situation, we provide the following statement in the case design: "The same auditor was appointed for the audit of the current financial year 2018. There were no major changes in the company's situation compared to the previous year." Regarding the presentation of the auditor's report on the previous fiscal year, we expect the following decision-making process: Participants are likely to perceive a risk of second-guessing by the auditor, as it plausible that the auditor will again focus on the audit area that was identified as KAM in the previous audit. Further, it is

Furthermore, participants were informed about matters that had been discussed internally in the management letter.[13] All participants read the following statement: "In the management letter, which is only available internally, the auditor reported on significant audit findings. In this context, the auditor discussed the recoverability of goodwill and the recognition of pension provisions as matters with significant uncertainties." We included this information in our design to ensure that all participants have the same level of knowledge about substantial matters in the audit process, including participants in the "KAM absent" condition.[14] Next, participants received an excerpt of the auditor's report on the financial statements. Participants in the two "KAM present" conditions learn that goodwill impairment testing of the company's subsidiary mentioned in the management letter is also communicated in the auditor's report. By providing the same accounting issue in both the (internal) management letter and – in the case of the KAM present conditions – the (external) audit report, we are able to disentangle the level of external accountability (i.e., to investors or external watchdogs) from the level of internal accountability (to the audit committee) across conditions.[15]

To test our hypotheses, we manipulate KAM disclosures at three levels: KAM present with firm-specific information, KAM present with nonfirm-specific language, and KAM absent. All participants received a shortened version of the auditor's report that includes the audit opinion and (except in the KAM absent condition) the KAM section. The KAM absent condition mirrors the traditional audit report model; hence, KAMs are not mentioned by the auditor in this version. The two KAM present conditions contain "Goodwill Impairment" as the KAM of interest. We chose a goodwill-related KAM in the auditor report, because goodwill impairment testing is a complex area of financial reporting judgment and early evidence in the United Kingdom shows that goodwill has

reasonable to assume that participants expect continuity in the auditor's report format over time as practical evidence shows that the audit reports of a large number of companies include similar KAMs in subsequent years. Therefore, we feel comfortable that participants expect that managers' attention is redirected to the same KAM-related areas and, thus, previous year KAMs will affect their reporting behavior, because they anticipate similar auditor action in the current year.

[13] The management letter is provided by the auditor to the company's executives and individuals charged with governance, that is, the audit committee.

[14] Due to our manipulation, participants in the KAM absent condition do not receive information about certain audit issues in the auditor's report. Therefore, we decided to provide the information in the case description to ensure that participant' decisions are related to our manipulation and not to the differences in knowledge about the audit process and its results.

[15] To measure the level of accountability among different parties (internal and external), we employ items adapted from Agoglia et al. (2011) in the postexperimental questionnaire.

been extensively identified as KAM in auditor reports (FRC, 2016).[16] The goodwill-related KAM manipulations are adapted from the annual report of two large publicly traded companies in Germany.[17] In the two KAM present conditions, the audit report includes a section discussing “Key Audit Matters” described as those “matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters” (IAASB, 2015a). In the firm-specific condition, the KAM description includes concrete information about the company’s situation and an explanation why goodwill impairment is a key area of risk in this specific context, whereas the nonfirm-specific condition includes only a general description of risks related to goodwill impairment, without referring to the company’s situation. The exact wording of the KAM manipulations is presented in Exhibit A.

Next, participants were provided with firm-related information about the current financial year. They learned that the company plans to expand their brands to the Canadian market and therefore intends to raise capital in the next two years. Then, participants were informed that the company’s subsidiary revenues declined by 24% compared to the previous year. As a result, estimated future cash flows, one of the key financial estimates for calculating the value in use, cannot be realized. Owing to decreased cash flow forecast and a given discount rate of 5% and a growth rate of 1.5%, the value in use falls below the carrying amount and, consequently, the goodwill of the subsidiary may be impaired in the current fiscal period. However, since the assessment of goodwill impairment requires significant management judgment and executives tend to produce favorable financial results (Ramanna, 2008; Ramanna & Watts, 2012), managers generally have an incentive to avoid impairment charges. To further reinforce the incentive to prevent impairment losses, participants were told that goodwill impairment would ultimately result in noncompliance with debt covenants by the bank, which are crucial for the company’s expansion plans, providing a further strong incentive for management to not recognize an impairment. Thus, participants were provided a range of discount and growth rates that could be used for the estimates, displaying the highest (€5 million) and

[16] Prior research on goodwill impairment shows that financial statement preparers use goodwill impairment decisions to engage in earnings management activities as it is difficult to valuate for third parties (Ramanna, 2008; Ramanna & Watts (2012).
[17] TUI Group Annual Report 2015/2016; Bilfinger Group Annual Report 2017.

the lowest amount of impairment charges (€0 million). Participants then learned that by marginally changing the underlying values of the discount and growth rates, impairment charges can be avoided (see Exhibit B). They also read that proposed changes in estimates comply with financial reporting standards. Based on the information in the case, participants were then asked to make an accounting decision, that is, the extent, if any, of goodwill impairment. Participants were informed that they are able to review the information on prior pages before making their decision.

After considering the case information and responding to our dependent measure, participants next responded to manipulation check questions and then completed a post-experiment questionnaire, which included the demographics questions and questions measuring the participants' level of accountability.[18]

3.4.2 Dependent variable

The dependent variable used to test Hypothesis 1 (H1) and Hypothesis 2 (H2) is the participants' reporting behavior. Specifically, participants were asked to indicate their preferred amount of impairment charge on a scale ranging from €0 million to €5 million. As the case is designed in a way that financial statement preparers have an incentive to avoid impairment, the chosen impairment charge provides insights about their tendency to make aggressive reporting decisions. Conservative financial reporting in this context occurs when managers choose a high impairment amount, while no or a low impairment charge indicates a more aggressive accounting behavior.

3.4.3 Participants

As our study aims to examine the effect of KAMs on financial reporting behavior, we invited experienced financial statement preparers to participate in our experiment. We created an email request that was sent to a sample of approximately 6,000 financial statement preparers.[19] Email addresses were obtained through the German data base "Dafne," which provides financial information on German companies, including contact details of managers in the position "Head of Accounting/Finance." As we were interested in whether managers' reporting behavior is influenced by the new audit requirements, we only selected participants who work for a company subject to mandatory audit. We

[18] Participants were not able to browse back to the case materials or their response to the dependent measure in this stage of the experiment.
[19] As a small incentive for participation, we donated €5.00 per participant to a charity organization.

received 143 useable responses leading to an overall response rate of 2%.[20] Of these, we exclude 39 participants who failed to answer the manipulation check question correctly. Hence, our final sample consists of 104 participants with the following demographics (see also Table 3.1).

Table 3.1: Demographic information

Variable	N	M	SD	Min	Max	Mdn
PROF_EXP	104	24.231	8.133	6	45	25
ACC_EXP	104	12.404	6.673	1	30	12
AGE	104	49.115	7.60	30	63	50
GENDER	104	1.221	0.417	1	2	1
FR_EXPERT	104	6.000	1.106	2	7	6
GA_EXPERT	104	3.801	1.828	1	7	4
KAM_EXP	104	3.087	1.707	1	7	2
PIE	104	1.635	0.484	1	2	2
PIE_CUR	104	1.865	0.343	1	2	2
AUDIT	104	1.827	0.380	1	2	2

PROF_EXP: professional experience in years; ACC_EXP: work experience in a leading position in the field "Accounting/Finance" in years; AGE: Age of participant; GENDER: Male = 1 / Female = 2; FR_EXPERT: Self-assessed expertise in financial reporting on a 7-point Likert scale; GA_EXPERT: Self-assessed expertise with goodwill accounting on a 7-point Likert scale; KAM_EXPERT: Self-assessed experience with KAMs on a 7-point Likert scale; PIE: Worked for a public interest entity (Yes = 1 / No = 2); PIE_CUR: Currently work for a public interest entity (Yes = 1 / No = 2); AUDIT: Worked for an accounting firm (Yes = 1 / No = 2).

On average, participants report 24.23 years (*SD* = 8.13) of professional experience and 12.40 (*SD* = 6.67) years of work experience as executives. The average age of the participants is 49.12 years, and 81 participants (77.88%) are male. Measured on a 7-point Likert scale, their self-assessed expertise in financial reporting is quite high (Mean = 6.00, *SD* = 1.11) and their expertise regarding goodwill accounting is considered moderate (*M* = 3.80, *SD* = 1.83). Their self-assessed experience with KAMs is also moderate (*M* =

[20] Moreover, we received responses from 23 managers explaining they were not willing to participate for a lack of time or other reasons. Further, we could not be sure if all addressed participants received the email request due to spam filters or incorrect email addresses. Therefore, we assume the response rate to be higher than the participation rate.

3.09, *SD* = 1.71). Moreover, we asked if they currently work or have ever worked for a public interest entity and if they have ever worked for an accounting firm. The results indicate that 38 participants (36.54%) have worked for a public interest entity and 14 (13.46%) currently do. Eighteen participants (17.31%) have worked for an accounting firm in the past. We also asked participants for their current job position and received the following distribution: 29 commercial managers, 18 head of finance, 17 CFOs, 16 head of accounting, and 11 head of controlling. Further, one participant stated to be an advisor and another participant was a management assistant.

To ensure that the participants fully engaged in the task, we included attention checks in our design. Thus, they were asked to rate the following statements on a Likert-scale with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”): (1) “The auditor’s report is a publicly accessible document.” (2) “Avoiding goodwill impairment charges would improve the financial position and results of operations reflected in Schirmer Retail AG’s financial statements.” The information was given in the text. Mean values of 5.80 for the first and of 5.48 for the second statement indicate that participants read the case description carefully and had a good understanding of the task.

The responses received from the initial and two subsequent mailings were tested for nonresponse bias, where late responses (responses received after sending a reminder) were utilized as surrogates for nonresponses. Performing a *t*-test, we detected no significant differences ($p > 0.1$) between early and late respondents, suggesting that our results were not driven by nonresponse bias.

3.4.4 Manipulation Checks

To assess the effectiveness of the KAM manipulation, we embedded a manipulation check question in the instrument. We asked participants, “Which reporting issue was identified as Key Audit Matter in the provided auditor’s report?” with answer choices “Pensions provisions,” “Goodwill impairment testing,” “Deferred taxes on loss,” or “KAMs were not a subject in the auditor’s report.” Seventy-three percent of the participants answered this question correctly. In order to ensure that the effects we identify are associated with accurate perceptions of the treatment conditions, we exclude participants who failed to correctly answer the KAM-manipulation checks.[21]

[21] We reran our analysis with the complete sample and found consistent results (although with slightly different significance levels). However, we assume that participants, who answered the manipulation check

Further, we asked participants to rate whether the auditor used firm-specific information versus nonfirm-specific information in the KAMs. On a 10-point Likert scale ranging from 1 = rather standardized wording to 10 = very specific wording, they assessed whether the auditor's report they had read contains standard formulations or provides a detailed and specific description of the matters. Results reveal that participants in the condition "KAM with non-firm-specific content" assess the information to be less specific (M = 2.68, SD = 2.07) than in the condition "KAM with firm-specific content" (M = 3.59, SD = 2.08) (t = 1.528, p = 0.066 one-tailed), indicating a successful manipulation.[22]

3.5 Results

Descriptive statistics such as cell sizes, means, and standard deviation for participants' chosen amount of impairment charge across conditions are shown in Table 3.2. Overall, descriptive results suggest that managers' chosen amount of impairment loss is higher when KAMs are present in the auditor's report. Hypothesis 1 predicts that greater transparency through KAMs increases managerial level of accountability to third parties evoking decision-making that is closer to investors' preferences, ultimately leading to greater financial reporting quality.[23]

Table 3.2: Test H1 (Amount of impairment charge)

Group	M	SD	N
KAM present	3.25	1.44	64
KAM absent	2.52	1.63	40
Difference	-0.73	t = 2.39; p-value = 0.009***; df = 102	

Dependent variable: IMPAIRMENT: Participants' chosen impairment amount (scale from 0 million to 5 million €)

*** Significant at 0.01 level (one-tailed)

questions incorrectly, may confuse the information given internally in the management letter and externally in the auditor's report. For this reason, we only report the results for the reduced sample.

[22] As the overall manipulation was successful, we decided not to exclude participants who responded on the "wrong" side of the Likert scale. Moreover, we argue that the question is primarily based on participants' subjective feelings on how detailed the auditor formulated the risk in the KAM. Nonetheless, we recalculated our analysis excluding these participants; and the results are robust.

[23] We calculate Pearson's correlation coefficients between our dependent variable IMPAIRMENT and all demographic variables in order to identify potential covariates. The results indicate no significant relationships. Hence, our model includes no covariates.

As this hypothesis tests the effect of the presence (versus absence) of KAMs in the auditor's report, we combine the results of the conditions "KAM with firm-specific content" and "KAM with non-firm-specific content" in one category termed "KAM present." Performing a *t*-test (Table 3.2), we find a significant difference between the chosen impairment charges of participants who received an audit report with KAMs (M = 3.25, SD = 1.44) compared to participants who received an audit report without KAMs (M = 2.52, SD = 1.63) (t = 2.39, p < 0.01 one-tailed). The findings reveal that the presence (versus absence) of KAMs in the auditor's report leads to a significant reduction of participants' willingness to make an aggressive financial reporting decision. Thus, H1 is supported.

Hypothesis 2 posits that information precision in KAMs moderates the effect of KAM disclosures on earnings management activities, such that the effect will be weaker when information precision is low. To test this hypothesis, we examine the means of all three conditions (Table 3.3, Panel A) and perform an ANOVA model, with this three-level variable that is presented in Table 3.3, Panel B. Posthoc-mean comparisons (tabulated in Table 3.3, Panel C) show that the amount of impairment losses' mean rating is significantly different regarding the conditions "KAM with firm-specific content" (M = 3.07) versus "KAM absent" (M = 2.52, p = 0.057 one-tailed) and regarding the conditions "KAM with non-firm-specific content" (M = 3.55) versus "KAM absent" (M = 2.52, p = 0.005 one-tailed). We predicted that the difference between "KAM absent" and "KAM with firm-specific content" is greater than the difference between "KAM absent" and "KAM with nonfirm-specific content"; however, we did not find evidence for this prediction. Our results suggest it might even be the other way around: the difference between the conditions "KAM absent" and "KAM with nonfirm-specific content" is surprisingly greater than the difference between "KAM absent" and "KAM with firm-specific content" (difference-in-difference not significant; t = 1.24; p = 0.109 one-tailed). Hence, H2 is not supported.[24]

[24] H1 and H2 posit that the effectiveness of KAM disclosure on financial reporting behavior is primarily aroused by increased managerial accountability as a result of greater transparency. To directly test our theory, participants were asked to respond to psychological debriefing items adapted from Agoglia et al. (2011) regarding their level of external accountability at the end of the questionnaire. Participants respond to the following questions ranging from 1 ("strongly disagree") to 7 ("strongly agree"): "How much was your goodwill impairment decision influenced by second-guessing concerns from (1) investors (2) audit committee (3) external watch dogs (4) the auditor?" Further, we asked "How do you think will an impairment loss affect your reputation? (5)". The results are as follows: (1) mean KAM present = 3.90, mean KAM absent = 3.94; p = 0.923 two-tailed; (2) mean KAM present = 3.08, mean KAM absent = 2.83; p = 0.472 two-tailed; (3) mean KAM present = 3.34, mean KAM absent = 3.48; p = 0.714 two-tailed; (4)

Table 3.3: Test H2 (Amount of impairment charge)

Panel A: Adjusted means for the amount of impairment charge			
Group	**M**	**SD**	**N**
KAM with firm-specific content	3.07	1.53	39
KAM with nonfirm-specific content	3.55	1.26	25
KAM absent	2.52	1.63	40
	2.97	1.55	104

Panel B: ANOVA					
Source	**Type III sum of squares**	**df**	**Mean Square**	**F-value**	**p**
Model	16.63	2	8.32	3.63	
Version	16.63	2	8.32	3.63	0.015**
Error	231.27	101	2.38		

Panel C: Post-hoc mean comparisons (Least significant difference)					
			Contrast	**SE**	**p**
KAM with firm-specific content	vs.	KAM with nonfirm-specific content	-0.48	0.39	0.109
KAM with firm-specific content	vs.	KAM absent	0.54	0.34	0.057*
KAM with nonfirm-specific content	vs.	KAM absent	1.02	0.39	0.005***

Dependent variable: IMPAIRMENT: Participants' chosen impairment amount (scale from 0 million to 5 million €).

Independent variable: VERSION: Version of the auditor's report (KAM with firm-specific content; KAM with nonfirm-specific content; KAM absent).

** Significant at 0.05 level (one-tailed).

*,**,*** Denotes one-tailed significance at 10%, 5%, 1% levels, respectively.

mean KAM present = 2.98, mean KAM absent = 2.58; p = 0.230 two-tailed; (5) mean KAM present = 4.55, mean KAM absent = 3.98; p = 0.137 two-tailed. Contrary to our expectations that greater transparency might arouse greater anticipations of second-guessing concerns by third parties, the means on our second-guessing variables do not support this notion. In line with our theoretical predictions, we also examine whether reputational concerns may influence the causal inferences. However, the results are not statistically significant and, thus, indicate that reputational concerns do not serve as a mediating factor.

3.6 Discussion and Conclusion

The auditor’s report is the only instrument for auditors to communicate the outcome of the audit to third parties. Standard-setters worldwide have released new and revised auditor reporting standards to enhance the informational value and the decision-usefulness of the auditor’s report for investors. One significant change in the current pass/fail-model is the implementation of key audit matters. KAMs provide information about the most significant matters auditors encountered during the audit.

Our study contributes to the growing literature on KAMs by investigating the potential benefit of higher transparency in the auditor’s report on managerial judgment and decision-making. Drawing on accountability theory and the disclosure transparency literature, we predict that second-guessing concerns caused by greater transparency increase the level of managerial accountability and, thus, lead to improved managerial financial reporting quality. In line with regulators’ concerns that communication of KAMs may quickly result in more standardized, and less firm-specific disclosures, reducing the informational value of KAM sections, we further examine how the effectiveness of KAMs on financial reporting behavior is affected by the level of information precision disclosed in the auditor’s report.

Our experimental results show that managers who received an audit report with KAMs exhibit a more conservative reporting behavior than those who received an audit report without KAMs, indicating a reduced tendency to make aggressive financial reporting decisions when anticipating a KAM. Thus, our findings demonstrate that KAMs may serve as a beneficial mechanism for reducing aggressive financial reporting behavior, and ultimately lead to higher financial reporting quality. These findings are in line with the results by Reid et al. (2019), who provide archival evidence for a significant improvement of financial reporting quality in the United Kingdom through KAM disclosures. Moreover, the results are consistent with transparency literature indicating that transparent disclosures can result in less earnings management activities.

Further, our findings suggest that KAMs serve as a beneficial accountability mechanism irrespective of the degree of information precision. Despite the non-firm specific description of the KAM, managers in our experiment choose a higher impairment amount (compared to managers who received an audit report without KAMs) indicating that their reporting behavior is driven more by information salience than by the specificity of the information.

Altogether, we suggest that participants assume investors to be able to second-guess managerial judgment making regardless of the language used by the auditor in the KAMs. Thus, we conclude that information salience is more pivotal than the certain content of the information and that the mere circumstance of presenting an audit risk externally in the audit report seems to lead to a less-aggressive reporting behavior. Taken together, our findings suggest that KAMs serve as a beneficial accountability mechanism to reduce managerial opportunistic behavior and ultimately to achieve higher financial reporting quality, even though the specificity of the language does not seem to matter.

It is important to consider the limitations of our study, which also provide fruitful areas for future research. First, our results indicate that KAMs cause managers to reduce the likelihood of aggressive reporting behavior for the highlighted accounting issue in the auditor's report. However, we do not examine the extent to which managers may tend to perform aggressive reporting behavior in less transparent areas in which the likelihood of detection is lower. Therefore, future research might examine the effect of KAMs on the overall level of aggressive financial reporting behavior. In this context, researchers can also focus on the effects of the number of KAMs in the auditor's report or the subject matter of the KAMs. Second, while our experimental design allows us to control for extraneous factors in making causal inferences, our conclusion on the effectiveness of KAMs on financial preparers' judgment behavior may be modified by incorporating other influencing factors. For example, prior literature shows that manager's traits of character and incentives, such as compensation plans, affect the affinity to engage in unethical behavior. In this context, empirical findings on personality traits show that even in the absence of oversight mechanisms individuals still vary in terms of their preferences for honesty, fairness, and trust (Church et al., 2014; Evans et al., 2001; Luft, 1997). Further, several studies provide evidence that other institutional arrangements such as internal and external oversight mechanisms (e.g. strength of audit committees, internal controls, number of institutional investor ownership, and differences in accounting standard precision) are fruitful in constraining earnings management activities and may reduce the overall incremental effectiveness of KAMs (Agoglia et al., 2011; Rose et al., 2013). Future research may examine these nuances in more detail in experimental work or by using an archival research method by collecting data on compensation plans and personal characteristics or by considering environmental differences, such as differences in jurisdictions among countries. Third, the experimental instruments clearly offer the most reasonable impairment amounts. In reality, there is probably much more uncertainty about the correct amount; thus, the observed behavior might even be more intense. Fourth, our experiment is subject to nonresponse bias concerns. Although the performed test does not indicate a nonresponse bias, we cannot exclude that a self-selection bias does not exist as managers who decided not to participate might have shown a different reporting behavior. Since KAM reporting is relatively new, managers might also react differently after being accustomed to the new reporting model.

Notwithstanding these limitations, our results provide initial evidence that KAM disclosures have a positive impact on managers' reporting behavior; therefore, they are interesting for auditors, preparers, financial statement users, and standard setters alike. For auditors, it is noteworthy that their decision to disclose a certain matter as KAM in the audit report can change the reporting behavior of managers in this area; thus, they should carefully decide which issues they disclose as KAM. In this context, preparers should be aware that the disclosure of KAM might affect their own reporting behavior. For financial statement users, our results are interesting as they indicate an improvement in financial reporting quality. This is also an important finding for standard setters as it supports the intended benefits of KAMs.

3.7 Appendix

EXHIBIT A: KAM manipulation

KAM-condition (firm-specific content)

Recoverability of goodwill

1. In Schirmer Retail AG's consolidated financial statements, the goodwill of Natural Water GmbH, is reported in the amount of 21 million Euro. We focused on this area because of the materiality of the goodwill balance and because it involves complex and subjective judgments by the Directors. As Natural Water GmbH was no longer listed at the reporting date and listing prices could therefore not be used for the measurement of goodwill, a discounted cash flow (DCF) valuation technique was used for measurement for the first time. This matter was of particular importance because the result of this measurement depends to a large extent on management's assessment of future cash flows and the discount rate used. Therefore, the valuation of Natural Water GmbH is subject to considerable uncertainty.

2. Among other procedures, we examined the measurement of the shares in Natural Water GmbH and verified the inputs used in connection with the valuation technique using company-specific information as well as sector-specific market data and expectations. Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations.

KAM-condition (nonfirm-specific content)

Recoverability of goodwill

1. Goodwill is subjected to an impairment test at least once during the financial year and additionally during the course of the year if there are indications of a need for unscheduled amortization in order to determine a possible need for amortization. The result of these valuations depends to a large extent on management's assessment of future cash flows and on the discount rates used in each case. Due to the underlying complexity of the valuation and the discretionary scope available in the valuation, the impairment test for goodwill was one of the most significant issues in our audit.

2. Among other procedures, we examined the measurement of the shares in Natural Water GmbH and verified the inputs used in connection with the valuation technique using

company-specific information as well as sector-specific market data and expectations. Overall, we consider the measurement inputs and assumptions used by management to be in line with our expectations.

EXHIBIT B: Table with discount and growth rates

Table 3.4: The effect of changing discount and growth rates on the value in use

Book value	**21 Mio. €**	**21 Mio. €**
Discount rate	4.5%	5%
Growth rate	2.0%	1.5%
Value in use	21,86 Mio. €	16 Mio. €
Impairment loss	0 Mio. €	5 Mio. €

4 Does the disclosure of Key Audit Matters reduce the audit expectation gap?

4.1 Publication Details

Abstract: This study investigates whether Key Audit Matters (KAMs), as mandated by the revised ISA 700 and the new ISA 701 auditor's report, are effective in reducing the audit expectation gap. Therefore, we conducted an experiment with accounting students representing nonprofessional financial statement users and experienced auditors. All participants received a summary of a company's financial statements and an auditor's report that we manipulated by including a KAM section. We examined the perceptions of nonprofessional financial statement users compared to auditors regarding ascribed auditor's responsibilities, management's responsibilities, and financial statement reliability. We find strong evidence for a persistent expectation gap regarding auditor's and management's responsibilities while expectations regarding financial statement reliability just differed marginally. Most remarkably, we observe that the disclosure of KAMs does not result in significant different expectations of financial statement users indicating that KAMs may not serve as an instrument to reduce the audit expectation gap.

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Keywords: audit expectation gap, key audit matters, auditor's report, responsibility perceptions, reliability perceptions

Publication Status: Working Paper.

4.2 Introduction

The International Auditing and Assurance Standards Board (IAASB) recently released new requirements to improve the auditor's report (IAASB, 2015c). On 15 January 2015, the IAASB adopted new and revised standards relating the auditor's report with the objective to enhance the confidence in the audited financial statements. The most significant innovation is the disclosure of Key Audit Matters (KAMs). According to the new International Standard on Auditing (ISA) 701 "Communicating Key Audit Matters in the Independent Auditor's Report", the auditor shall determine matters, which were, in the auditor's professional judgment, most significant in the audit (IAASB, 2015a). Besides the IAASB, the Public Company Accounting Oversight Board (PCAOB), and the European Commission have all taken similar proposals to enhance the auditor's report.

With the revised auditor's report models, standard setters and regulators react to long lasting criticism concerning the informative value of the auditor's report and the audit expectation gap. Since the 1970s, there have been numerous discussions about potential modifications of the auditor's report. Particularly, the financial crisis and financial scandals (e.g. Enron, WorldCom) raised doubts about the role of the auditor and the informative value of the auditor's report. Financial statement users did not regard the standardized language and structure as sufficiently informative and asked for more company-specific information (Church *et al*., 2008; Turner *et al.*, 2010; Vanstraelen *et al.*, 2012). Critics have argued that the auditor only informs internal users about significant findings in the audit whereas external users are not able to access specific information about the scope of the audit, audit procedures and important findings (Church *et al.*, 2008; IAASB, 2011). Moreover, the standardized pass/fail-model of the auditor's report has been the focus of criticism. Financial statement users do not get insights into audit procedure because of the homogeneous language in the auditor's report resulting in a gap between what is done during the audit and what financial statement users suppose it is done (IAASB, 2011). This phenomenon is commonly termed as audit expectation gap. Numerous studies confirmed the existence of the audit expectation gap internationally, despite several attempts to close this gap (Chong and Pflugrath, 2008; Gold *et al*., 2012). Expectations of financial statement users and auditors still diverge regarding the responsibilities of the auditor and the function of an audit. Recent studies reveal that financial statement users have exaggerated expectations of auditor's responsibilities (Porter *et al.*, 2012a; Ruhnke and Schmidt, 2014). Furthermore, financial statement users exhibit higher expectations on various aspects of the audit, such as disclosure, internal controls, and illegal operations compared to auditors. They are often not aware that an audit merely provides a reasonable level of assurance but assume absolute assurance that material errors will be detected (Epstein and Geiger, 1994; McEnroe and Martens, 2001). By providing insight into audit risks and the audit process, KAM disclosures reduce the information asymmetry between stakeholders and auditors, and thus may lead to a narrowed audit expectation gap. Therefore, we are interested in studying whether KAMs have an impact on the audit expectation gap.

The first objective of this study is to empirically assess the current state of the audit expectation gap under the revised auditor's report. Inspired by the study of Gold et al. (2012), we conducted an experiment to investigate the existence of the audit expectation gap. Therefore, accounting students representing nonprofessional financial statement users[25] and experienced auditors were asked to participate in an online survey. After receiving background information on a fictitious company including a short description of the company and their balance sheet, they were asked to read an unqualified auditor's report including KAMs in accordance with ISA 701. Next, participants responded to a set of questions related to the perceived auditor's and management's responsibilities and the reliability of the audited financial statements. The concept of the audit expectation gap suggests that financial statement users would ascribe different responsibilities toward management and auditors and have different expectations of the audited financial statements than auditors have themselves.

The second objective of this study is to empirically investigate the impact of the presence of KAMs in the auditor's report as required by the ISA 701 on the audit expectation gap compared to the absence of KAMs. As a result of greater disclosure, financial statement users (e.g. investors, bankers, and financial analysts) ultimately obtain additional information about the audit that may help to understand significant matters and to identify potential risks from this more company-specific auditor's report. These amendments raise the question of whether the additional disclosures in the auditor's report can reduce the audit expectation gap. Therefore, we manipulated the auditor's report in the following manner: the 'KAM present' auditor's report with KAMs as mandated by the new ISA

[25] Accounting students are typically used in experimental financial accounting research as a proxy for the heterogeneous group of nonprofessional financial statement users. Elliott et al. (2007) demonstrate that using M.B.A students as a proxy for nonprofessional investors is a valid methodological choice.

701 versus a 'KAM absent' version just consisting of the audit opinion and the responsibilities of management and auditors without disclosing KAMs (as communicated before the new ISA 701 was issued). A reduced gap between auditors' and financial statement users' expectations based on the 'KAM present' auditor's report would indicate a positive effect of the disclosure of KAMs. In contrast, an unchanged or even wider gap would indicate that the disclosure of KAMs is ineffective regarding the different perceptions of auditors and financial statement users on the responsibilities of auditors and management and the reliability of the audited financial statement.

Our experimental results provide strong evidence for a persistent expectation gap regarding the auditor's and management's responsibilities under the new ISA 701. Consistent with our predictions, financial statement users ascribed significantly higher responsibilities for the auditor (lower responsibilities for the management) and higher reliability toward the financial statements than auditors did themselves. Most notably, the disclosure of KAMs did not affect the expectation gap between auditors and financial statement users indicating that KAMs may not serve as a compelling tool through which the audit expectation gap might be reduced.

Our findings are important for the following reasons. First, our study contributes to evaluating the effectiveness of the current regulatory developments regarding the modification of the auditor's report. In view of the ongoing debates about modifications of the auditor's report, our study is timely, and our results can be of interest to standard setters and regulators to evaluate the benefits of KAMs. Prior studies mainly focus on the effects of KAM disclosures in the auditor's report in terms of investor's reactions and assessments (Boolaky and Quick, 2016; Christensen *et al.*, 2014; Lennox *et al.*, 2019; Sirois *et al.*, 2018), audit quality, audit costs, auditor's judgment (Asbahr and Ruhnke, 2019; Bédard *et al.*, 2018; Gutierrez *et al.*, 2018), and auditor's liability (Backof *et al.*, 2020; Brasel *et al.*, 2016; Gimbar *et al.*, 2016; Kachelmeier *et al.*, 2020; Vinson *et al.*, 2019)[26]; therefore it is interesting to examine if the expectation gap between auditors and nonprofessional financial statement users still exists under the new ISA 701 report.[27]

Second, while prior studies primarily provide evidence on the existence of the audit expectation gap (McEnroe and Martens, 2001; Porter, 1993) or examine the effects of

[26] For a detailed literature review on the effects of KAMs, see Bédard et al. (2016).
[27] A more recent study by Coram and Wang (2020) examines the impact of KAMs on the audit expectation gap as a function of accounting standard precision. However, this study focuses only on potential changes in user perception, without comparing the different perceptions between auditors and users.

wording changes in the auditor's report on the audit expectation gap (e.g. Kelly and Mohrweis, 1989; Monroe and Woodliff, 1994), we investigated the effects of the disclosure of additional information specific to the current auditor's report. Survey analyses revealed that financial statement users are dissatisfied with the traditional model of the auditor's report because of its standardized structure and wording and thus ask for additional, more company-specific information in the auditor's report (Mock *et al.*, 2013; Vanstraelen *et al.*, 2012). In contrast to previous amendments of the auditor's report which mainly refer to structure and wording changes, the disclosure of KAMs offers information on specific risks and procedures of an audit for the first time. As KAMs disclose audit-specific information for external users, we extend prior literature providing insight about the impacts of this additional content in the auditor's report on the audit expectation gap.

The paper proceeds as follows. The next section gives an overview of the related regulatory developments. Section 3 provides a literature review and the development of the hypotheses and research questions. Section 4 continues with the description of the research method, while the results are presented in Section 5. The last section summarizes and discusses these results.

4.3 Regulatory developments

Recently, numerous standard setters and regulators have initiated projects to enhance the auditor's reporting model (the IAASB, the European Commission, and the PCAOB). With the project 'auditor reporting', the IAASB intends to improve the transparency of the audit and to increase the communication between auditors and financial statement users. In 2006, the project was initiated by issuing research assignments relating to perceptions and assessments of the auditor's report. On 15 January 2015, the IAASB concluded its project with the release of the final version of the new and revised ISAs (IAASB, 2015b). The most considerable change for mandatory audits of the financial statements of listed entities is the disclosure of KAMs in the auditor's report. According to the new ISA 701, the auditor has to identify matters which were most significant in the audit reporting them in a separate section of the auditor's report referred to as 'Key Audit Matters'. The description of every individual KAM will address why the matter was of most significance and how the matter was addressed in the audit (e.g. overview of audit procedures). Further, the auditor will provide a reference to the related disclosure(s), if any, in the financial statements (ISA 701.13). Similarly, the European Commission also identified the necessity to enhance the auditor's report model. During the financial crisis, large sections of the public expressed a lack of understanding on why despite an unqualified auditor's opinion, numerous of companies suddenly made enormous losses. Hence, the European Commission decided to initiate amendments to improve the communication between financial statement users and auditors. The corresponding EU-regulation (No. 537/2014) requires inter alia a description of significant risks of material misstatement, a summary of audit procedures referring to those risks and if necessary, key observation arising with respect to those risks (European Parliament and European Council of the European Union, 2014). This disclosure of significant risks is comparable to the disclosure of KAMs required by the ISA 701. In the US, the Public Company Accounting Oversight Board (PCAOB) adopted new standards on the auditor's report on 1 June 2017 (PCAOB, 2017). The new auditor reporting standard, AS 3101, "The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion", includes the communication of Critical Audit Matters. Critical Audit Matters are matters which are communicated to the audit committee, which relate to material accounts in the financial statements, and involve challenging auditor judgment. Further elements are the disclosure of the auditor tenure and several other improvements to clarify the auditor's role. Provisions will take effect for audits of fiscal year ending on or after 30 June 2019 for large accelerated filers and for fiscal years ending on or after 15 December 2020 for all other companies to which the requirements apply.

Although the new requirements of the different standard setters and regulators vary in some details, overall, the initiatives all result in an expanded auditor's report with the disclosure of specific information about the audit. Regarding the outstanding position of the IAASB as a global standard setter, whose auditing standards were adopted in over 100 countries, the project of the IAASB is of particular interest. Hence, we use the requirements of the ISA 701 for our experimental design.[28]

[28] In Germany, where this study was undertaken, the new reporting standards related to KAM disclosures were effective for audits of financial statements of Public Interest Entities for periods beginning after June 16, 2016. However, some companies decided in advance to disclose KAMs according to ISA 701 voluntarily. During the time period in which the study was conducted, KAM disclosures had been adopted by some companies but were not yet mandatory.

4.4 Literature review and research questions

4.4.1 Existence of the audit expectation gap (H1)

Liggio (1974) was the first to apply the term ‘expectation gap’ to auditing. Four years later, the Commission on Auditor’s Responsibilities (Cohen Commission) was charged to “consider whether a gap may exist between what the public expects or needs and what auditors can and should reasonably expect to accomplish” (Commission on Auditors' Responsibilities, 1978). While the term audit expectation gap is commonly used to describe the gap between auditors’ and financial statement users’ perceptions, the term ‘information gap’ is more specific describing: “[…] the divide between what users believe is necessary to make informed investment and fiduciary decisions, and what is available to them through the entity’s audited financial statements, the auditor’s report, or other publicly available information” (IAASB, 2011). In addition to the expectation and information gap, literature refers to another related gap termed as ‘communication gap’, which describes the mismatch between what the auditor intends to communicate and what is understood by the financial statement user (Asare and Wright, 2012; Mock *et al.*, 2013). Research shows that the message auditors think to communicate with an unqualified opinion is often different to what financial statement users perceive (Gray *et al.*, 2011; Turner *et al.*, 2010). Standard setters and regulators are interested in reducing the expectation gap between auditors and financial statement users, since overdrawn expectations in auditor’s responsibility and the audited financial statement can result in poor investment decisions and an increased risk of the auditor’s liability (Asare and Wright, 2012; Lowe, 1994). Therefore, the audit expectation gap has a central role in accounting research providing insights about the existence of this gap and impacts of change. Overall, empirical studies show that the audit expectation gap is a far-ranging phenomenon which appears independent of time and nation. Various international studies provide evidence on the existence of the audit expectation gap mainly in Anglo-Saxon countries like United Kingdom (Humphrey *et al.*, 1993), Australia (Gay *et al.*, 1997), New Zealand (Porter *et al.*, 2012a) and Asian countries like China (Lin and Chen, 2004), Malaysia (Fadzly and Ahmad, 2004), Saudi-Arabia, (Haniffa and Hudaib, 2007) and Singapore (Best *et al.*, 2001). Other studies also document the audit expectation gap in Europe (Gold *et al.*, 2012) and Africa (Dixon *et al.*, 2006).

One of the earlier studies was conducted in the 1970s. Beck (1974) examined the audit expectation gap in Australia asking participating shareholders and auditors to assess statements about their expectations of auditor's work. Findings revealed that shareholders had higher expectations of auditors than the auditors themselves. In the 1990s, several studies followed. Humphrey et al. (1993) provided evidence on the existence of the audit expectation gap with a questionnaire survey in which auditors, accountants, financial directors, investment analysts, bankers, and financial journalists participated. Results demonstrated that the audit expectation gap exists on a variety of aspects like the auditor's role in relation to fraud, the extent of auditor's responsibility to third parties, the nature of the balance sheet valuation and the strength of auditor's independence and auditor's ability to cope with risk and uncertainties. Furthermore, Epstein and Geiger (1994) found an expectation gap between auditors and investors regarding the level of assurance provided in an audit, while Lowe (1994) found a wide gap among auditors and judges regarding their expectations on the auditing profession. Porter (1993) defined and examined different components of the audit expectation gap. Therefore, Porter distinguished between a 'reasonableness gap' (a gap between what society expects auditors to achieve and what they can reasonably be expected to accomplish) and a 'performance gap' (a gap between what society can reasonably expect auditors to accomplish and what they are perceived to achieve). The performance gap is further subdivided into deficient standards and deficient performance of the auditor. In an experimental study conducted in New Zealand in 1989, Porter found that 50% of the gap is attributed to deficient standards, 34% derived from unreasonable expectations and 16% resulted from perceived sub-standards performance by auditors. McEnroe and Martens (2001) compared audit partners' and investors' perceptions of auditor's responsibilities involving different dimensions of the attest function and confirmed the existence of the audit expectation gap.

More recently, (Porter *et al.*, 2012b) replicated their study in New Zealand to compare the development of the different components of the audit expectation gap between 1989 and 2008. Their results reveal a narrowed deficient performance gap but an increase in society's unreasonable expectations. In Germany, Ruhnke and Schmidt (2014) surveyed auditors and major groups of internal and external stakeholders and confirmed exaggerated expectations of auditor's responsibilities. To summarize, the literature review provides substantial evidence of a persisting expectation gap between financial statement users and auditors for years. As such, we also expect that the likelihood of KAM disclosures narrowing the expectation gap is rather small. Therefore, we hypothesize that the perception of financial statement users and auditors diverge regarding the auditor's responsibilities, management's responsibilities, and financial statement reliability. More specifically, we argue that financial statement users perceive auditors to be more responsible than auditors themselves and in turn that financial statement users ascribe less responsibility to the management than auditors do. Furthermore, given the higher knowledge level, auditors are likely to ascribe less reliability to audited financial statements compared to financial statement users.

> **H1:** Users receiving an unqualified auditor's report ascribe relatively more responsibility to the auditor (less responsibility to the management) and more reliability to financial statements than auditors do.

4.4.2 Effects of Key Audit Matters on the audit expectation gap (RQ1)

Given the intention of KAMs, the revised auditor's report should lead to a reduction of the audit expectation gap. The gap is reflected in the fact that auditors are constantly criticized whenever a company fails after receiving an unqualified audit opinion. One reason for these accusations is the social function of the audit: financial statement users have certain expectations toward the audit and the auditor's services that, however, exceed the auditor's performance (Ruhnke and Schmidt, 2014). These exaggerated expectations are due to a lack of knowledge about the content and scope of an audit of the addressees, which results inter alia from an insufficient communication of specific audit procedures and findings in the auditor's report. The auditor's report is the only written direct communication instrument between auditors and financial statement users. However, the format and wording of the auditor's report is strongly standardized and described as 'boilerplate pass/fail model' (Church *et al.*, 2008; Mock *et al.*, 2013), since the auditor can only choose between an unqualified opinion and modified opinions.[29] Most public companies receive an unqualified opinion, hence nearly all public companies have almost similar auditor's reports (Lennox, 2005; Mock *et al.*, 2013). Consequently, the benefit of the auditor's report for investors' decisions is perceived as very limited (Turner *et al.*, 2010). Furthermore, this standardized model mainly focuses on the audit opinion on why investors might be insufficiently informed about specific audit procedures and risks.

[29] An auditor can modify an unqualified opinion if the financial statements as a whole are not free from material misstatements or the auditor is unable to evaluate this. The ISA 705 distinguishes between three types of modified opinions: the qualified opinion, the disclaimer opinion, and the adverse opinion.

The disclosure of KAMs in the auditor's report may reduce the audit expectation gap for the following reasons. First, the new auditor disclosure requirements provide audit-specific information: financial statement users receive additional information about contents of the audit, significant findings, and audit procedures. Due to the greater transparency of the audit, they may gain a better understanding of the auditor's work that can help to develop more realistic expectations regarding the responsibilities of an auditor. Second, KAMs emphasize the occurrence of significant risks in the financial statements. The disclosure of KAMs demonstrates that even when the auditor expresses an unqualified opinion, significant risks may still exist. We argue that the actual meaning of an unqualified opinion becomes more evident if financial statement users read an unqualified opinion in which the auditor highlights potential risks. Readers may recognize that despite an unqualified opinion, risks still occur and that the audit only provides a limited level of assurance (e.g. users may become aware that there is no absolute assurance that the financial statements are free from material misstatements). Furthermore, KAMs may assist financial statement users to understand that the auditor is not responsible to eliminate all risks.[30] In total, the disclosure of KAMs can lead to a revision of the financial statement users' expectations concerning the ascribed responsibility toward the auditor and the reliability of the financial statements. Consequently, the reduced information asymmetry through the disclosure of KAMs may lead to a smaller information gap and finally, to a decrease of the audit expectation gap.

However, the disclosure of KAMs in the auditor's report may not change the audit expectation gap. Literature provides ample evidence that former attempts to reduce the audit expectation gap were not successful. In 1988, AICPA's ASB initiated SAS No. 58 that provides a new auditor's report to improve the public understanding of the auditor's role.[31] Kelly and Mohrweis (1989) found that the wording changes in the auditor's report improve the understanding of an audit and that bankers perceive auditors as being less responsible than before. However, investors did not change their expectations about the auditor's responsibility. Monroe and Woodliff (1994) also studied wording changes in the auditor's report. Comparing the old report wording and the modified wording of the

[30] However, as the auditor has to state how the KAM was addressed in the audit, it may leave some readers with the impression that the significant risks were completely eliminated in some cases. This perception would lead to an enlargement rather than a reduction of the expectation gap.

[31] Under SAS No. 58, the auditor's report provides an introductory paragraph including the information that financial statements are the responsibilities of the management whereas the auditor expresses an opinion of these financial statements based on the obtained audit evidence. Additionally, it provides an explanation about the purpose of the audit (AICPA, 1978).

revised AUP3 in Australia, they found a smaller gap in some areas but an increased gap in other areas. Innes et al. (1997) could also merely provide evidence for a movement of the gap as they found a narrowed expectation gap regarding some dimensions while the gap between user's and auditor's perceptions regarding other dimensions increased. Moreover, Hatherly et al. (1991) observed a 'halo effect' whereby the expanded auditor's report leads to a feeling of 'well-being' which might spill over into areas that were not directly addressed in the report. In 2003, the IAASB proposed the ISA 700 auditor's report with the objective to enhance the understanding of the auditor's role and the nature of an audit. The main change was the inclusion of an explanation of the auditor's and management's responsibilities in the auditor's report. Examining the audit expectation gap between shareholders and auditors, Chong and Pflugrath (2008) could not find a significant impact on the audit expectation gap. Consistent with this, Gold et al. (2012) found that the explanations of the ISA 700 auditor's report did not reduce the audit expectation gap. Overall, the evidence suggests that former institutional changes failed in closing the audit expectation gap. While the aforementioned studies investigated the effect of structure and wording changes information in the auditor's report on the expectation gap, recent studies focus on the disclosure of additional and company-specific information. For example, Litjens et al. (2015) examined whether the audit expectation gap can be reduced by addressing the current information needs of bankers. They observed that bankers ask for additional information but that providing this information will not reduce the audit expectation gap. Furthermore, Boolaky and Quick (2016) already found that KAMs do not influence bank directors' perceptions indicating that the provision of additional information about the audit might be ineffective. The extent to which these opposing views prevail keeps an open empirical question which is addressed in this study.

> **RQ1:** Does the presence versus absence of KAMs (according to ISA 701) in an unqualified auditor's report result in a smaller audit expectation gap?

4.5 Research Method

4.5.1 Participants

We conducted a full-factorial – 'KAM present' auditor's report and a 'KAM absent' auditor's report by both auditors and students – between-subjects experiment with participants from Germany. Participating auditors came from various audit firms and participating students were students of accounting courses at a German University.[32]

4.5.2 Measurement of the audit expectation gap

The measurement of the audit expectation gap as the dependent variable is adopted from Gold et al. (2012). Accordingly, three different aspects of the audit expectation gap were assessed: (1) auditor responsibility: the extent to which participants ascribe responsibility for the financial statements toward the auditor; (2) management responsibility: the extent to which participants ascribe responsibility for the financial statements toward the management and (3) financial statement reliability: the extent to which participants ascribe reliability to the audited financial statements. Table 4.1 presents the expectation gap belief scales that the participants received in the survey.

Table 4.1: Expectation gap belief scales

Panel A: Auditor responsibility factor (all item scales range from 1= *strongly disagree* to 7= *strongly agree*)
The auditor's report implies that… …the auditor is responsible for detecting all fraud. (AR1) …the auditor is responsible for the soundness of the internal control structure of the entity. (AR2) …the auditor is responsible for maintaining accounting records. (AR3) …the auditor is responsible for producing the financial statements. (AR4) …the auditor is responsible for preventing fraud. (AR5)
Panel B: Management responsibility factor (all item scales range from 1 = *strongly disagree* to 7 = *strongly agree*)
The auditor's report implies that… …the management is responsible for detecting all fraud. (MR1) …the management is responsible for the soundness of the internal control structure of the entity. (MR2) …the management is responsible for maintaining accounting records. (MR3) …the management is responsible for producing the financial statements. (MR4) …the management is responsible for preventing fraud. (MR5)
Panel C: Financial statement reliability factor (all item scales range from 1 = *strongly disagree* to 7 = *strongly agree*)
Users can have absolute assurance that the financial statements contain no material misstatements. (FSR1) The audited financial statements give a true and fair view of the financial position of the entity. (FSR2) The entity is free from fraud. (FSR3) The audited financial statements comply with accepted accounting practice. (FSR4) The audited financial statements contain no deliberate distortions. (FSR5)

[32] Participants were recruited via email. We hand collected auditors' email addresses from various audit firms' websites. Further, we contacted students who passed an accounting course in the same year or in the year before we conducted our study.

The audited financial statements contain no accidental error. (FSR6)
The audited financial statements have no significant omissions. (FSR7)
The company has kept proper accounting records during the year. (FSR8)
The amounts and disclosures contained in the audited financial statement are credible. (FSR9)

4.5.3 Experimental procedure and manipulations

The experiment was conducted as an online survey which was designed with the software ‘Unipark’. Each participant received an invitation email that included the link to the survey. As the study aims to evaluate the effect of the regulatory changes regarding the communication of KAMs, we compared the new reporting model with KAMs and the traditional model without KAMs. Therefore, the software randomly distributed the two experimental treatments: (1) a shortened version of an unqualified auditor’s report including KAMs and (2) a shortened version of an unqualified auditor’s report without KAMs. All participants received a short introduction of a (fictitious) stock-listed company followed by the balance sheet and the income statement. After this, they read one of the auditor’s report versions. In the ‘KAM present’ condition, participants received an auditor’s report including the audit opinion, a KAM section, and the description of auditor’s and management’s responsibilities. The disclosure of KAMs in the auditor’s report is in accordance with the new ISA 701. The KAMs disclosed in the presented auditor’s report refer to “Goodwill Impairment” and “Pension Provisions”.[33] We chose these subjects as early evidence in the UK shows that goodwill and pensions were two of the most frequently disclosed matters in auditor’s reports (FRC, 2016).[34] The ‘KAM absent’ condition just provides the audit opinion followed by the description of auditor’s and management’s responsibilities (without mentioning KAMs). As the study was conducted in German, an English translation of the company’s description and the two versions of the auditor’s report are provided in the Appendix. After the case description, participants responded to a set of questions relating to their perceptions of the auditor’s responsibility, of the management’s responsibility and the reliability of the financial statements (see questions in Table 4.1). These questions were followed by manipulation check and demographic questions.[35]

[33] The wording of the KAM is based on the auditor’s report from TUI Group 2014/15.
[34] Practical evidence also shows that the disclosure of just one KAM is rather unusual; therefore, we decided to provide two KAMs in the auditor’s report to make the case more realistic.
[35] Participants could not move back and change their answers after moving from one set of questions to the subsequent one. This option was excluded to ensure that participants could not change their answers after reading the manipulation check question. Further, participants were not able to read the auditor’s report

4.6 Results

4.6.1 Sample demographics

Auditors

In total, we received 62 useable responses from auditors.[36] The average auditor was 48.0 years old. They had a mean work experience of 21.7 years and a mean audit experience of 20.1 years. Of the sample of auditors, 55 (88.7%) were male. There were 30 partners, seven directors, 15 senior managers, three managers, and three senior staff auditors. We asked all participants to rate which reputation level they believe the auditing profession holds. On a scale ranging from 1 (low) to 7 (high), auditors perceived the audit profession to hold a fairly high reputation (μ=5.61).[37]

Students

A total of 117 students from a German university responded to our experimental survey.[38] The average student was 22.74 years old. Only 17.1% had general work experience. Of the students, 70 (59.8 %) were male. On a scale ranging from 1 (low) to 7 (high), students had moderate overall knowledge of financial reporting (μ=4.26). Knowledge about auditing was moderate as well (μ=3.51). Finally, students perceived the audit profession to hold a relatively high reputation (μ=5.74) which is consistent with the auditors' perceptions regarding the reputation of the auditing profession. An overview of the demographic information is presented in Table 4.2.[39]

again. This was important to ensure that the participants' true perceptions were reported. Otherwise, it would have been possible to match answers with details in the auditor's report.

[36] We contacted approximately 1,790 experienced auditors via e-mail (3.5% response rate).

[37] As small monetary incentives for participation, we donated for each participation 5 € to a charity organization.

[38] We contacted approximately 1,660 students via e-mail (7.3% response rate).

[39] A previous sample consisted of 90 mainly undergraduate students. We further invited postgraduate students to participate in our study and used this extension to request some more demographic information: the 27 postgraduate students participating in the study completed on average 2.6 accounting courses and 1.9 finance courses. In total, they indicated to monitor the stock market several times a month and deal with financial reports several times a year. 37% of the students had experience in investment activities. On a scale ranging from 1 (low) to 7 (high), they had moderate overall knowledge of KAMs (μ=3.41). We tested if there is a difference in response behavior between the two groups of students. For all three dimensions of the expectation gap, we found robust results; thus, we decided to include both groups to our sample.

Table 4.2: Demographic information

Auditors						
Variable	**N**	**M**	**SD**	**Min**	**Max**	**Mdn**
AGE	62	48	7.40	33	73	48
GENDER	62	1.11	0.31	1	2	1
WORK_EXP	62	21.69	6.64	8	40	21
AUD_EXP	62	20.14	6.55	8	35	20
REPUTATION	62	5.61	1.08	3	7	6
Students						
Variable	**N**	**M**	**SD**	**Min**	**Max**	**Mdn**
AGE	117	22.74	2.109	19	29	23
GENDER	117	1.40	0.49	1	2	1
WORK	117	1.83	0.38	1	2	2
ACC_EXPERT	117	4.26	1.02	2	6	4
AUD_EXPERT	117	3.50	1.24	1	6	3
REPUTATION	117	5.74	1.04	3	7	6

AGE: Age of participant; GENDER: Male = 1/Female = 2; WORK_EXP: work experience in years; AUD_EXP: audit experience in years; REPUTATION: Assessment of auditor's reputation on a 7-point Likert scale; WORK: Yes = 1/No = 2 worked before starting studies; ACC_EXPERT: Self-assessed expertise with accounting issues on a 7-point Likert scale; AUD_EXPERT: Self-assessed expertise with audit issues on a 7-point Likert scale.

To ensure that the participants were fully engaged in the task, we asked them to self-assess their reading intensity regarding the auditor's report. Therefore, we included the question "How intensively have you read the auditor's report of yourAudio AG?" with the following response options: (a) did not read them/ skipped it; (b) scanned it/ read it diagonally; (c) read them fairly thoroughly (word by word/ number by number); and (d) read them very thoroughly (e.g. several times/ tried to memorize). We excluded nine responses as seven students and two auditors declared not to have read the auditor's report at all. Further we excluded one response due to incomplete data.[40]

[40] Results do not change if we maintain the four responses in the sample.

To test for non-response bias, we utilized late responses as surrogates for non-responses. Early and late responses were compared for all three dimensions of our expectation gap scale by performing t-tests. Results revealed no significant differences between early and late respondents ($p>0.1$), indicating that our findings were not driven by non-response bias.

4.6.2 Manipulation checks and verification of the theoretical construct

Our experimental materials also included manipulation checks to verify the effectiveness of the manipulation of the presence versus absence of KAMs in the auditor's report. We asked participants about the extent to which they agreed with the statement "The auditor's report provided in the case materials explicitly described Key Audit Matters" (scale from 1 = strongly disagree to 7 = strongly agree). We found that participants receiving a KAM section in the auditor's report recognized that they had received it, compared to those participants who did not receive it. The overall mean response was 5.82 for the 'KAM-present' treatment and 3.22 for the 'KAM-absent' treatment. The means are significantly different ($p<0.001$), indicating a successful manipulation. The manipulation check was also successful when considering the individual groups (students and auditors) separately (both $p<0.001$).

In this study, three dimensions of the audit expectation gap are measured (i.e. auditor responsibility, management responsibility, and financial statement reliability). We calculated Cronbach's alphas to ensure the internal consistency and reliability of the scales. Analysis reveals acceptable Cronbach's alphas (0.78 for auditor responsibility, 0.70 for management responsibility, and 0.78 for financial statement reliability), which indicates a high degree of consistency of the underlying construct.[41] Therefore, we use average indices for each of the three constructs instead of using the individual items.

4.6.3 Main Results

H1 predicts that the perception of auditors and financial statement users about the auditor's report differs significantly in three dimensions: (1) the responsibility ascribed toward the auditor, (2) the responsibility ascribed toward the management, and (3) the reliability ascribed to the audited financial statements. Tables 3-5 present means and t-

[41] Following Cortina (1993), alphas greater than 0.70 can be interpreted as acceptable.

test results to the three dimensions of the expectation gap belief scale.[42] To test H1, we used only the observations that were provided by respondents in the treatment condition of the 'KAM present' auditor's report.[43] Upcoming tests of RQ1 (see tables 6-8) will incorporate all responses including the data from the auditor's report version without KAMs.

Existence of the Audit Expectation Gap (H1)

We conducted three different t-tests according to the three dimensions we used to measure the audit expectation gap. First, we conducted a t-test with the 'auditor responsibility' index as the dependent variable and 'group' (auditor and student) as the independent variable (see Table 4.3). There is a significant difference between the two groups regarding the responsibility ascribed to auditors ($p<0.001$). Results reveal that auditors' mean responsibility rating of 1.55 is significantly lower than the mean responsibility ratings of students (3.43).[44] These findings clearly support H1, indicating that financial statement users ascribe a higher responsibility for the financial statements to auditors, in comparison to auditors themselves.

Table 4.3: Test of H1 (auditor responsibility)

Means for auditor responsibility index			
Group	**Mean**	**SE**	**N**
Auditor	1.55	0.15	30
Student	3.43	0.15	53
Difference	2.02	t = 8.34; p-value = 0.000***; df = 81	
Dependent variable: Auditor responsibility (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 ("strongly disagree") and 7 ("strongly agree")) *** Significant at 0.01 level (two-tailed)			

[42] We calculate Pearson's correlation coefficients between our three dependent variables 'auditor responsibility', 'management responsibility' and 'financial statement reliability' and the demographic variables in order to identify potential covariates. The results indicate no significant relationships. Therefore, our model includes no covariates.
[43] As a result, the number of observations for testing H1 is 30 for auditors and 53 for students.
[44] Results are equivalent when conducting an ANCOVA (with self-reported reading intensity and perceived audit profession reputation as covariates) instead a t-test. Further, we received equivalent results conducting a two-way MANOVA (with AR1, AR2, AR3, AR4 and AR5 as dependent variables and 'group' (auditor and student) as the independent variable).

Next, we conducted a t-test with the 'management responsibility' index as the dependent variable and 'group' (auditor and student) as the independent variable (see Table 4.4). There is a significant difference between the two groups regarding the responsibility ascribed to the management ($p<0.001$). Results reveal that auditors' mean responsibility rating of 6.29 is significantly higher than the mean responsibility ratings of students (5.38).[45] These findings also clearly support H1 indicating that financial statement users ascribe a lower responsibility for the financial statements to the management, in comparison to auditors.

Table 4.4: Test of H1 (management responsibility)

Means for management responsibility index			
Group	**Mean**	**SE**	**N**
Auditor	6.29	0.17	30
Student	5.38	0.12	53
Difference	-0.97	t = -4.40; p-value = 0.000***; df = 81	
Dependent variable: Auditor responsibility (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 ("strongly disagree") and 7 ("strongly agree")) *** Significant at 0.01 level (two-tailed)			

Moreover, we conducted a t-test with the 'financial statement reliability' index as the dependent variable and 'group' (auditor and student) as the independent variable (see Table 4.5). There is a significant effect of user groups on financial statement reliability ($p<0.05$). Results reveal that auditors' mean financial statement reliability rating of 4.65 is lower than the mean financial statement reliability rating of students (5.08).[46] These findings support H1 indicating that financial statement users ascribe a lower reliability towards financial statements, in comparison to auditors.

[45] Results are equivalent when conducting an ANCOVA (with self-reported reading intensity and perceived audit profession reputation as covariates) instead of a t-test. Further, we received equivalent results conducting a two-way MANOVA (with MR1, MR2, MR3, MR4 and MR5 as dependent variables and 'group' (auditor and student) as the independent variable).

[46] Results are equivalent when conducting an ANCOVA (with self-reported reading intensity and perceived audit profession reputation as covariates) instead of a t-test, except for a different level of significance ($p<0.1$). Further, we received equivalent results conducting a two-way MANOVA (with FSR1, FSR2, FSR3, FSR4, FR5, FRS6, FSR7, FSR8 and FSR9 as dependent variables and 'group' (auditor and student) as the independent variable).

Table 4.5: Test of H1 (financial statement reliability)

Means for financial statement reliability index			
Group	**Mean**	**SE**	**N**
Auditor	4.65	0.19	30
Student	5.08	0.19	53
Difference	0.47	t = 2.07; p-value = 0.041**; df = 81	
Dependent variable: Auditor responsibility (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”)) ** Significant at 0.05 level (two-tailed)			

Effects of KAM disclosure (RQ1)

RQ1 investigates the effects of KAM disclosure on the audit expectation gap. Therefore, we tested whether the presence (versus absence) of KAMs in the unqualified auditor’s report reduces the differences in auditors’ and financial statement users’ perceptions in terms of responsibility ascribed to the auditor, responsibility ascribed to the management, and reliability ascribed to the audited financial statements. Therefore, we conducted three different ANOVAs, but this time, we included all data. Tables 6-8 provide means (Panel A) and ANOVA results (Panel B) for tests of RQ1.

First, we conducted an ANOVA with the ‘auditor responsibility’ index as the dependent variable and ‘group’ (auditor and student) and ‘auditor’s report type’ (’KAM present’ versus ‘KAM absent’) as the independent variables. Table 4.6 shows the means per treatment condition (Panel A) and the ANOVA results (Panel B). As presented in Panel B, neither the main effect of the auditor’s report type (p = 0.607) nor the interaction effect between group and auditor’s report type (p = 0.859) are significant. Consequently, the results indicate that the presence (versus absence) of KAMs in the unqualified auditor’s report does not affect the gap between auditors’ and financial statement users’ perceptions regarding auditor’s responsibilities.[47]

[47] We received equivalent results conducting a two-way MANOVA with AR1, AR2, AR3, AR4, and AR5 as dependent variables and ‘group’ (auditor and student) and ‘auditor’s report type’ (‘KAM present’ versus ‘KAM absent’) as the independent variables.

Table 4.6: RQ1 (auditor responsibility index)

Panel A: Means for auditor responsibility index				
Group	**Report type**	**Mean**	**SE**	**N**
Auditor	KAM present	1.55	0.15	30
	KAM absent	1.60	0.13	32
	Overall	1.57	0.10	62
Student	KAM present	3.43	0.15	53
	KAM absent	3.54	0.14	64
	Overall	3.49	0.10	117
Overall	KAM present	2.75	0.15	83
	KAM absent	2.90	0.14	96
	Overall	2.83	0.10	179

Panel B: ANOVA results for auditor responsibility index			
	df	**F-value**	**p**
Corrected model	3	49.48	0.000
Group	1	146.82	0.000
Report type	1	0.27	**0.607**
Group * Report type	1	0.03	**0.859**
Error	175		

Dependent variable: Auditor responsibility (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”))

Next, we conducted an ANOVA with the ‘management responsibility’ index as the dependent variable and ‘group’ (auditor and student) and ‘auditor’s report type’ (’KAM present’ versus ‘KAM absent’) as the independent variables. Table 4.7 presents the means per treatment condition (Panel A) and the ANOVA results (Panel B). Again, the main effect of the auditor’s report type (p = 0.983) and the interaction effect between group and auditor’s report type (p = 0.532) are insignificant. In conclusion, the results indicate that the presence (versus absence) of KAMs in the ISA 700 auditor’s report does not affect the gap between auditors’ and financial statement users’ perceptions regarding management’s responsibilities.[48]

[48] We received equivalent results conducting a two-way MANOVA with MR1, MR2, MR3, MR4, and MR5 as dependent variables and ‘group’ (auditor and student) and ‘auditor’s report type’ (‘KAM present’ versus ‘KAM absent’) as the independent variables.

Table 4.7: RQ1 (management responsibility index)

Panel A: Means for management responsibility index				
Group	**Report type**	**Mean**	**SE**	**N**
Auditor	KAM present	6.29	0.17	30
	KAM absent	6.38	0.16	32
	Overall	6.34	0.12	62
Student	KAM present	5.38	0.12	53
	KAM absent	5.29	0.12	64
	Overall	5.33	0.09	117
Overall	KAM present	5.71	0.11	83
	KAM absent	5.65	0.11	96
	Overall	5.68	0.08	179

Panel B: ANOVA results for management responsibility index			
	df	**F-value**	**p**
Corrected model	3	16.14	0.000
Group	1	0.24	0.000
Report type	1	0.00	**0.983**
Group * Report type	1	0.39	**0.532**
Error	175		

Dependent variable: Management responsibility (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”))

Finally, we conducted an ANOVA with the ‘financial statement reliability’ index as the dependent variable and ‘group’ (auditor and student) and ‘auditor’s report type’ (‘KAM present’ versus ‘KAM absent’) as the independent variables. Table 4.8 presents the means per treatment condition (Panel A) and the ANOVA results (Panel B). Again, the main effect of the auditor’s report type (p=0.978) and also the interaction effect between group and auditor’s report type (p=0.202) are insignificant. In conclusion, the results indicate that the presence (versus absence) of KAMs in the ISA 700 auditor’s report does not affect the gap between auditors’ and financial statement users’ perceptions regarding financial statement reliability.[49]

[49] We received equivalent results conducting a two-way MANOVA with FSR1, FSR2, FSR3, FSR4, FSR5, FSR6, FSR7, FSR8 and FSR9 as dependent variables and ‘group’ (auditor and student) and ‘auditor’s report type’ (’KAM present’ versus ‘KAM absent’) as the independent variables.

Table 4.8: RQ1 (financial statement reliability index)

Panel A: Means for financial statement reliability index				
Group	**Report type**	**Mean**	**SE**	**N**
Auditor	KAM present	4.65	0.19	30
	KAM absent	4.46	0.21	32
	Overall	4.55	0.14	62
Student	KAM present	5.08	0.11	53
	KAM absent	5.27	0.11	64
	Overall	5.19	0.08	117
Overall	KAM present	4.92	0.10	83
	KAM absent	5.00	0.11	96
	Overall	4.97	0.07	179

Panel B: ANOVA results for financial statement reliability index			
	df	**F-value**	**p**
Corrected model	3	6.69	0.003
Group	1	17.49	0.000
Report type	1	0.00	**0.978**
Group * Report type	1	1.64	**0.202**
Error	175		

Dependent variable: Financial Statement Reliability (Questions measured on a Likert scale from 1 to 7 with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”))

Further analysis

The results presented above indicate that the expectation gap in total is not affected by the disclosure of KAMs in the auditor’s report. However, we do not expect that every item on our underlying expectation gap belief scale is affected by the disclosure of KAMs to the same degree. For example, we expect that KAM disclosures may affect user’s perceptions of the degree of assurance that the financial statements contain no material misstatements (FSR1); however, we do not assume that KAM disclosures actually enlighten users about relative responsibilities for internal control structures (AR2).

Therefore, we examine if a concrete aspect of the expectation gap is affected by KAM disclosures while testing each item on the expectation gap belief scale separately. Descriptive statistics (cell sizes, means, and standard error) for participants’ perceptions regarding every item on the scale are presented in Table 4.9. Surprisingly, we found that an expectation gap does not exist regarding every aspect of the scale; e.g. perceptions between students and auditors regarding FSR7 ("The audited financial statements have no significant omissions"), FSR8 ("The company has kept proper accounting records during the year") and FSR9 ("The amounts and disclosures contained in the audited financial statement are credible") are not significantly different. Further, Table 4.9 shows the difference in auditors' and students' perceptions subdivided into the presence and the absence of KAMs for every item of the expectation gap belief scale. To test if any of these difference in differences is significant, we conducted nineteen ANOVAs with 'group' (auditor and student) and 'auditor's report type' ('KAM present' versus 'KAM absent') as the independent variables and AR1, AR2, […], FSR9 as the dependent variables. However, non-tabulated results indicate that none of these aspects are affected by KAM disclosure (difference in differences is not significant for all nineteen items of the expectation gap belief scale).

Table 4.9: Further analysis

Expectation gap belief scales	KAM present			KAM absent		
Panel A: Auditor responsibility factor (all item scales range from 1= *strongly disagree* to 7= *strongly agree*)	Students n=53	Auditors n=30	Diff	Students n=64	Auditors n=32	Diff
The auditor's report implies that…						
…the auditor is responsible for detecting all fraud. (AR1)	4.57 (0.23)	2.07 (0.28)	2.50***	5.00 (0.22)	2.00 (0.23)	3.00***
…the auditor is responsible for the soundness of the internal control structure of the entity. (AR2)	2.81 (0.19)	1.63 (0.22)	1.18***	2.94 (0.21)	1.72 (0.24)	1.22***
…the auditor is responsible for maintaining accounting records. (AR3)	3.02 (0.24)	1.23 (0.09)	1.79***	2.79 (0.22)	1.44 (0.14)	1.36***
…the auditor is responsible for producing the financial statements. (AR4)	3.98 (0.25)	1.63 (0.25)	2.35***	4.33 (0.25)	1.5 (0.15)	2.83***
…the auditor is responsible for preventing fraud. (AR5)	2.79 (0.27)	1.17 (0.07)	1.63***	2.66 (0.25)	1.34 (0.15)	1.31***
Panel B: Management responsibility factor (all item scales range from 1 = *strongly disagree* to 7 = *strongly agree*)						
The auditor's report implies that…						
…the management is responsible for detecting all fraud. (MR1)	4.25 (0.24)	5.6 (0.34)	-1.35***	3.70 (0.21)	5.81 (0.27)	-2.11***
…the management is responsible for the soundness of the internal control structure of the entity. (MR2)	5.79 (0.16)	6.57 (0.16)	-0.77***	5.56 (0.19)	6.47 (0.21)	-0.91***
…the management is responsible for maintaining accounting records. (MR3)	5.75 (0.20)	6.67 (0.11)	-0.91***	5.88 (0.19)	6.53 (0.14)	-0.66**
…the management is responsible for producing the financial statements. (MR4)	5.28 (0.22)	6.00 (0.34)	-0.72*	5.16 (0.22)	6.38 (0.21)	-1.22***
…the management is responsible for preventing fraud. (MR5)	5.85 (0.19)	6.63 (0.17)	-0.78***	6.16 (0.17)	6.72 (0.12)	-0.56**

Panel C: Financial statement reliability factor (all item scales range from 1= *strongly disagree* to 7= *strongly agree*)						
Users can have absolute assurance that the financial statements contain no material misstatements. (FSR1)	4.55 (0.24)	3 (0.34)	1.55***	5.03 (0.21)	2.78 (0.37)	2.25***
The audited financial statements give a true and fair view of the financial position of the entity. (FSR2)	5.53 (0.19)	5.87 (0.23)	-0.34	5.66 (0.17)	5.69 (0.33)	-0.06
The entity is free from fraud. (FSR3)	4.06 (0.24)	2.5 (0.32)	1.56***	4.63 (0.18)	2.16 (0.22)	2.47***
The audited financial statements comply with accepted accounting practice. (FSR4)	6.09 (0.14)	6.07 (0.25)	0.02	6.14 (0.15)	6.19 (0.24)	-0.05
The audited financial statements contain no deliberate distortions. (FSR5)	5.21 (0.20)	4.8 (0.34)	0.41	5.45 (0.17)	4.22 (0.37)	1.23***
The audited financial statements contain no accidental error. (FSR6)	4.42 (0.25)	3.6 (0.39)	0.82*	4.44 (0.23)	3.25 (0.34)	1.19***
The audited financial statements have no significant omissions. (FSR7)	5.13 (0.20)	5.17 (0.30)	-0.04	5.42 (0.15)	5.28 (0.35)	0.14
The company has kept proper accounting records during the year. (FSR8)	5.32 (0.17)	5.13 (0.33)	0.19	5.16 (0.18)	5.34 (0.32)	-0.19
The amounts and disclosures contained in the audited financial statement are credible. (FSR9)	5.42 (0.14)	5.7 (0.26)	-0.28	5.55 (0.17)	5.25 (0.34)	0.30

All questions are measured on a Likert scale from 1 to 7 with the endpoints 1 (“strongly disagree”) and 7 (“strongly agree”))
*,**,*** Denotes two-tailed significance at 10%, 5%, 1% levels, respectively

4.7 Discussion and Conclusions

This study investigates the effect of the expanded auditor's report with KAMs on the audit expectation gap. An experiment was conducted with accounting students and experienced auditors as participants. Consistent with our predictions, results reveal that financial statement users ascribe significantly higher responsibility toward the auditor than auditors do themselves, indicating a gap between auditors and financial statement users in view of ascribed auditor's responsibilities. Furthermore, we found a significant gap between the perceptions of financial statement users and auditors regarding management responsibility and the ascribed financial statement reliability. Overall, our results suggest that the audit expectation gap still persists and seems to be largest for auditor's responsibilities. Motivated by the recent regulatory developments to enhance the auditor's report model, we empirically assessed the effect of the disclosure of KAMs as required by the new ISA 701 on the audit expectation gap compared to the previous version of the auditor's report without KAMs. Manipulating the auditor's report, we tested if the disclosure of KAMs changes the perception of financial statement users and auditors regarding auditor's responsibilities, management's responsibilities, and financial statement reliability. Our findings indicate that the disclosure of KAMs changes neither the financial statement users' perceptions nor the auditors' perceptions and consequently does not lead to a reduced audit expectation gap. Overall, our results suggest that KAMs aiming to enhance the auditor's report might be less successful than expected in closing the audit expectation gap. Our findings are consistent with the assumption of Litjens et al. (2015), who suggest that the disclosure of additional information in the auditor's report does not affect the audit expectation gap and with Coram and Wang (2020), who provide evidence that disclosing KAMs per se has no effect on the audit expectation gap.[50] Like the previously unsuccessful amendments of changing the wording of the auditor's report, the disclosure of additional information might be ineffective to close the audit expectation gap as well. Another explanation of the unchanged gap refers to the informative value of KAMs. Recently, several studies investigated if the additional information disclosed by KAMs has an actual value for financial statement users (Bédard *et al.*, 2018; Lennox *et al.*, 2019; Sirois *et al.*, 2018). Overall, the experimental studies deliver mixed results

[50] However, the results by Coram and Wang (2020) show that the expectation gap actually increases regarding the perceived reliability of the audited financial report when the audit report includes a KAM that follows an objective (precise) accounting standard.

indicating that the informative value of KAMs might be limited. Hence, perceptions of financial statement users might not have changed because they do not assess KAMs as informative. The disclosure of other additional information which is considered more informative might help to close the audit expectation gap, e.g. the disclosure of the assurance level (Boolaky and Quick, 2016). Further research is needed to evaluate this issue.

Our study is subject to some limitations. First, participants in our study were accounting students representing unsophisticated financial statement users. It might be that other stakeholders, e.g. professional financial statement users such as bankers or financial analysts have different perceptions regarding the responsibilities of auditors and management and financial statement reliability. Accordingly, further research can examine the effect of KAMs on different stakeholder groups. Second, we utilize auditor's perceptions as a benchmark for the normative responsibilities and the financial statement reliability. Auditors may tend to respond strategically to questions regarding their own responsibilities. Moreover, the study is subject to self-selection bias concerns, as the participation in the experiment was voluntary. Our tests for non-response bias did not indicate any bias; however, we cannot exclude that participants who decided not to participate might have different perceptions about the auditor and the audit process. Further limitations refer to the case used in the experiment. The client in the case was an average company operating in electronic industries. It is possible that another specific economic situation or the presentation of a company from another industry might lead to different perceptions. Moreover, we provided an auditor's report disclosing two KAMs (referring to goodwill and pension provisions). First practical experience from the UK shows that on average four KAMs were presented in the auditor's report (FRC, 2016). The disclosure of more KAMs or matters with other contents might have different effects. Therefore, future research can go beyond the examination of the presence versus absence of KAMs and focus on potential effects of different contents of a KAM.

4.8 Appendix

Experimental case with auditor's report manipulation

In the following section, you will obtain information about yourAudio AG and the auditor's report of its financial statements' auditor. Upon reading the case, you will be asked a set of questions.

<u>YourAudio AG</u>

YourAudio AG is a large stock-listed company that manufactures and distributes audio and other multimedia equipment to retailers throughout Europe. YourAudio AG has completed the fiscal year 200x and published the consolidated financial statements, which are outlined in the following:

YourAudio AG **Balance Sheet**			
Assets		Equity and Liabilities	
	In million €		In million €
Non-current assets *Thereof intangible assets*	600 225	Equity	640
Current assets *Thereof cash and cash equivalents* *Thereof accounts and receivables* *Thereof inventory*	490 156 191 143	Liabilities	450
Total assets	1,090	Total equity and liabilities	1,090

YourAudio AG **Income Statement**	
	In million €
Sales	1,300
Cost and expenses	1,201
Operating Profit	**99**
Financial income and expenses	2
Profit before tax	**101**

YourAudio AGs financial statements have been audited by the audit firm M&H for the past three years. In the past, M&H always expressed an unqualified opinion. In the following section, this year's auditor's report of M&H is reproduced:

Independent Auditor's Report

We have audited the accompanying consolidated financial statements for the period from January 1, 200x to December 31, 200x.

In our opinion, the financial statements give a true and fair view of the financial position of yourAudio AG as of December 31, 200x, and of its financial performance and cash flows for the year from January 1, 200x to December 31, 200x, in accordance with IFRS.

[Experimental Manipulation]

[The following italic text was only shown in the 'complete report'- condition:]

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Goodwill Impairment

The yourAudio AG has goodwill of € 225 million. The goodwill must be tested for impairment on an annual basis. The impairment testing relies on a valuation model based on discounted cash flows. The results of this valuation strongly depend on management's judgment about future cash flows as well as the underlying discounting interest rate and are consequently charged with significant uncertainties.

To evaluate the appropriateness of the calculated future interest rates, we compared these statements to the 3-year plan budgets and to sector specific market expectations. Taking into consideration that already small changes of the applied discounted interest rates might have significant effects on the company's value, we assessed the parameters which were used to determine the future interest rates and we audited the calculation scheme. We convinced ourselves that the applied parameters and management's assumptions were comprehensible and correspond to our own expectations.

2. Pension Provisions

The yourAudio AG has pension provisions of € 88.5 million and under the balance sheet item 'other accruals" maintenance and repair provisions of about € 43.3 million. This is in our opinion of significance because recognition and measurement of these items depend strongly on management's judgment.

Considering that estimated values lead to a high risk of false statements, we considered the appropriateness of the valuation inter alia by comparing these values against historical trends and agreeing them to contractual terms. Our procedures included the consideration of the valuation parameters used to calculate the pension provisions involving our internal experts and the calculation of the expected maintenance costs for machines. We concluded that management's assumptions were acceptable and adequately documented.

Management's responsibility for the financial statements

The management of the company is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the European Union. This responsibility includes designing, implementing, and maintaining internal controls relevant to fair presentation of the financial statements, which are to be free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

M&H (Public Accounting Firm)

5 Key Audit Matters: Qualitätssteigerung für den Bericht des Aufsichtsrats? – Eine empirische Analyse der Aufsichtsratsberichte der DAX-, MDAX- und SDAX-Unternehmen 2017 –

5.1 Publikationsdetails

Zusammenfassung: Die diesem Beitrag zugrunde liegende Studie untersucht potentielle Auswirkungen der im Bestätigungsvermerk des Abschlussprüfers veröffentlichten Key Audit Matters auf den Bericht des Aufsichtsrats. Eine inhaltsanalytische Auswertung zeigt, dass weniger als zwei Drittel der Aufsichtsräte KAM in ihren Berichten würdigen. Da selbst im Fall einer Thematisierung nur geringfügig auf die KAM-Berichterstattung Bezug genommen wird, kann nicht von einer Qualitätssteigerung des Aufsichtsratsberichts ausgegangen werden.

Koautoren: Michelle Höfmann, Prof. Dr. Christiane Pott

Stichwörter: Key Audit Matters, Bericht des Aufsichtsrats, Corporate Governance

Publikationsstatus: *KoR, Zeitschrift für internationale und kapitalmarktorientierte Rechnungslegung* (2019), 09: 386-393.

5.2 Einleitung

Als Reaktion auf die globale Finanz- und Wirtschaftskrise des Jahres 2008 wurde auf europäischer Ebene ein umfassendes Regulierungspaket zur gesetzlichen Abschlussprüfung, bestehend aus einer Verordnung (EU-Verordnung Nr. 537/2014) und einer Änderungsrichtlinie (RL 2014/56/EU) zur EU-Abschlussprüferrichtlinie von 2006 (RL 2006/43/EG), erlassen. Die Umsetzung in deutsches Recht mündete in die Verabschiedung des Abschlussprüfungsreformgesetzes (AReG), welches seit dem 17.06.2016 in Kraft ist. Neben anderen wesentlichen Neuerungen wurde die Erweiterung des Bestätigungsvermerks, insb. die Ergänzung von besonders wichtigen Prüfungssachverhalten (Key Audit Matters – KAM), für Unternehmen von öffentlichem Interesse (Public Interest Entities – PIE)[51] beschlossen.[52] Ziel dieser Verpflichtung ist die Schaffung von Transparenz über die gesetzliche Abschlussprüfung, wodurch das Vertrauen der Abschlussadressaten in die veröffentlichten Informationen zurückgewonnen werden soll.[53] Darüber hinaus soll der Informationsgehalt des Bestätigungsvermerks ausgeweitet werden, um die Entscheidungsnützlichkeit des Testats zu erhöhen.[54]

Diese als KAM veröffentlichten Prüfungsschwerpunkte stehen auch im Fokus des Aufsichtsrats, der nach § 171 Abs. 1 AktG für die Prüfung von Jahres- und Konzernabschluss verantwortlich ist. In seinem Bericht nimmt der Aufsichtsrat Stellung zu dem Ergebnis der entsprechenden Prüfung durch den Abschlussprüfer. Es wäre daher verwunderlich, wenn der Aufsichtsrat die im Fokus der Abschlussadressaten stehenden KAM in seinem Bericht über das Ergebnis der Prüfung nicht erwähnt und keine weiteren Erläuterungen bezüglich Prüfungsmethodik und -ergebnissen vornimmt.[55]

Da Untersuchungen zur der bisherigen Berichtspraxis des Aufsichtsrats auf Defizite hinsichtlich Qualität und Informationswert für Abschlussadressaten hindeuten[56], könnte

[51] Unternehmen, die nicht von öffentlichem Interesse i.S.d. § 319a Abs. 1 Satz 1 HGB sind, können durch explizite Beauftragung ebenfalls die Berichterstattung über besonders wichtige Prüfungssachverhalte im Bestätigungsvermerk vereinbaren (IDW PS 400 n.F., Tz. A46).
[52] IDW Prüfungsstandard 401 (Mitteilung besonders wichtiger Prüfungssachverhalte im Bestätigungsvermerk) setzt den internationalen Prüfungsstandard ISA 701 unter Berücksichtigung der Vorgaben der EU-Verordnung sowie der deutschen gesetzlichen Besonderheiten um (IDW PS 401, Tz. 6).
[53] Vgl. Velte, KoR 2017 S. 434.
[54] Vgl. Quick, IRZ 2016 S. 231.
[55] Vgl. Bortenlänger, Audit Committee Quarterly – extra 2015 S. 21.
[56] Vgl. u. a. Berndt/Offenhammer/Luckhaupt, ZCG 2011 S. 14; Velte, RWZ 2010 S. 164; Theisen/Linn/Schöll, DB 2007 S. 2493.

die Kommunikation über KAM zu einer intensiveren und informativeren Berichtsgrundlage beitragen. Sofern der Aufsichtsratsbericht als „Instrument der Investor Relations“[57] interpretiert und genutzt wird, können KAM als Beleg für eine gute und vollständige Überwachungstätigkeit fungieren. Ob diese Chance von den Aufsichtsräten erkannt und genutzt wird, um den Informationsmissstand über die Aufsichtsratstätigkeit zu beheben, ist Gegenstand dieser Analyse.

Ziel dieses Beitrags ist es daher, einen ersten Einblick in die Kommunikation über KAM im Bericht des Aufsichtsrats zu gewähren, um mögliche Parallelen zwischen der Berichterstattung des Abschlussprüfers und der Berichterstattung des Aufsichtsrats aufzudecken. Hierzu werden mittels inhaltsanalytischer Methoden die Aufsichtsratsberichte der DAX-, MDAX- und SDAX-Unternehmen zum Geschäftsjahr 2017 bzw. 2016 in Hinblick auf die KAM untersucht und deren Informationsqualität mithilfe eines Kategoriensystems ausgewertet und analysiert.

5.3 Die Rolle des Aufsichtsrats im Rahmen der Jahresabschlussprüfung

5.3.1 Theoretische Fundierung mithilfe der Principal-Agent-Theorie

Für die Einordnung der Rolle des Aufsichtsrats im Rahmen der Abschlussprüfung kommt der doppelstufigen Principal-Agent-Theorie nach *Tirole* (1986) eine zentrale Bedeutung zu. In diesem theoretischen Ansatz wird das Grundmodell der einstufigen Agency-theoretischen Betrachtung um eine dritte Partei, dem sog. Supervisor, erweitert.[58] In Hinblick auf das dualistische System der Unternehmensverfassung in der deutschen Aktiengesellschaft fungiert der Aufsichtsrat als Supervisor, der gleichzeitig als Prinzipal des Vorstands und Agent der Hauptversammlung agiert.[59] Die Fehlanreize der einstufigen Principal-Agent-Theorie lassen sich somit auf den Aufsichtsrat übertragen. So verfügt der Aufsichtsrat in seiner Funktion als Aufsichtsorgan über einen Informationsvorsprung gegenüber der Hauptversammlung (bspw. aufgrund von Hidden Characteristics und Hidden Information), woraus die Gefahr einer Adverse Selection sowie des Moral Hazard resultiert.[60] Eine offensive Berichterstattung des Aufsichtsrats erleichtert die Kontrolle seitens der Investoren und trägt zu einer Reduktion der Agency-Kosten bei. Somit zielt

[57] Schichold/Grimberg, AR 2007 S. 103.
[58] Vgl. Tirole, Journal of Law, Economics, & Organization 1986 S. 181-214.
[59] Vgl. Velte, zfbf 2009 S. 703.
[60] Vgl. Velte/Weber, BFuP 2011 S. 223.

der Abbau von Informationsasymmetrien durch eine transparente Berichterstattung des Aufsichtsrats auf die Minimierung des Principal-Agent-Konflikts ab.[61]

Dem Abschlussprüfer kommt in der Agency-Theorie eine Doppelfunktion zu: So lässt sich die Beziehung zwischen Abschlussprüfer und Hauptversammlung mit der sog. „Gatekeeper-Funktion" beschreiben, während der Abschlussprüfer gleichzeitig als Gehilfe des Aufsichtsrats agiert.[62] In dieser Gehilfenfunktion fördert der Abschlussprüfer den Abbau von Informationsasymmetrien als unabhängige Kontrollinstanz[63], die von den Aktionären bestellt wird (§ 119 Abs. 1 Nr. 4 AktG). Die Einführung der KAM im Bestätigungsvermerk soll zur Reduktion der Informationsasymmetrien zwischen Investoren und den Unternehmensorganen in Hinblick auf die Abschlussprüfung beitragen und somit die Verhandlungsmacht der Aktionäre stärken.

5.3.2 Bericht des Aufsichtsrats

Die zentrale Aufgabe des Aufsichtsrats besteht gem. § 111 Abs. 1 AktG in der Überwachung der Geschäftsführung in Hinblick auf die Recht- und Ordnungsmäßigkeit der ausgeführten Aktivitäten. Ein wesentlicher Aspekt dieser Überwachungsfunktion besteht in der Verpflichtung, Jahresabschluss, Lagebericht sowie Gewinnverwendungsvorschlag und ggf. Konzernabschluss sowie Konzernlagebericht zu prüfen (§ 171 Abs. 1 Satz 1 AktG).

Der Aufsichtsrat ist in diesem Zusammenhang gesetzlich dazu verpflichtet, schriftlich über das Ergebnis seiner Prüfung an die Hauptversammlung zu berichten. In dem Bericht des Aufsichtsrats ist auch darauf einzugehen, wie der Aufsichtsrat die Geschäftsführung der Gesellschaft geprüft hat, ob er den Jahresabschluss billigt und ggf. wie das Ergebnis der von einem externen Abschlussprüfer durchgeführten Prüfung ausfällt (§ 171 Abs. 2 AktG). Diese Vorschrift des AktG bildet demnach die Schnittstelle zwischen dem vom Abschlussprüfer ausgestellten Bestätigungsvermerk und dem Bericht des Aufsichtsrats. Die Stellungnahme zu dem Ergebnis der Prüfung durch den Abschlussprüfer fiel bisweilen eher standardisiert aus.[64] Dies konnte zum einem darauf zurückgeführt werden, dass auch der Bestätigungsvermerk formelhaft ausgestellt war[65] und somit keinen

[61] Vgl. Velte, zfbf 2009 S. 703.
[62] Vgl. Velte/Weber, BFuP 2011 S. 223 f.
[63] Vgl. Hillmer, ZCG 2014 S. 35.
[64] Vgl. Theisen/Linn/Schöll, DB 2007 S. 2500.
[65] Vgl. Rohatschek/Aschauer, WPg 2018 S. 1275.

individuellen Spielraum für weitergehende Erläuterungen zuließ. Zum anderen geht die h.M. davon aus, dass ausführliche Erläuterungen erst notwendig sind, wenn Meinungsverschiedenheiten zwischen Geschäftsführung und Aufsichtsorgan bestehen oder das Testat nur eingeschränkt erteilt oder versagt wird.[66] Eine gegensätzliche Sichtweise fordert auch bei einem uneingeschränkten Bestätigungsvermerk bei besonders kritischen Bilanzierungsthemen eine Stellungnahme durch den Aufsichtsrat.[67] Da KAM definitionsgemäß Sachverhalte mit erhöhtem Fehlerrisiko thematisieren, sollte demnach unabhängig vom Testat eine weiterführende Erörterung durch den Aufsichtsrat in seinem Bericht erfolgen.[68]

5.3.3 Bisherige empirische Forschungsergebnisse

Bisherige Forschung zu der Berichterstattung des Aufsichtsrats lässt auf eine bis dato anhaltende unzureichende Informationslage schließen. So zeigt eine empirische Analyse der Aufsichtsratsberichte der DAX-, MDAX-, und SDAX-Unternehmen zum Geschäftsjahr 2005 von *Theisen/Linn/Schöll*, dass nur wenige Aufsichtsräte relevante Informationen über Form, Struktur und Inhalt ihrer Tätigkeit preisgeben. Es wird außerdem deutlich, dass Routinefehler Einzug in die Berichte finden.[69] Untersuchungen von *Velte* können Defizite in der Berichterstattung des Aufsichtsrats bestätigen. So deckt die Analyse der Geschäftsberichte 2006/07 von DAX-, TecDAX- und SDAX-Unternehmen Berichterstattungsdefizite hinsichtlich der Zusammenarbeit von Abschlussprüfer und Aufsichtsrats auf.[70] Zusätzlich werden Defizite bei der Corporate-Governance-Berichterstattung von DAX-, MDAX- und SDAX-Unternehmen im Geschäftsjahr 2007 bzw. 2006/07 insb. im Rahmen der Berichterstattung des Aufsichtsrats zur Unabhängigkeit, zu Fachkenntnissen sowie zur Prüfungsmethodik festgestellt.[71] Auch die Untersuchung von in Deutschland und Österreich gelisteten deutschen Aktiengesellschaften des Geschäftsjahrs 2007 bzw. 2007/08 deckt erhebliche

[66] Vgl. Buhleier/Krowas, DB 2010 S. 1169; Hölters/Waclawik, AktG, 3. Aufl. 2017, § 171 Rn. 21.; Hennrichs/Pöschke, in: Goette/Habersack (Hrsg.), MüKoAktG, 4. Aufl. 2018, § 171 Rn. 206 f.; Hüffer/Koch, AktG, 13. Aufl. 2018, § 171 Rn. 22.
[67] Vgl. OLG Stuttgart vom 15.03.2006 – 20 U 25/05; Theisen/Linn/Schöll, DB 2007 S. 2500; Engelshove/Lindner, AR 2017 S. 88 f.
[68] Vgl. Engelshove/Lindner, AR 2017 S. 88 f.
[69] Vgl. Theisen/Linn/Schöll, DB 2007 S. 2493.
[70] Vgl. Velte, AG 2009 S. 109.
[71] Vgl. Velte, zfbf 2009 S. 702.

Berichterstattungslücken in Hinblick auf die Arbeitsweise und Prüfungstätigkeit von Prüfungsausschüssen in der Corporate- Governance-Berichterstattung auf.[72]

Berndt/Offenhammer/Luckhaupt fokussieren die Berichterstattung über die Zusammenarbeit des Abschlussprüfers mit dem Prüfungsausschuss zum Geschäftsjahr 2008. Die Ergebnisse zeigen, dass die Berichterstattung bei DAX-Unternehmen deutlich umfangreicher ist, während im MDAX weniger offen über das Zusammenspiel von Prüfungsausschuss und Abschlussprüfer berichtet wird. Zwar zeigt ein Vergleich mit der ähnlichen Untersuchung aus dem Vorjahr von *Velte* eine Verbesserung des Umfangs der Berichterstattung insb. hinsichtlich Aussagen zur Einholung einer Unabhängigkeitserklärung sowie zur Abgabe des Wahlvorschlags an die Hauptversammlung, jedoch werden weiterhin erhebliche Berichterstattungslücken konstatiert.[73]

Ergänzend dazu liefert eine weitere Untersuchung von *Velte* Erkenntnisse über Einflüsse des BilMoG auf die Berichterstattung des Aufsichtsrats. Ein Vergleich der Geschäftsberichte von HDAX- und SDAX- Unternehmen von 2007 (vor BilMoG) und 2009 (nach BilMoG) zeigt indexübergreifend eine marginale Verbesserung der Berichtsquote.[74] Der Trend einer leichten Verbesserung des Umfangs der Berichterstattung zeichnet sich auch in einer jährlich durchgeführten Studie des KCU KompetenzCentrum für Unternehmensführung & Corporate Governance der FOM Hochschule ab, in der die Arbeitsweise, Transparenz und Zusammensetzung deutscher Aufsichtsräte von DAX- und MDAX-Gesellschaften analysiert wird.[75] Im Laufe der Zeit konnte eine Verbesserung der Transparenz, u. a. bedingt durch höhere Transparenzanforderungen[76], festgestellt werden (durchschnittlicher Score der Dimension Transparenz[77] 2017: DAX-Unternehmen 60,7%, MDAX-Unternehmen 49,3%[78] im Vergleich zum Jahr 2012: DAX-Unternehmen 43,4%, MDAX-Unternehmen 30,2%[79]). Allerdings konnten auch hier weiterhin erhebliche Unterschiede zwischen den

[72] Vgl. Velte, RWZ 2010 S. 164.
[73] Vgl. Berndt/Offenhammer/Luckhaupt, ZCG 2011 S. 139-141.
[74] Vgl. Velte, DB 2011 S. 1173.
[75] Vgl. Ruhwedel, Aufsichtsrats-Score 2017 – Benchmarking der Aufsichtsräte in den DAX- und MDAX-Gesellschaften, FOM KCU Schriftenreihe, Bd. 8 2018 S. 8 f.
[76] Vgl. Ruhwedel, a.a.O. (Fn. 25) S. 6.
[77] Neben dem Bericht des Aufsichtsrats werden auch der Bericht zur Unternehmensführung und Informationen auf den Homepages der Unternehmen zur Ermittlung des Scores hinzugezogen.
[78] Vgl. Ruhwedel, a.a.O. (Fn. 25) S. 24 und S. 28.
[79] Vgl. Ruhwedel, Aufsichtsrats-Score 2012 – Studie zu Effizienz, Besetzung, Transparenz und Vergütung der DAX- und MDAX-Aufsichtsräte, FOM KCU Schriftenreihe, Bd. 1 2012, S. 35.

Gesellschaften festgestellt werden, die insgesamt auf eine defizitäre Berichterstattung hinweisen.

Insgesamt lassen sich deutliche Qualitätsunterschiede in der Berichterstattung des Aufsichtsrats hinsichtlich der Indexzugehörigkeit konstatieren. So verdeutlichen die Studienergebnisse, dass die Berichterstattung von im DAX gelisteten Unternehmen eine höhere Qualität aufweist im Vergleich zu MDAX- und SDAX-Unternehmen. Jedoch lassen sich auch hier Informationsdefizite in der Berichterstattung beobachten, welche mit den Jahren zwar abgebaut, jedoch nicht vollständig eliminiert werden konnten.

5.4 Der neue Bestätigungsvermerk gem. IDW PS 400 n.F.

Gem. § 322 Abs. 1 Satz 1 HGB ist das Ergebnis von Jahres- oder Konzernabschlussprüfungen schriftlich durch den Abschlussprüfer zusammenzufassen und der Öffentlichkeit zugänglich zu machen. Je nach Ergebnis der Prüfung wird zwischen einem uneingeschränkten und einem eingeschränkten Bestätigungsvermerk sowie einem Versagungsvermerk unterschieden (§ 322 Abs. 2 Satz 1 HGB). Auch wenn freie Formulierbarkeit seitens des Gesetzgebers gestattet ist, hat sich die Abgabe eines Formeltestats etabliert. Die Berichtspraxis orientiert sich hierbei stark an den vom IDW veröffentlichten Vorlagen (IDW PS 400 n.F., Anlagen).

Durch Art. 10 der EU-Verordnung Nr. 537/2014 erfährt der Bestätigungsvermerk eine maßgebliche Veränderung. So sind Abschlussprüfer von PIE[80] u. a. dazu verpflichtet, besonders wichtige Prüfungssachverhalte (KAM) im Bestätigungsvermerk für Geschäftsjahre anzugeben, die ab dem 17.06.2016 beginnen.[81]

IDW PS 401, welcher den internationalen Prüfungsstandard ISA 701 „Communicating Key Audit Matters in the Independent Auditor’s Report“ in deutsches Recht transformiert, definiert die Begrifflichkeit der besonders wichtigen Prüfungssachverhalte als „Sachverhalte, die nach pflichtgemäßem Ermessen des Abschlussprüfers am bedeutsamsten in der Prüfung des Abschlusses für den aktuellen Berichtszeitraum waren.“[82] Diese Sachverhalte werden aus allen Sachverhalten auserwählt, die mit dem

[80] Bei PIE handelt es sich um kapitalmarktorientierte Unternehmen i.S.d. § 264d HGB, CRR-Kreditinstitute i.S.d. § 1 Abs. 3d Satz 1 KWG sowie Versicherungsunternehmen i.S.d. Art. 2 Abs. 1 der RL 91/674/EWG.
[81] Verordnung (EU) Nr. 537/2014 des Europäischen Parlaments und des Rates vom 16.04.2014 über spezifische Anforderungen an die Abschlussprüfung bei Unternehmen von öffentlichem Interesse und zur Aufhebung des Beschlusses 2005/909/EG der Kommission (ABlEU Nr. L 158/81 vom 27.05.2014).
[82] IDW PS 401, Tz. 9.

Aufsichtsorgan des Unternehmens während der Prüfung diskutiert wurden. Abb. 5.1 veranschaulicht den Auswahlprozess der KAM im Detail.

Abbildung 5.1: Auswahlprozess der KAM nach IDW PS 401, Abb. 1

Folgende Sachverhalte könnten bspw. als KAM bestimmt werden:

- Sachverhalte, die bei der Erlangung von Prüfungsnachweisen oder bei der Bildung eines Prüfungsurteils herausfordernd für den Abschlussprüfer waren (IDW PS 401, Tz. A16),
- Komplexe Sachverhalte oder mit hohen Schätzunsicherheiten besetzte Entscheidungen der gesetzlichen Vertreter (IDW PS 401, Tz. A17),
- Bedeutsame Ereignisse oder Geschäftsvorfälle, welche nicht zwangsläufig im Abschluss angegeben werden müssen, aber wesentliche Auswirkungen auf diesen haben (z. B. Implementierung eines neuen rechnungslegungsbezogenen IT-Systems) (IDW PS 401, Tz. A21).

Insgesamt soll durch die Ergänzung von KAM im Bestätigungsvermerk die Transparenz in der Abschlussprüfung gesteigert sowie die Aussagekraft des Bestätigungsvermerks durch eine steigende Individualisierung erhöht werden.[83] Inwiefern sich diese Neuerungen auch in einer erhöhten Transparenz in der Berichterstattung des Aufsichtsrats niederschlagen, ist Gegenstand der folgenden Untersuchung.

5.5 Bedeutung der KAM für den Bericht des Aufsichtsrats

Durch die Veröffentlichung von KAM im Bestätigungsvermerk des Abschlussprüfers werden Investoren und weitere Stakeholder umfassend über Sachverhalte informiert, die der Abschlussprüfer aufgrund ihres erhöhten Fehlerrisikos als wesentlich erachtet. Nach § 111 Abs. 2 Satz 3 AktG obliegt dem Aufsichtsrat die Erteilung des Prüfungsauftrags an den Abschlussprüfer, wozu auch die Festlegung der Prüfungsschwerpunkte im Einvernehmen mit dem Abschlussprüfer gehört. Insofern muss sich der Prüfungsausschuss mit den neuen Anforderungen der KAM-Berichterstattung bspw. bei der gemeinsamen Besprechung der Schwerpunkte oder der Fixierung des Prüfungshonorars auseinandersetzen.[84]

Da die KAM aus einem Pool an Sachverhalten ausgewählt werden, die im Vorfeld intensiv mit dem Aufsichtsorgan der Gesellschaft diskutiert wurden (vgl. Abb. 1), sollten sich für die Kommunikation zwischen Aufsichtsrat und Abschlussprüfer keine grundlegenden Änderungen ergeben. Bereits vor der Gesetzesreform war durch die Verknüpfung der Erteilung des Prüfungsauftrags mit der Festlegung von Prüfungsschwerpunkten eine enge Zusammenarbeit zwischen Aufsichtsrat und Abschlussprüfer notwendig.[85] Inwieweit in der Praxis tatsächlich wesentliche Risiken mit dem Abschlussprüfer diskutiert wurden und sich diesen intern im Prüfungsausschuss gewidmet wurde, war nicht einsehbar, da Prüfungsprozess und Aufsichtsratstätigkeit in einer Black Box stattfinden, aus der nur wenige Informationen an die Öffentlichkeit gelangen.[86] Insofern ist für Investoren intransparent, in welchem Umfang Aufsichtsräte ihrer Kontrollfunktion tatsächlich nachgehen. Da der Bericht des Aufsichtsrats das einzige Mittel zur Rechenschaft gegenüber den Aktionären darstellt, ist ebenfalls fraglich,

[83] Vgl. Velte, KoR 2017 S. 441.
[84] Vgl. Velte, KoR 2017 S. 441.
[85] Vgl. Velte, DB 2011 S. 1175.
[86] Vgl. Rose/Mazza/Norman/Rose, Accounting, Organizations and Society 2013 S. 399.

wieso die Aufsichtsräte nicht schon früher die Prüfungsschwerpunkte des Abschlussprüfers in ihrem Bericht berücksichtigt haben.[87]

Die künftige zwingende Offenlegung dieser Risikopositionen im Bestätigungsvermerk könnte jedoch die bisher fehlende, indes dringend gebotene Transparenz über den Prüfungsprozess erzeugen und das steigende Informationsbedürfnis von Investoren befriedigen. Empirische Studien zeigen, dass Investoren den als KAM deklarierten Sachverhalten mehr Aufmerksamkeit zukommen lassen.[88] *Sirois et al.* stellen z. B. mithilfe von eye-tracking Technologie fest, dass Abschlussadressaten die KAM als Orientierungshilfe nutzen und entsprechenden Informationen im Jahresabschluss vorrangig ihre Aufmerksamkeit schenken.[89] Es scheint daher naheliegend, dass die Stakeholder eines Unternehmens nicht nur die Ausführungen der Unternehmensführung zu den kritischen Prüfungsschwerpunkten im Anhang oder Lagebericht, sondern auch die Reaktionen des Aufsichtsrats – als verantwortliches Organ für die Prüfung und Feststellung von Jahres- und Konzernabschluss – nachfragen.[90] Der Aufsichtsrat verfügt mit seinem Bericht lediglich über ein Kommunikationsmedium, um der Öffentlichkeit Informationen über seine Tätigkeiten im abgelaufenen Geschäftsjahr zur Verfügung stellen zu können. Folglich fungiert dieser Bericht nicht nur als Informationsquelle, sondern bildet zudem die zentrale Entscheidungsgrundlage für die Aktionäre in Hinblick auf die Entlastung des Aufsichtsrats.[91] Zudem könnten KAM der Vervollständigung des Berichts des Aufsichtsrats dienen. Berichte gelten als vollständig, wenn sie alle Tatsachen enthalten, die für die Beurteilung der Berichtsbestandteile durch die Berichtsadressaten maßgeblich sind.[92] Die Stellungnahme über die Jahres- und Konzernabschlussprüfung ist gem. § 171 Abs. 2 Satz 3, 5 AktG ein gesetzlich verpflichtender Berichtsbestandteil, sodass KAM als besonders wichtige Prüfungssachverhalte zukünftig für die Beurteilung als wesentlich interpretiert werden könnten. Als Konsequenz könnte der Bericht des Aufsichtsrats als unvollständig wahrgenommen werden.[93]

[87] Vgl. Lutter, AG 2008 S. 1.
[88] Vgl. u. a. Sirois/Bédard/Bera, Accounting Horizons 2018 S. 141; Christensen/Glover/Wolfe, Auditing: A Journal of Practice & Theory 2017 S. 71; Prasad/Chand, Australian Accounting Review 2017 S. 348.
[89] Vgl. Sirois/Bédard/Bera, Accounting Horizons 2018 S. 148.
[90] Vgl. Velte, KoR 2017 S. 441.
[91] Vgl. Schichold/Grimberg, AR 2007 S. 101.
[92] Vgl. Theisen/Linn/Schöll, DB 2007 S. 2493.
[93] Vgl. Vetter, ZIP 2006, S. 260; Theisen/Linn/Schöll, DB 2007 S. 2493.

5.6 Empirische Analyse

5.6.1 Zielsetzung

Die nachfolgende inhaltsanalytische Untersuchung verfolgt zwei Ziele: Zum einen wird dargestellt, inwieweit deutsche Aufsichtsräte börsennotierter Gesellschaften die als KAM deklarierten Sachverhalte in ihrer Berichterstattung berücksichtigen. Hierbei wird nicht nur eine Pass-or-fail-Aussage getroffen, sondern auch die Ausgestaltung der Berichterstattung näher analysiert. Weitergehend wird anhand einer Cluster-Analyse untersucht, welche unternehmensspezifischen Faktoren die Berichterstattung beeinflussen, um Ursachen potenzieller Unterschiede in der Berichterstattungspraxis identifizieren zu können.

5.6.2 Stichprobe

Untersuchungsgegenstand sind die im Geschäftsbericht veröffentlichten Aufsichtsratsberichte der DAX-, MDAX- sowie SDAX-notierten Unternehmen in dem Jahr der erstmaligen Veröffentlichung von KAM im Bestätigungsvermerk – i.d.R. fand diese erstmals im Geschäftsjahr 2017 statt. Eine Ausnahme bilden 17 Unternehmen, bei welchen bereits im vorherigen Geschäftsjahr durch die freiwillige Anwendung der ISA KAM im Bestätigungsvermerk veröffentlicht wurden.[94]

Von diesen 130 Berichten mussten 12 Berichte ausgeschlossen werden, da die benötigten Informationen aufgrund unterschiedlicher Rechtsvorschriften oder abweichender Geschäftsjahre nicht vorlagen. Insgesamt ergab sich somit eine finale Stichprobe von 118 Aufsichtsratsberichten (30 DAX-, 45 MDAX-, und 43 SDAX-Unternehmen).

5.6.3 Methodische Vorgehensweise

Zur Analyse der Berichterstattung des Aufsichtsrats im Zusammenhang mit KAM wurden zunächst die Berichte identifiziert, in denen KAM thematisiert werden. Um neben dem Umfang der Berichterstattung auch Rückschlüsse auf die konkrete Ausgestaltung der Berichterstattung ziehen zu können, wurde anschließend mittels inhaltsanalytischer Methoden induktiv ein Kategoriensystem entwickelt.[95] Hierbei konnten drei

[94] Eine vollständige Auflistung dieser Unternehmen findet sich in Günther/Pauen, KoR 2018 S. 24.

[95] Da keine gesetzlichen Vorgaben über Art und Umfang der Stellungnahme durch das Aufsichtsorgan zu dem Ergebnis der Prüfung des Abschlusses durch den Abschlussprüfer bestehen, ist eine deduktive Kategorienbildung nicht möglich. Zudem gibt es aufgrund der Aktualität der Gesetzesänderung keine Vergleichsmaßstäbe aus Vorjahren.

Hauptkategorien identifiziert werden, welche (1) Aussagen zu rechtlichen Änderungen, (2) abstrakte Aussagen zu KAM des Geschäftsjahrs sowie (3) konkrete Aussagen zu den als KAM thematisierten Sachverhalten beinhalten. Zu diesen Hauptkategorien wurden entsprechende Subkategorien gebildet, welche in Tab. 5.1 dargestellt und jeweils durch ein Beispiel illustriert werden. Die Hauptkategorie „rechtliche Änderungen" beinhaltet Aussagen, welche a) die EU-Abschlussprüferreform, b) den neuen/erweiterten Bestätigungsvermerk und c) die Neuerungen bei der Berichterstattung des Abschlussprüfers thematisieren. In der zweiten Hauptkategorie „KAM des Geschäftsjahrs (abstrakt)" werden Aussagen subsumiert, die a) eine Auflistung der im Bestätigungsvermerk offengelegten KAM enthalten, b) auf die Präsentation der KAM durch den Abschlussprüfer eingehen sowie c) die Diskussion der KAM durch den Prüfungsausschuss thematisieren. Die dritte Kategorie „KAM des Geschäftsjahrs (konkret)" umfasst Aussagen, die konkrete Stellungnahmen des Aufsichtsrats zu den in den KAM thematisierten Sachverhalten beinhalten.

Tabelle 5.1: Kategoriensystem

Kategorie	Exemplarische Aussage
1. Rechtliche Änderungen	
a) EU-Abschlussprüferreform	Weitere wichtige Themen im Prüfungsausschuss waren die Abschlussprüferreform und ihre Folgen für die Commerzbank. (Commerzbank AG, 31.12.2016)
b) Neuer/Erweiterter Bestätigungsvermerk	In der Sitzung des Prüfungsausschusses am 23. März 2017 standen der Compliance-Jahresbericht und die Neuregelung des Bestätigungsvermerks und des Prüfberichts auf der Tagesordnung. (KWS SAAT SE, 30.06.2017)
c) Berichterstattung des Abschlussprüfers	Zusätzlich hat PwC ausführlich über die Neuregelungen bei der Berichterstattung durch den Abschlussprüfer und über das Vorgehen und die Qualitätssicherung im Rahmen der Abschlussprüfung informiert. (thyssenkrupp AG, 30.09.2017)
2. KAM des Geschäftsjahrs (abstrakt)	
a) Auflistung	Besonders wichtige Prüfungssachverhalte waren im Geschäftsjahr 2016 die Bewertung der Investment Properties, die Abbildung und Bewertung originärer und derivativer Finanzinstrumente sowie die Werthaltigkeit der Geschäfts- oder Firmenwerte. (Vonovia SE, 31.12.2016)
b) Präsentation der KAM durch den Abschlussprüfer	Die Vertreter des Abschlussprüfers gingen dabei insbesondere auch auf die im Bestätigungsvermerk beschriebenen besonders wichtigen Prüfungssachverhalte (Key Audit Matters) und die vorgenommenen Prüfungshandlungen […] ein. (Hamburger Hafen und Logistik AG, 31.12.2017)

c) Diskussion der KAM durch den Prüfungsausschuss	Der Prüfungsausschuss hat [...] besonders wichtige Prüfungssachverhalte ("Key Audit Matters") mit dem Abschlussprüfer abgestimmt. (Continental AG, 31.12.2017)
3. KAM des Geschäftsjahrs (konkret)	
KAM 1	Der Prüfungs- und Risikoausschuss hat sich intensiv mit den Marktgegebenheiten, den langfristigen Veränderungen der Märkte und den sich daraus ergebenden Konsequenzen für die Werthaltigkeit von E.ONs Aktivitäten befasst. Er erörterte die Ergebnisse aus den jeweiligen Werthaltigkeitstests und die erforderlichen Wertberichtigungen. (E.ON SE, 31.12.2016)
KAM 2	
KAM n	

5.6.4 Ergebnisse

a) Art und Umfang der Berichterstattung über KAM

Tab. 5.2 zeigt den Umfang der Berichterstattung über KAM im Bericht des Aufsichtsrats, differenziert nach Indexzugehörigkeit. Insgesamt thematisiert die Mehrheit der Aufsichtsräte (59,3%) KAM im ersten Jahr der Veröffentlichung in ihren Berichten. Die Auswertung macht jedoch Unterschiede hinsichtlich der Indexzugehörigkeit deutlich. Mit einer Berichtsquote von 80% thematisieren Aufsichtsräten von DAX-Unternehmern überdurchschnittlich häufig KAM in ihrem Bericht, während bei MDAX-Unternehmen weniger als die Hälfte der Aufsichtsräte über KAM berichten (vgl. Tab. 5.2).

Tabelle 5.2: Berichterstattung über KAM im Bericht des Aufsichtsrats

Stichprobe		**Keine Berichterstattung**	**Berichterstattung vorhanden**
DAX	30 von 30	6 (20,0%)	24 (80,0%)
MDAX	45 von 50	25 (55,6%)	20 (44,4%)
SDAX	43 von 50	17 (39,5%)	26 (60,5%)
GESAMT	**118 von 130**	**48 (40,7%)**	**70 (59,3%)**

Die detaillierte Auswertung der Aufsichtsratsberichte mithilfe des im vorherigen Abschnitt vorgestellten Kategoriensystems zeigt zudem Unterschiede hinsichtlich der Art der Berichterstattung. Tab. 5.3 bietet eine Übersicht, in wie vielen Berichten Aussagen bezüglich der entsprechenden (Sub-)Kategorien getroffen werden.[96]

Tabelle 5.3: Art der Berichterstattung über KAM

Kategorie	DAX	MDAX	SDAX	Gesamt
1. Rechtliche Änderungen	**33,3%**	**6,7%**	**30,2%**	**22,0%**
a) EU-Abschlussprüferreform	20,0%	6,7%	20,9%	15,3%
b) Neuer/Erweiterter Bestätigungsvermerk	13,3%	0,0%	7,0%	5,9%
c) Berichterstattung des Abschlussprüfers	0,0%	2,2%	4,7%	2,5%
2. KAM des Geschäftsjahrs (abstrakt)	**43,3%**	**15,6%**	**20,9%**	**24,6%**
a) Auflistung	10,0%	2,2%	4,7%	5,1%
b) Präsentation der KAM durch den Abschlussprüfer	23,3%	8,9%	11,6%	13,6%
c) Diskussion der KAM durch den Prüfungsausschuss	30,0%	8,9%	14,0%	16,1%
3. KAM des Geschäftsjahrs (konkret)	**46,7%**	**37,8%**	**30,2%**	**36,4%**

So wurden in insgesamt 26 Aufsichtsratsberichten (22%) rechtliche Änderungen thematisiert, wobei insb. auf die EU-Abschlussprüferverordnung verwiesen wurde, ohne jedoch KAM konkret zu nennen. Diese Informationen haben für den Abschlussadressaten vermutlich nur einen geringen Mehrwert, da lediglich ein knapper Verweis auf rechtliche Änderungen erfolgt, ohne diese zu konkretisieren.

Dagegen berichteten 29 Aufsichtsräte (24,6%) abstrakt über ihre Auseinandersetzung mit den KAM. Dies beinhaltet insb. Aussagen, die verdeutlichen, dass der Abschlussprüfer dem Aufsichtsrat KAM präsentiert hat, sowie Aussagen, die eine Befassung des

[96] Hierbei ist zu beachten, dass einige Aufsichtsratsberichte Aussagen zu mehreren (Sub-)Kategorien enthalten.

Prüfungsausschusses mit dem Thema KAM aufzeigen. Diese Aussagen des Aufsichtsrats machen deutlich, dass die rechtlichen Änderungen einschließlich KAM zwar auf der Agenda des Aufsichtsrats stehen, jedoch werden keine weiteren Informationen zu den einzelnen Sachverhalten zur Verfügung gestellt. Der reine Verweis auf die Existenz von KAM bildet vermutlich ebenfalls keinen wesentlichen Mehrwert, vielmehr wäre für Abschlussadressaten der konkrete Umgang des Aufsichtsrats mit den in den KAM offengelegten Risiken interessant.

Kategorie 3 „KAM des Geschäftsjahrs (konkret)“ bietet daher das höchste Informationspotenzial hinsichtlich konkreter Bilanzierungssachverhalte. In 43 Berichten des Aufsichtsrats (36,4%) werden Sachverhalte thematisiert, die als KAM im Bestätigungsvermerk berichtet werden. Dies beinhaltet konkrete Stellungnahmen, inwiefern sich der Aufsichtsrat mit dem entsprechenden Risiko und den sich daraus ergebenen Konsequenzen befasst hat. Hierbei ist jedoch einschränkend zu beachten, dass in keinem der Berichte darauf hingewiesen wird, dass es sich bei dem angesprochenen Aspekt um eine KAM handelt. Der Leser muss die gewünschten Informationen daher eigenständig im Aufsichtsratsbericht identifizieren. Zudem ist zu berücksichtigen, dass bei den 43 Unternehmen insgesamt 143 KAM in Bestätigungsvermerken enthalten sind, jedoch nur 57 davon (39,9%) im Bericht des Aufsichtsrats thematisiert werden. Bei den thematisierten Sachverhalten handelt es sich primär um außergewöhnliche Gegebenheiten wie den Erwerb von Anteilen an anderen Unternehmen, Börsengänge oder Abspaltungen einzelner Geschäftsbereiche.[97] Rückstellungen, insb. Rückstellungen aus Rechtsrisiken, werden nach Unternehmenstransformationen am häufigsten thematisiert. Informationen über Standardrisiken, wie die Werthaltigkeit des Geschäfts- oder Firmenwerts oder Umsatzrealisierungen, welche häufig als KAM bestimmt werden[98], werden hingegen wenig adressiert. Dies lässt sich auf die Relevanz der außergewöhnlichen Vorkommnisse für alle Bereiche eines Unternehmens zurückführen, während sich die Standard-KAM ausschließlich auf rechnungslegungsrelevante Aspekte beziehen. Abb. 5.2 zeigt die Verteilung der im Bericht des Aufsichtsrats thematisierten KAM.

[97] Diese Sachverhalte werden in Abb. 5.2 unter dem Begriff „Unternehmenstransformation“ subsumiert.
[98] Vgl. Klüber/Pott/Wienke, KoR 2018, S. 343.

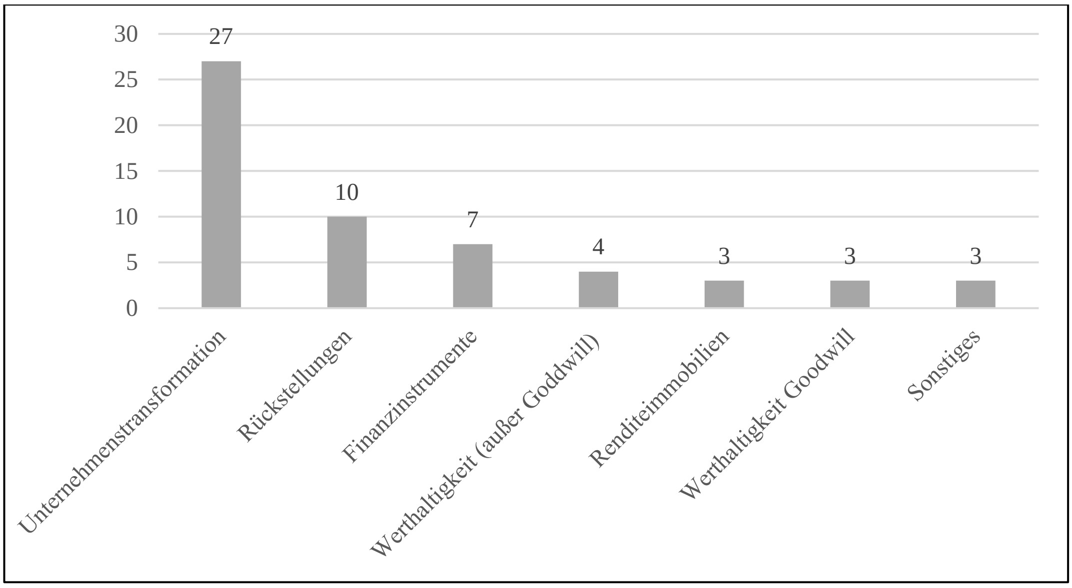

Abbildung 5.2: Themen der im Bericht des Aufsichtsrats angesprochenen KAM

Auch in Aufsichtsratsberichten, die Aussagen zu Kategorie 3 beinhalten, lassen sich Defizite bei der Berichterstattung konstatieren. Exemplarisch dient an dieser Stelle die KAM der Siemens AG bezüglich des „Zusammenschlusses des Windenergiegeschäfts von Siemens mit Gamesa“[99]. Der Aufsichtsrat der Siemens AG äußerte sich folgendermaßen zu diesem Sachverhalt:

„Der Vorstand informierte uns über den aktuellen Status von Akquisitionen und Desinvestitionen, insb. über die geplante Fusion des Windenergiegeschäfts von Siemens mit dem börsennotierten Unternehmen Gamesa Corporación Tecnológica, S. A., Spanien, [...]“[100].

Dieser Ausschnitt verdeutlicht die Pauschalität der Formulierung – der Leser erfährt lediglich, dass der Aufsichtsrat über den Sachverhalt informiert wurde. Eigene Erläuterungen oder Prüfungshandlungen werden hingegen nicht preisgegeben. Zudem wird nicht darauf eingegangen, dass dieser Sachverhalt vom Abschlussprüfer als KAM identifiziert wurde. Von einem Informationsmehrwert, der zu einer Qualitätssteigerung der Berichterstattung führt, kann an dieser Stelle nicht gesprochen werden.

[99] Siemens AG, Geschäftsbericht 2017, S. 137.
[100] Siemens AG, Geschäftsbericht 2017, S. 144.

b) Cluster-Analyse

Für weitergehende Analysen wurden die Unternehmen[101] in zwei Gruppen unterteilt und anhand ausgewählter Kriterien untersucht:

- Keine Thematisierung von KAM im Bericht des Aufsichtsrats,
- Thematisierung von KAM im Bericht des Aufsichtsrats.

Die beiden Gruppen wurden anhand von Bilanzsumme, Umsatzerlösen, Eigenkapital, Jahresergebnis sowie Anzahl der Mitarbeiter analysiert. Signifikante Unterschiede haben sich bei den Kriterien Bilanzsumme**, Umsatzerlöse***, Eigenkapital**, Jahresergebnis** und Anzahl der Mitarbeiter** ergeben.[102] Einhergehend mit den Ergebnissen der Analyse nach Indexzugehörigkeit wird deutlich, dass Aufsichtsräte größerer Unternehmen häufiger über die vom Abschlussprüfer als besonders wichtige Prüfungssachverhalte deklarierten Themen berichten.

Dass die Größe eines Unternehmens Einfluss auf dessen Bereitschaft zur freiwilligen Berichterstattung nimmt, konnte bereits in vorangegangenen empirischen Studien festgestellt werden.[103] Die Unternehmensgröße ist hierbei ein Indiz dafür, dass die Unternehmen verstärkt im Fokus des Kapitalmarkts stehen und Informationen von einer breiteren Masse nachgefragt werden.[104] Kleinere Unternehmen werden hingegen häufiger von einem dominierenden Großaktionär finanziert, sodass sie weniger bemüht sein müssen, der Öffentlichkeit Informationen auf freiwilliger Basis zur Verfügung zu stellen.[105] Diese Feststellung gliedert sich in die Ergebnisse vorheriger Studien über die Berichterstattung des Aufsichtsrats ein, welche zeigen, dass DAX-Gesellschaften grds. eine höhere Berichtsqualität aufweisen als Unternehmen anderer Indizes.[106] Dieser Effekt zeigt sich analog bei der Anzahl an KAM in Bestätigungsvermerken. *Henselmann/Seebeck* zeigen in ihrer Studie über die Berichterstattungspraxis britischer Unternehmen, dass die Zahl der berichteten KAM von Unternehmen, die dem Index

[101] Von der Cluster-Analyse wurden acht Banken und Versicherungsunternehmen ausgeschlossen, da sie aufgrund ihrer spezifischen Bilanzierungsanforderungen und Geschäftsmodelle verzerrend wirken könnten.
[102] ** Statistisch signifikant zum 5%-Niveau.;*** Statistisch signifikant zum 1%-Niveau.
[103] Vgl. u. a. Boesso/Kumar, Accounting, Auditing & Accountability Journal 2007 S. 290; Botosan, The Accounting Review 1997 S. 323; Bozzolan/Favotto/Ricceri, Journal of Intellectual Capital 2003 S. 543; Gray, Accounting, Organization and Society 2002 S. 687; Velte/Stiglbauer/Sepetauz, Management Review Quarterly 2011 S. 170.
[104] Vgl. Rieg, KoR 2014 S. 188.
[105] Vgl. Ruhwedel, a.a.O. (Fn. 25), S. 22.
[106] Vgl. Berndt/Offenhammer/Luckhaupt, ZCG 2011 S. 14; Theisen/Linn/Schöll, DB 2007 S. 2494; Velte, DB 2011 S. 1176.

Financial Times Stock Exchange (FTSE) 100 angehören, signifikant höher ist als von Unternehmen, die nicht in dem Index gelistet sind. Begründet wird diese Tatsache durch die mit der Größe zunehmende Komplexität, die höhere Risiken birgt.[107] Dieses Phänomen ist auch in Deutschland bei DAX30-Unternehmen erkennbar.[108]

Neben der Größe eines Unternehmens kann die Unternehmensperformance Einfluss auf die Berichterstattung nehmen. Empirische Studien zeigen einen positiven Einfluss der Unternehmensperformance[109] auf den Umfang der Berichterstattung.[110] Aus Agency-theoretischer Perspektive nutzt der Agent das Instrument der Berichterstattung, um den Anteilseignern seinen Beitrag zu der guten Unternehmensperformance zu belegen.[111] Grds. gilt eine hohe finanzielle Performance als good news, welche das Unternehmen dem Kapitalmarkt kommunizieren möchte. Mithilfe der (freiwilligen) Berichterstattung wird somit eine Abgrenzung zu schlecht performenden Unternehmen vorgenommen.[112] Übertragen auf die KAM-Berichterstattung scheinen Unternehmensvertreter von Unternehmen mit guter Performance eher bereit Stellung zu den Unternehmensrisiken zu beziehen, da sie aufgrund ihrer Leistung keine negativen Kapitalmarktreaktionen befürchten.[113]

5.7 Kritische Würdigung der Untersuchung

Die durchgeführte Analyse dient dazu, einen ersten Einblick in die Umsetzung der prognostizierten Thematisierung der KAM in den Aufsichtsratsberichten zu erlangen. Einschränkend ist dabei zu beachten, dass aufgrund der Aktualität der Gesetzesänderung nur ein einjähriger Berichtszeitraum betrachtet wurde. Da die Veröffentlichung von KAM im Bestätigungsvermerk erstmalig zum Tragen kam, könnte eine grundsätzliche Unsicherheit bezüglich der Berichterstattung seitens der Unternehmen bestehen, sodass

[107] Vgl. Henselmann/Seebeck, WPg 2017 S. 243.
[108] Vgl. Klüber/Pott/Wienke, KoR 2018 S. 343.
[109] Die Unternehmensperformance wird in den Studien unterschiedlich definiert, z. B. als Eigenkapital- bzw. Gesamtkapitalrentabilität, Periodenüberschuss oder Umsatzwachstum.
[110] Vgl. u. a. Grüning, Publizität börsennotierter Unternehmen, 2011, S. 212.; Gray, Journal of Business Finance & Accounting 2001 S. 341 f.; Roberts, Accounting, Organizations, and Society 1992 S. 608; Akhtaruddin, The International Journal of Accounting 2005 S. 411 f.; Owusu-Ansah, The International Journal of Accounting 1998 S. 618 f.
[111] Vgl. Grüning, a.a.O. (Fn. 60), S. 205; Wallace/Choudhury/Adhikari, The International Journal of Accounting 1999 S. 320.
[112] Vgl. Grüning, a.a.O. (Fn. 60), S. 204 f.; Wallace/Choudhury/Adhikari, The International Journal of Accounting 1999 S. 320; Marston/Polei, International Journal of Accounting Information Systems 2004 S. 294.
[113] Vgl. hierzu bspw. Christensen/Glover/Wolfe, Auditing: A Journal of Practice & Theory 2014 S. 81.

sich künftig noch Änderungen bei der Berichterstattung ergeben könnten. Eine konkretere Aussage kann getroffen werden, sobald die Geschäftsberichte mehrerer Jahre als Untersuchungsgegenstand zur Verfügung stehen und etwaige Lerneffekte berücksichtigt werden können.

Des Weiteren gilt zu berücksichtigen, dass die Analyse Aussagen über die Qualität der Berichterstattung des Aufsichtsrats erlaubt, sich Rückschlüsse auf eine gestiegene Qualität der eigentlichen Arbeit des Aufsichtsrats jedoch nicht direkt ableiten lassen. Hieraus lässt sich ein sinnvoller Ansatzpunkt für weitere Untersuchungen identifizieren.

Aus Forschungsperspektive ist die Frage nach den Auswirkungen von KAM auf die Arbeit des Aufsichtsrats grds. interessant, da sich bestehende Forschungsstudien zu KAM bisher hauptsächlich auf die Folgen für Investoren, Abschlussprüfer sowie das Management konzentriert haben.[114] Inwiefern die Offenlegung von KAM die Arbeit des Aufsichtsrats und insb. des Prüfungsausschusses beeinflusst, bleibt bisher unbeantwortet. In diesem Zusammenhang könnten weitere Studien Erkenntnisse liefern, inwiefern die Überwachungstätigkeit des Aufsichtsrats durch KAM unterstützt werden kann. Neben des Informationsmehrwerts von KAM ist weiterhin die Entwicklung der Berichterstattung des Aufsichtsrats in diesem Zusammenhang von Interesse. Antworten sind künftig anhand von Langzeit-Panel-Studien zu erwarten, die eine Inhaltsanalyse über die Zeit ermöglichen.

5.8 Zusammenfassung

Mit der Verabschiedung der EU Audit Reform haben Abschlussprüfer von PIE besonders wichtige Prüfungssachverhalte (Key Audit Matters) im Bestätigungsvermerk offenzulegen. Durch die Berichterstattung von KAM soll die Transparenz in der Abschlussprüfung erhöht und somit das Vertrauen der Abschlussadressaten gestärkt werden. Die Veröffentlichung von KAM hat nicht nur weitreichende Folgen für die Abschlussprüfer und die Abschlussadressaten, sondern auch für die Aufsichtsräte von

[114] So adressiert eine Gruppe von Forschungsstudien die Frage, inwiefern die KAM-Berichterstattung einen Einfluss auf die Entscheidungsfindungen von Investoren hat (z. B. Christensen/Glover/Wolfe, Auditing: A Journal of Practice & Theory 2014; Boolaky/Quick, International Journal of Auditing 2016; Gutierrez/Minutti-Meza/Tatum/Vulcheva, Review of Accounting Studies 2018). Eine zweite Gruppe von Studien untersucht eine Veränderung des Haftungsrisikos von Abschlussprüfern durch die Offenlegung von KAM (z. B. Brasel/Doxey/Grenier, The Accounting Review 2016; Gimbar/Hansen/Ozlanski, The Accounting Review 2016). Darüber hinaus liefern weitere Working Paper erste Erkenntnisse zum Verhalten des Managements (z. B. Cade/Hodge, Working Paper 2014; Bentley/Lambert/Wang, Working Paper 2018).

PIE. Diese sind laut Gesetz für die Prüfung von Jahres- und Konzernabschluss verantwortlich und stehen daher in engem Austausch mit dem Abschlussprüfer. Da der Aufsichtsrat in seinem Bericht eine Stellungnahme zu dem Ergebnis der Jahresabschlussprüfung vorzunehmen hat, ist zu erwarten, dass dieser auch darüber berichtet, wie die besonders wichtigen Prüfungssachverhalte mit dem Abschlussprüfer diskutiert wurden und wie er dessen durchgeführte Prüfungshandlungen beurteilt.

Der vorliegende Beitrag untersucht daher, in welchem Umfang KAM im Bericht des Aufsichtsrats thematisiert werden. Die Inhaltsanalyse der Aufsichtsratsberichte von im DAX, MDAX und SDAX gelisteten Unternehmen offenbart erhebliches Verbesserungspotenzial in Hinblick auf die Kommunikation über die KAM-Berichterstattung. Während in ca. 40% der Berichte der Aufsichtsrat keine Aussagen bezüglich der KAM trifft, sind eine Vielzahl der Berichte lediglich durch abstrakte Aussagen hinsichtlich KAM gekennzeichnet. Auch wenn leichte Schwankungen hinsichtlich Indexzugehörigkeit und Unternehmensgröße zu verzeichnen sind (DAX-Unternehmen weisen eine höhere Berichtsquote auf), zeigt sich insgesamt, dass im Bericht des Aufsichtsrats nur geringfügig auf die KAM-Berichterstattung Bezug genommen wird. In den meisten Fällen wurde lediglich darüber berichtet, *dass* der Prüfungsausschuss sich mit den KAM auseinander gesetzt hat – *wie* dabei vorgegangen wurde oder *wie* die Prüfungshandlungen in Reaktion auf die KAM beurteilt wurden, bleibt offen. Insb. Informationen zu einzelnen KAM, welche aus Investorensicht einen deutlichen Mehrwert darstellen könnten, bleiben in einer Vielzahl der Berichte aus. Folglich kann nicht von einer Qualitätssteigerung in den Aufsichtsratsberichten ausgegangen werden.

Es bleibt abzuwarten, ob sich die Aufsichtsräte zukünftig in ihren Berichten stärker mit der Thematik der KAM auseinandersetzen und Investoren somit einen Informationsmehrwert bieten können, oder ob sich alljährlich wiederkehrende, inhaltsgleiche Floskeln etablieren werden, sofern die KAM überhaupt zur Sprache kommen. Aufsichtsräte sollten sich dabei bewusst machen, dass die KAM nicht nur für den Abschlussprüfer eine Chance für eine verbesserte Kommunikation mit den Abschlussadressaten darstellen. Die Thematisierung von KAM im Bericht des Aufsichtsrats kann zu einer Intensivierung der Kommunikation mit den Abschlussadressaten beitragen und dient gleichzeitig dazu, eine gute und vollständige Überwachungstätigkeit zu signalisieren. Durch die Berichterstattung von KAM wird der Fokus der Investoren auf die wesentlichen Risiken gelenkt, die nun im Bestätigungsvermerk offengelegt werden. In diesem Zusammenhang ist für Abschlussadressaten von besonderem Interesse, inwiefern sich der Aufsichtsrat mit diesen Risiken auseinander gesetzt hat. Die Beschreibung etwaiger Prüfungshandlungen sowie Informationen über den Auswahlprozess von KAM tragen dazu bei, die Transparenz über die Arbeit des Aufsichtsrats zu erhöhen und schlussendlich das Vertrauen der Investoren in den Jahresabschluss zu stärken.

6 Berichterstattung von Aufsichtsrat und Vorstand. „Der Ton macht die Musik“: eine textimmanente Analyse

6.1 Publikationsdetails

Zusammenfassung: Die qualitative Berichterstattung gewinnt für Kapitalmarktteilnehmer zunehmend an Relevanz. So rücken auch der Bericht des Aufsichtsrats sowie der Brief des Vorstands als Elemente guter Corporate Governance verstärkt in den Fokus von Investoren. Für eine wirkungsvolle Kommunikation ist dabei nicht nur die inhaltliche Komponente von Bedeutung, sondern auch ein adressatenorientierter und verständlicher Sprachgebrauch. Mithilfe textanalytischer Verfahren werden diese Berichtsinstrumente hinsichtlich ihrer Länge, Verständlichkeit sowie Stimmung im Zeitablauf analysiert und verglichen. Die Ergebnisse der Untersuchung decken Unterschiede in der konkreten Ausgestaltung sowie Verbesserungspotentiale bei der sprachlichen Umsetzung auf.

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Stichwörter: Aufsichtsrat, Vorstand, Finanzberichterstattung, Corporate Governance, Textanalyse

Publikationsstatus: *WPg Die Wirtschaftsprüfung*, 73(12): 707-714.

6.2 Einleitung

Immer häufiger hinterfragen Investoren das Entscheidungsverhalten sowie die Arbeitsweise von Aufsichtsrat und Vorstand.[115] So zeigt das jüngste Beispiel des DAX-Konzerns Bayer, wie eine umstrittene Investitionsentscheidung einen erheblichen Vertrauensverlust der Aktionäre zur Folge hat – während der Aufsichtsrat nur mit knapper Mehrheit entlastet wurde, verweigerten die Aktionäre dem Vorstand die Entlastung gänzlich.[116] Um einem solchen Vertrauensverlust entgegenzuwirken, ist eine wirkungsvolle Kommunikation mit den Investoren essentiell. Während der Vorstand auch innerhalb des Geschäftsjahrs mit den Investoren in Kontakt tritt (z. B. Road Shows oder Ad-hoc-Mitteilungen), beschränkt sich die Kommunikation des Aufsichtsrats – mit Ausnahme der Möglichkeit zu Investorengesprächen[117] – auf einen schriftlichen Bericht, der im Rahmen der Hauptversammlung erläutert werden muss. Der Bericht des Aufsichtsrats wurde in der Vergangenheit als kurz und wenig aussagekräftig wahrgenommen; die Entwicklungen in jüngerer Zeit zeigen jedoch einen Bedeutungszuwachs, und zwar einhergehend mit einer Zunahme an inhaltlicher Detailfülle.[118] Auch der Vorstand wendet sich im Rahmen der jährlichen Berichterstattung in schriftlicher Form an die Aktionäre. Ein Blick in die Praxis zeigt, dass der Brief des Vorstands ein fester Bestandteil der Unternehmenskommunikation geworden ist.[119] Sowohl der Brief des Vorstands als auch der Bericht des Aufsichtsrats bieten eine zentrale Möglichkeit zur Schaffung von Transparenz über Entscheidungsprozesse und werden als Nachweis für eine ordentliche und gewissenhafte Geschäftsführung bzw. Überwachung genutzt. Wie die kommunizierten Informationen jedoch von den Adressaten wahrgenommen werden, ist nicht nur vom Inhalt, sondern auch von der sprachlichen Ausgestaltung der Berichtsinstrumente abhängig.

Ziel dieser Untersuchung ist die Feststellung möglicher Veränderungen der Berichte des Aufsichtsrats und der Briefe des Vorstands hinsichtlich Länge, Verständlichkeit und Stimmung über die Zeit. Die Untersuchung der Berichtsinstrumente im Zeitablauf soll

[115] Vgl. Ruhwedel, Aufsichtsrats-Score – Benchmarking der Aufsichtsräte in den DAX- und MDAX-Gesellschaften (www.fom.de; Abruf: 02.03.2020).

[116] Vgl. FAZ vom 27.04.2019 (www.faz.net; Abruf: 02.03.2020).

[117] Vgl. Schick, WPg 2018, S. 1379. Der DCGK (2020) enthält dazu folgende Anregung: „Der Aufsichtsratsvorsitzende sollte in angemessenem Rahmen bereit sein, mit Investoren über aufsichtsratsspezifische Themen Gespräche zu führen“ (Ziffer A.3 DCGK (2020)).

[118] Vgl. Hennrichs/Pöschke, in: MünchKomm AktG, 4. Aufl., München 2018, § 171 AktG, Rn. 181.

[119] 93% der Geschäftsberichte der DAX30-Unternehmen zum Geschäftsjahr 2018 enthalten einen Brief des Vorstands. Weitere Synonyme für den Brief des Vorstands sind u. a. „Brief des Vorstandsvorsitzenden“, „Brief an die Aktionäre“ oder „Vorwort (des Vorstands)“.

vor allem die Dynamik der Berichterstattung und deren potentiellen Auswirkungen auf die Stakeholder identifizieren. Darüber hinaus sollen mögliche Unterschiede zwischen der Berichterstattung des Aufsichtsrats und des Vorstands analysiert werden. Der Vergleich eines freiwilligen Berichtsinstruments (Brief des Vorstands) mit einem verpflichtenden Berichtsinstrument (Bericht des Aufsichtsrats) gibt Aufschlüsse über etwaige regulierungsinduzierte Unterschiede in der Berichterstattung, welche sich auch in einem unterschiedlichen Sprachgebrauch widerspiegeln könnten.

Bisherige Forschungsergebnisse zum Bericht des Aufsichtsrats thematisieren ausschließlich die Umsetzung der regulatorischen Vorgaben.[120] Zum Brief des Vorstands liegen bereits erste textanalytische Erkenntnisse vor; allerdings waren bisher nur englischsprachige Berichte Gegenstand dieser Studien.[121] Die Ergebnisse der vorliegenden Untersuchung sind sowohl für Aufsichtsräte und Vorstände als auch für die Berichtsadressaten relevant, da Textcharakteristika die Kommunikation beeinflussen und somit Rückschlüsse auf die Effektivität der Kommunikation gezogen werden können.

6.3 Berichterstattung von Aufsichtsrat und Vorstand

Im dualistischen System sind Aufsichtsrat und Vorstand, neben der Hauptversammlung, die zentralen Organe einer Aktiengesellschaft.[122] Im Hinblick auf die jährliche Berichterstattung treten beide Organe im Rahmen der Hauptversammlung in direkten Kontakt mit den Aktionären. Während es sich beim Bericht des Aufsichtsrats um eine Pflicht-Publikation gemäß § 171 Abs. 2 Satz 1 AktG handelt, ist der Brief des Vorstands ein freiwilliges Kommunikationsinstrument, das – im Gegensatz zum Bericht des Aufsichtsrats – keinen expliziten gesetzlichen Regularien unterliegt und somit auch nicht zentraler Gegenstand der Rechtsprechung ist. Beide Berichtsinstrumente sind zumeist auf den ersten Seiten des Geschäftsberichts platziert und direkt an die Hauptversammlung adressiert.

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[120] Vgl. Berndt/Offenhammer/Luckhaupt, ZCG 2011, S. 133-141; Theisen/Linn/Schöll, DB 2007, S. 2493-2501; Velte, DB 2011, S. 1173-1176; Velte, RWZ 2010, S. 159-164; Velte, AG 2009, S. 102-109; Velte, zfbf 2009, S. 702-737.

[121] Vgl. Patelli/Pedrini, Journal of Business Ethics 2014, S. 19-34; Rupertus/Bravidor/Kaiser, KoR 2017, S. 79-85.

[122] Die Verfassung der Aktiengesellschaft regelt der Vierte Teil des Ersten Buches des Aktiengesetzes (§§ 76 bis 149 AktG).

6.3.1 Bericht des Aufsichtsrats

Der Aufsichtsrat hat als zentrales Kontrollorgan eines Unternehmens die Überwachung der Geschäftsführung inne (§ 111 Abs. 1 AktG). Gegenstände dieser Überwachung sind gemäß § 171 Abs. 1 Satz 1 AktG u. a. der Jahresabschluss, der Lagebericht sowie der Vorschlag für die Verwendung des Bilanzgewinns (und ggf. Konzernabschluss und -lagebericht). Der Aufsichtsrat muss gemäß § 171 Abs. 2 AktG schriftlich über das Ergebnis der Prüfung an die Hauptversammlung berichten.[123] Pflichtbestandteile dieses Berichts sind gemäß § 171 Abs. 2 AktG

- Art und Umfang der Überwachung der Geschäftsführung (Satz 2),
- Zahl der Sitzungen des Aufsichtsrats (Satz 2),
- gebildete Ausschüsse und Zahl der Sitzungen (Satz 2),
- Stellungnahme zum Ergebnis der Prüfung des Jahresabschlusses durch den Abschlussprüfer (Satz 3),
- ggf. Erhebung von Einwendungen (Satz 4),
- Erklärung über die Billigung oder Ablehnung des Jahresabschlusses (Satz 4).

Weitere Elemente werden im Deutschen Corporate Governance Kodex (DCGK) i. d. F. vom 07.02.2017 konstituiert.[124] Dort wird empfohlen, neben der Zahl der Sitzungen anzugeben, an wie vielen Sitzungen des Aufsichtsrats und der Ausschüsse die einzelnen Mitglieder jeweils teilgenommen haben (Tz. 5.4.7). Zudem soll über etwaige Interessenkonflikte und deren Behandlung (Tz. 5.5.3) berichtet werden.[125]

6.3.2 Brief des Vorstands

Auch als nicht obligatorisches Berichtsinstrument ist der Brief des Vorstands ein „prominenter“ Teil des Geschäftsberichts, in dem der Vorstand u. a. die Möglichkeit hat, über die bedeutsamsten Ereignisse des Geschäftsjahrs sowie integrale Überzeugungen und Werte der Unternehmensphilosophie zu berichten.[126] Die Relevanz des Briefs des Vorstands ist umfassend dokumentiert. So zeigen zahlreiche Studien, dass von privaten

[123] Darüber hinaus hat der Aufsichtsratsvorsitzende den Bericht des Aufsichtsrats gemäß § 176 Abs. 1 Satz 2 AktG der Hauptversammlung zu erläutern.
[124] Im DCGK (2020) wird empfohlen, über Aus- und Fortbildungsmaßnahmen im Bericht des Aufsichtsrats zu berichten (Ziffer D.12) und eine Angabe über die Sitzungsteilnahme der einzelnen Mitglieder des Aufsichtsrats zu machen (Ziffer D.8 Satz 1).
[125] Dabei handelt es sich um Empfehlungen des DCGK. Die Gesellschaften können davon abweichen, sind dann aber gemäß § 161 AktG verpflichtet, die Abweichungen im Rahmen der Entsprechenserklärung jährlich zu begründen („comply or explain“).
[126] Vgl. Aerts/Yan, Accounting, Auditing & Accountability Journal 2017, S. 406.

Investoren (Kleinanlegern) der Brief des Vorstands als entscheidungsnützlich wahrgenommen wird und das Investitionsverhalten beeinflussen kann.[127] Da der Brief des Vorstands keinen speziellen Regularien unterliegt und sich die Rolle des Abschlussprüfers auf die Überprüfung beschränkt, ob die darin enthaltenen Informationen mit den im Jahresabschluss dargestellten Angaben übereinstimmen[128], ist der Brief des Vorstands eine Möglichkeit, ausgewählte Themen zu präsentieren.[129]

6.4 Empirische Untersuchung

6.4.1 Datengrundlage und Vorgehen

Die Untersuchung umfasst die zeitliche Entwicklung der Berichterstattung von Aufsichtsrat und Vorstand für die Geschäftsjahre 2008, 2013 sowie 2018 im Hinblick auf Umfang, Lesbarkeit und Stimmung. Zudem werden für das Geschäftsjahr 2018 indexspezifische Unterschiede ermittelt sowie potentielle Unterschiede zwischen den obligatorischen Berichten des Aufsichtsrats und den Briefen des Vorstands als freiwilliges Berichtsinstrument erhoben.[130]

Datengrundlage sind 90 Unternehmen, die am 01.08.2019 im DAX30 und im MDAX notiert waren. Untersucht wurden die Aufsichtsratsberichte und Briefe des Vorstands für das Geschäftsjahr 2018, zur Analyse potentieller Unterschiede im Zeitablauf ferner die entsprechenden Berichtsinstrumente dieser Unternehmen für die Geschäftsjahre 2013 und 2008.[131]

Manche Berichtinstrumente konnten nicht in die Untersuchung einbezogen werden: Zum einen lagen nicht für jedes Unternehmen Briefe des Vorstands vor, da auf die Erstellung dieses freiwilligen Kommunikationsinstruments verzichtet wurde. Zum anderen wurden Unternehmen mit Sitz im Ausland oder einem Gründungszeitpunkt nach 2008 bzw. 2013

[127] Vgl. u. a. Baird/Zelin, Journal of Financial and Strategic Decisions 2000, S. 71-81; Bertelett/Chandler, The British Accounting Review 1997, S. 245-261; Courtis, Accounting & Finance 1982, S. 53-72; Kaplan/Pourciau/Reckers, Behavioral Research in Accounting 1990, S. 63-92.

[128] Gemäß ISA [DE] 720 (Revised), der die Verantwortlichkeiten des Abschlussprüfers im Zusammenhang mit sonstigen Informationen adressiert, umfasst das Prüfungsurteil keine sonstigen Informationen. Allerdings hat der Abschlussprüfer die sonstigen Informationen dahingehend zu lesen und zu würdigen, ob wesentliche Unstimmigkeiten zwischen diesen und dem Abschluss sowie den bei der Abschlussprüfung erlangten Erkenntnissen vorliegen.

[129] Vgl. Hooghiemstra, International Journal of Accounting 2010, S. 276.

[130] Da aufgrund einer geringeren Marktkapitalisierung einzelne Unternehmen im Jahr 2008 bzw. 2013 noch nicht im DAX30 bzw. MDAX notiert waren, wurde eine indexspezifische Analyse nur für das Geschäftsjahr 2018 vorgenommen.

[131] Bei unterjährigen Bilanzstichtagen wurden die Geschäftsberichte 2007/08 bzw. 2012/13 bzw. 2017/18 verwendet.

ausgeschlossen. Zudem konnten diverse Berichtsinstrumente trotz Verfügbarkeit aufgrund eines kopiergeschützten Dateiformats nicht für die Textanalyse verwendet werden. Darüber hinaus nutzen einige Vorstände anstelle eines Briefs an die Aktionäre das Format eines Interviews. Da diesem eine unterschiedliche Rhetorik zugrunde liegt, wurden Interviews mit dem Vorstand ebenfalls ausgeschlossen. Die endgültige Stichprobe umfasste insgesamt 221 Aufsichtsratsberichte sowie 157 Briefe des Vorstands (siehe Tabelle 6.1).

Tabelle 6.1: Endgültige Stichprobe

	Bericht des Aufsichtsrats	**Brief des Vorstands**
2008	68	37
2013	69	56
2018	84	64
Gesamt	**221**	**157**

Der Untersuchung lagen deutschsprachige Geschäftsberichte zugrunde, die von den jeweiligen Websites der Unternehmen oder aus dem Bundesanzeiger heruntergeladen wurden. Die für die Analyse erforderlichen Textpassagen wurden extrahiert. Anschließend wurden unvollständige Sätze (z. B. Zwischenüberschriften) entfernt, da die Berechnung von Lesbarkeitsindizes nur für vollständige Sätze sinnvoll ist.

6.4.2 Textlänge

Die Textlänge wird anhand der Zahl an Wörtern im jeweiligen Dokument gemessen. Tabelle 6.2 zeigt, dass der Umfang des Berichts des Aufsichtsrats zwischen 2008 und 2018 signifikant gestiegen ist ($p < 0{,}01$). So wies der Bericht des Aufsichtsrats im Jahr 2008 im Durchschnitt 1.620 Wörter auf, während es im Jahr 2013 durchschnittlich 2.140 Wörter (+ 32,1%) und im Jahr 2018 durchschnittlich 2.504 Wörter waren (+ 17,0%).

Obgleich auch der Brief des Vorstands zwischen 2008 und 2018 leicht an Umfang gewonnen hat (+ 13,9%), ist dieser Anstieg über die Zeit nicht signifikant.

Tabelle 6.2: Zahl der Wörter im Zeitablauf

	Bericht des Aufsichtsrats			Brief des Vorstands		
	2008	**2013**	**2018**	**2008**	**2013**	**2018**
Zahl der Wörter	1.620	2.140	2.504	1.004	1.016	1.144
Standardabweichung	785,4	855,9	921,9	312,3	446,5	462,1
Stichprobenumfang	68	59	84	37	56	64

Die Zunahme des Umfangs der Berichtsinstrumente im Zeitablauf lässt sich auf einen Anstieg regulatorischer Anforderungen an den Aufsichtsrat zurückführen. So haben das BilMoG (2009) und das AReG (2016) zu einer Erweiterung des Aufgabenbereichs des Aufsichtsrats bzw. Prüfungsausschusses geführt. Diese Änderungen betreffen zwar nicht die Berichterstattung per se, jedoch könnten Aufsichtsräte aufgrund ihres gestiegenen Aufgabenspektrums mehr berichten.[132] Eine weitere Ausweitung der Berichterstattung des Aufsichtsrats ergibt sich aus dem CSR-Richtlinie-Umsetzungsgesetz (2017). Mit § 171 Abs. 1 Satz 4 AktG hat der Aufsichtsrat nun auch den gesonderten nichtfinanziellen Bericht (§ 289b HGB) und den gesonderten nichtfinanziellen Konzernbericht (§ 315b HGB) zu prüfen. Über das Ergebnis der Prüfung hat er in beiden Fällen zu berichten.[133]

Tabelle 6.3 zeigt, dass für das Geschäftsjahr 2018 ein signifikanter Unterschied ($p < 0,01$) hinsichtlich der Textlänge zwischen den Berichtsformaten vorliegt. So umfasst der Bericht des Aufsichtsrats durchschnittlich 1.360 Wörter mehr als der Brief des Vorstands. Dies erscheint vor dem Hintergrund des Pflicht-Charakters des Berichts des Aufsichtsrats plausibel, da über diverse Bestandteile gemäß § 171 Abs. 2 AktG berichtet werden muss, während der Vorstand in der inhaltlichen Gestaltung weitgehend frei von gesetzlichen Vorgaben ist.

[132] Da einzelne Unternehmen im Jahr 2008 bzw. 2013 aufgrund einer geringeren Marktkapitalisierung noch nicht im DAX30 bzw. MDAX notiert waren, kann nicht ausgeschlossen werden, dass ein Anstieg des Umfangs der Berichtsinstrumente im Zeitablauf auch auf Größeneffekte zurückzuführen ist.
[133] Vgl. Hennrichs/Pöschke, NZG 2017, S. 121.

Tabelle 6.3: Zahl der Wörter nach Indizes (2018)

	2018	
	Bericht des Aufsichtsrats	**Brief des Vorstands**
DAX		
Mittelwert	2.981	1.295
Standardabweichung	997,4	500,7
Stichprobenumfang	30	26
MDAX		
Mittelwert	2.239	1.041
Standardabweichung	765,8	408,9
Stichprobenumfang	54	8
Gesamt		
Mittelwert	2.504	1.144
Standardabweichung	921,9	462,1
Stichprobenumfang	84	64

Im Hinblick auf indexspezifische Unterschiede zeigt Tabelle 6.3, dass die Berichtsinstrumente bei DAX-Unternehmen grundsätzlich umfangreicher gestaltet sind als die des MDAX ($p < 0{,}01$), auch wenn innerhalb eines Index erhebliche Unterschiede bestehen können. Die Analyse des Geschäftsjahrs 2018 zeigt beispielsweise, dass die Berichte des Aufsichtsrats von DAX-Unternehmen zwischen 1.353 Wörtern (Merck KGaA) und 5.684 Wörtern (SAP SE) umfassen, während die Briefe des Vorstands zwischen 522 Wörtern (Wirecard AG) und 2.429 Wörtern (ThyssenKrupp AG) umfassen.

Die erheblichen Unterschiede im Umfang der Berichterstattung des Vorstands lassen sich – neben Sonderereignissen im Geschäftsjahr – ebenfalls auf die fehlende gesetzliche Regulierung des Berichtsinstruments zurückführen. Im Gegensatz dazu sind die Inhalte des Berichts des Aufsichtsrats zwar normiert (§ 171 Abs. 2 AktG), allerdings liegt der

Umfang der Berichterstattung im Ermessen des Aufsichtsrats[134], was sich in den Unterschieden bei der Ausgestaltung der Aufsichtsratsberichte widerspiegelt. Zudem besteht die Möglichkeit, dass die Offenlegung mit Geheimhaltungspflichten nach § 160 Abs. 2 HGB sowie nach § 286 Abs. 1 HGB kollidiert. Der Aufsichtsrat hat bei der Erstellung seines Berichts in eigener Verantwortung zu beurteilen, inwiefern ein Geheimhaltungsinteresse besteht; er hat dieses gegenüber dem Informationsbedürfnis der Berichtsadressaten abzuwägen.[135]

Grundsätzlich ist davon auszugehen, dass längere Berichte informativer sind.[136] Demgegenüber steht jedoch die ausführlich diskutierte Problematik des Disclosure Overload[137], die sich beispielsweise in einem deutlichen Anstieg des Umfangs von Geschäftsberichten[138] manifestiert hat (u. a. durch zusätzliche Offenlegungspflichten; siehe nichtfinanzielle Erklärung gemäß § 289b HGB oder Erklärung zur Unternehmensführung gemäß § 289 f HGB). Die gestiegene Informationsfülle führt aufgrund begrenzter kognitiver Ressourcen zu hohen Informationsverarbeitungskosten der Adressaten.[139] Angesichts der zunehmenden Berichterstattung sollten Unternehmen die Schwierigkeiten der Adressaten, entscheidungsnützliche Informationen aus der Fülle an Informationen auszuwählen, berücksichtigen und die Kosten gegen den Nutzen der Offenlegung zusätzlicher Informationen abwägen.

6.4.3 Lesbarkeit

6.4.3.1 Quantifizierung von Lesbarkeit

Ein in der Rechnungslegungsforschung etabliertes Maß zur Quantifizierung von Textverständlichkeit sind Lesbarkeitsindizes, mit deren Hilfe sich der Schwierigkeitsgrad eines Textes (Berichtsinstruments) bestimmen lässt.[140] In die Berechnung von Lesbarkeitsindizes fließen Textcharakteristika wie Wort- und Satzlänge ein, wobei die konkrete Gewichtung der einzelnen Faktoren von der zugrunde gelegten Lesbarkeitsformel abhängt.[141] Ein für die deutsche Sprache geeigneter Lesbarkeitsindex

[134] Vgl. Hennrichs/Pöschke, a.a.O. (Fn. 4), § 171 AktG, Rn. 187.
[135] Vgl. Hennrichs/Pöschke, a.a.O. (Fn. 4), § 171 AktG, Rn. 210.
[136] Vgl. Lang/Stice-Lawrence, JoAE 2015, S. 112.
[137] Vgl. Drake/Hales/Rees, Contemporary Accounting Research 2019, S. 27; Velte, KoR 2017, S. 441.
[138] Vgl. Thomas/Schmitz/Wagner, zfbf 2016, S. 448.
[139] Vgl. Bloomfield, Accounting Horizons 2002, S. 233-243; Hirshleifer/Teoh, JoAE 2003, S. 341 f.; Li, JoAE 2008, S. 222.
[140] Vgl. Pound, Accounting & Finance 1981, S. 47.
[141] Die in der englischsprachigen Fachliteratur vorwiegend verwendete Lesbarkeitsformel ist der Fog-Index, während der Flesch-Reading-Ease-Index und der Flesch-Kincaid-Index oftmals alternativ oder

ist die sogenannte LIX-Formel („Läsbarhetsindex“).[142] Demnach ist der Schwierigkeitsgrad eines Texts abhängig von der durchschnittlichen Satzlänge und dem Anteil langer Wörter (Wörter mit mehr als sechs Buchstaben). Formel (1) zeigt die Berechnung des LIX-Werts.

$$\textit{LIX-Wert} = (\textit{lange Wörter}/\textit{Wörter}) \times 100 + (\textit{Wörter}/\textit{Sätze}) \qquad (1)$$

Das folgende Beispiel veranschaulicht die Ermittlung des LIX-Werts anhand eines Auszugs aus dem Bericht des Aufsichtsrats der Covestro AG zum Geschäftsjahr 2018.

Beispiel

„[D]er <u>Aufsichtsrat</u> der <u>Covestro</u> AG hat im <u>Berichtszeitraum</u> die ihm nach Gesetz, <u>Satzung</u> und <u>Geschäftsordnung</u> <u>obliegenden</u> <u>Aufgaben</u> mit der <u>erforderlichen</u> <u>Sorgfalt</u> <u>wahrgenommen</u>[.] Er hat die Arbeit des <u>Vorstands</u> im <u>abgelaufenen</u> <u>Geschäftsjahr</u> 2018 auf <u>Grundlage</u> der <u>ausführlichen</u>, in <u>schriftlicher</u> und <u>mündlicher</u> Form <u>erstatteten</u> <u>Berichte</u> des <u>Vorstands</u> <u>regelmäßig</u> <u>überwacht</u> und <u>beratend</u> <u>begleitet</u>[.] Die <u>Beratungen</u> <u>zwischen</u> <u>Aufsichtsrat</u> und <u>Vorstand</u> <u>verliefen</u> dabei stets <u>konstruktiv</u> und waren von <u>offenen</u> sowie <u>vertrauensvollen</u> <u>Diskussionen</u> <u>geprägt</u>[.] Der <u>Aufsichtsratsvorsitzende</u> stand über die <u>Aufsichtsratssitzungen</u> hinaus mit dem <u>Vorstand</u> in <u>regelmäßigem</u> <u>Kontakt</u> und hat sich über die <u>aktuelle</u> <u>Entwicklung</u> der <u>Geschäftslage</u> und die <u>wesentlichen</u> <u>Geschäftsvorfälle</u> <u>informiert</u>[.]“

Berechnung des LIX-Werts

Zahl der langen Wörter (im Beispiel unterstrichen) = 45
Gesamtzahl an Wörtern = 95
Zahl der Sätze (im Beispiel mit „[.]“ hervorgehoben) = 4
Damit ergibt sich unter Verwendung von Formel (1) der LIX-Wert wie folgt: 45/95 x 100 + 95/4 = 71,1.

Je höher der LIX-Wert ist, desto schwieriger ist ein Text zu verstehen. Die Skalierung reicht von sehr leicht (20 bis 25), leicht (30 bis 35), mittel (40 bis 45), schwierig (50 bis 55) bis sehr schwierig (mehr als 60).[143]

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ergänzend genutzt werden. Allerdings sind diese Maße speziell für die englische Sprache konzipiert worden und eignen sich nicht für eine Anwendung auf deutschsprachige Texte.

[142] Vgl. Anderson, Journal of Reading 1983, S. 490; Reck, Kultur und Sprache im Geschäftsbericht, Wiesbaden 2016, S. 87.

[143] Vgl. Courtis, Accounting, Auditing & Accountability Journal 1995, S. 8. Werte, die zwischen den angegebenen Bereichen der Skala liegen, lassen sich als Zwischenbereiche der angrenzenden Kategorien

6.4.3.2 Empirische Analyse der Lesbarkeit

Im Rahmen dieser Untersuchung wurden die LIX-Werte automatisiert mithilfe von Textanalyse-Software nach Formel (1) berechnet.[144] Die Analyse über die Zeit zeigt, dass sich weder beim Bericht des Aufsichtsrats noch beim Brief des Vorstands zeitspezifische Unterschiede hinsichtlich der Lesbarkeit ergeben (siehe Tabelle 6.4). Insgesamt deuten die ermittelten LIX-Werte auf eine „schwierige“ Lesbarkeit des Briefs des Vorstands hin (durchschnittlicher LIX-Wert > 50). Der Bericht des Aufsichtsrats ist sogar als „sehr schwierig“ einzuordnen (durchschnittlicher LIX-Wert > 60).

Tabelle 6.4: LIX-Werte im Zeitablauf

	Bericht des Aufsichtsrats			**Brief des Vorstands**		
	2008	**2013**	**2018**	**2008**	**2013**	**2018**
LIX-Wert	63,0	63,1	63,2	56,0	56,7	55,5
Standardabweichung	2,9	2,8	2,6	4,4	5,3	4,5
Stichprobenumfang	68	69	84	37	56	64

Tabelle 6.5 bildet die durchschnittlichen Indexwerte der Berichte des Aufsichtsrats sowie der Briefe des Vorstands für das Geschäftsjahr 2018, differenziert nach DAX und MDAX, ab.

Tabelle 6.5: LIX-Werte nach Indizes

	2018	
	Bericht des Aufsichtsrats	**Brief des Vorstands**
DAX		
LIX-Wert	63,6	53,1
Standardabweichung	2,8	4,9
Stichprobenumfang	30	26

interpretieren (beispielsweise gilt die Schwierigkeit eines Textes bei einem Wert von 27 als sehr leicht bis leicht).

[144] Der Lesbarkeitsindex wurde mit Hilfe einer frei zugänglichen Textanalyse-Software berechnet (siehe www.psychometrica.de; Abruf: 02.03.2020).

	2018	
	Bericht des Aufsichtsrats	**Brief des Vorstands**
MDAX		
LIX-Wert	63,0	57,2
Standardabweichung	2,5	3,3
Stichprobenumfang	54	38
Gesamt		
LIX-Wert	63,2	55,5
Standardabweichung	2,6	4,5
Stichprobenumfang	84	64

Die Ergebnisse zeigen, dass signifikante Unterschiede ($p < 0{,}01$) hinsichtlich der Lesbarkeit bestehen: Der Brief des Vorstands ist im Geschäftsjahr 2018 verständlicher als der Bericht des Aufsichtsrats. Zudem besteht ein signifikanter indexspezifischer Unterschied ($p < 0{,}01$) für den Brief des Vorstands: DAX-Vorstände nutzen eine verständlichere Sprache als Vorstände von MDAX-Unternehmen.

Im Bereich der Finanzberichterstattung dient Lesbarkeit als Maß für die Verständlichkeit von Berichtsinstrumenten und somit als Ansatz zur Beurteilung der Effektivität von Kommunikation zwischen Aufsichtsräten und Vorständen auf der einen Seite und Adressaten auf der anderen Seite.[145] Da Adressaten grundsätzlich nur über begrenzte kognitive Ressourcen verfügen[146], kann angenommen werden, dass schwer lesbare Informationen in Finanzberichten nicht vollständig verarbeitet werden können.[147] Insofern indiziert die schwere Lesbarkeit der Berichtsinstrumente einen geringeren Kommunikationswert. Im Einklang damit stehen internationale Forschungsstudien, die einen Zusammenhang zwischen der Lesbarkeit von Finanzpublikationen (u. a. Geschäftsberichten, Pressemitteilungen) und der künftigen Unternehmensperformance sowie Kapitalmarkteffekten feststellen. So konnte gezeigt werden, dass eine schlechtere

[145] Vgl. Loughran/McDonald, JoF 2014, S. 1644; Smith/Smith, The Accounting Review 1971, S. 522.
[146] Vgl. Hirshleifer/Teoh, JoAE 2003, S. 341 f.
[147] Vgl. Henselmann/Seebeck, WPg 2017, S. 244.

Lesbarkeit mit geringeren Handelsaktivitäten[148], erhöhten bilanzpolitischen Aktivitäten[149] und einer höheren Volatilität von Analystenprognosen[150] einhergeht. Diese möglichen Effekte einer schlechteren Lesbarkeit von Finanzpublikationen verdeutlichen die Relevanz vor allem der nicht regulierten und damit möglicherweise schwerpunktorientierten Berichterstattung des Vorstands. Zugleich kann die Kommunikation des Aufsichtsrats Wirkung entfalten, so dass auch bei diesem Berichtsinstrument (trotz regulierter Themenfelder) der gestalterische sprachliche Spielraum ausgenutzt werden sollte. Insoweit sollten sich Aufsichtsräte und Vorstände stets bewusst machen, dass ihre Sprache einen maßgeblichen Einfluss auf den Nutzen kommunizierter Informationen hat, und Wortwahl und Satzstruktur daher kritisch hinterfragen und aktiv adressatenorientiert gestalten.

6.4.4 Stimmung (Sentiment)

6.4.4.1 Quantifizierung von Stimmung

Während die Analyse von Lesbarkeit Einblicke darin gibt, inwiefern die Botschaft so verständlich formuliert ist, dass der Leser sie entschlüsseln kann, fokussiert sich die Sentiment-Analyse auf die Bedeutung der Botschaft.[151] Mithilfe von Sentiment-Analysen lässt sich die Grundstimmung eines Texts quantifizieren. In der Forschung finden diverse Methoden zur Bestimmung des Sentiments Anwendung, wobei vor allem der Einsatz von Wortlisten (sogenannter dictionary-based approach) relevant ist.[152] Bei diesem Ansatz wird die Häufigkeit des Vorkommens bestimmter Begriffe in einem Text analysiert und in ein Verhältnis zur Gesamtlänge des jeweiligen Texts gesetzt. Aus der Verwendung von Wortlisten mit positiven und negativen Begriffen lässt sich der Grundton eines Texts ableiten.[153] Die in der Fachliteratur vorwiegend verwendete Wortliste ist das sogenannte Loughran/McDonald Financial Sentiment Dictionary, das explizit für die Sentiment-Analyse von englischsprachigen Finanzberichten entwickelt wurde.[154] Während allgemeine Wortlisten für eine Vielzahl von Sprachen angepasst wurden, liegen bisher

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[148] Vgl. Lawrence, JoAE 2013, S. 130; Miller, The Accounting Review 2010, S. 2107.
[149] Vgl. Li, JoAE 2008, S. 244 f.; Lo/Ramos/Rogo, JoAE 2017, S. 24.
[150] Vgl. Lehavy/Li/Merkley, The Accounting Review 2011, S. 1087; Loughran/McDonald, JoF 2014, S. 1668.
[151] Vgl. Loughran/McDonald, JAR 2016, S. 1198.
[152] Vgl. u. a. Arslan-Ayaydin/Boudt/Thewissen, Journal of Banking & Finance 2016, S. 132-147; Huang/Teoh/Zhang, The Accounting Review 2014, S. 1083-1113.
[153] Eine Schwäche dieser Methodik ist, dass die Begriffe ohne ihren Kontext extrahiert werden und somit die Ergebnisse verfälscht werden können.
[154] Vgl. Loughran/McDonald, JoF 2011, S. 35-65.

keine konkret für die Finanzberichterstattung geschaffenen Wortlisten in deutscher Sprache vor. In einem jüngst veröffentlichten Beitrag leiten Bannier/Pauls/Walter aus den englischsprachigen Wortlisten von Loughran/McDonald ein deutschsprachiges Wörterbuch (BPW-Dictionary) ab[155], das eine fachspezifische Analyse deutschsprachiger Finanzberichte ermöglicht.

6.4.4.2 Empirische Analyse der Stimmung

Die im Rahmen der vorliegenden Untersuchung durchgeführte Sentiment-Analyse der Aufsichtsratsberichte sowie der Briefe des Vorstands erfolgte anhand des deutschsprachigen BPW-Dictionary.[156] Tabelle 6.6 zeigt den durchschnittlichen prozentualen Anteil an positiven und negativen Begriffen im Bericht des Aufsichtsrat sowie im Brief des Vorstands für die Jahre 2008, 2013 und 2018.

Tabelle 6.6: Sentiment im Zeitablauf

	2008		**2013**		**2018**	
	Bericht des Aufsichts-rats	**Brief des Vorstands**	**Bericht des Aufsichts-rats**	**Brief des Vorstands**	**Bericht des Aufsichts-rats**	**Brief des Vorstands**
Positiv	0,28%	1,16%	0,26%	1,46%	0,28%	1,27%
Negativ	0,20%	0,73%	0,21%	0,37%	0,23%	0,36%

Zwischen dem Bericht des Aufsichtsrats und dem Brief des Vorstands zeigen sich signifikante Unterschiede ($p < 0,01$) hinsichtlich der Stimmungskomponente. Der Brief des Vorstands enthält insgesamt mehr stimmungsbehaftete Wörter als der Bericht des Aufsichtsrats. Eine mögliche Erklärung ist die gesetzliche Regulierung der Berichterstattung des Aufsichtsrats (§ 171 Abs. 2 AktG, Rechtsprechung, DCGK). Zudem sind Vorstände stärker motiviert, Investoren durch ihren Sprachgebrauch positiv zu beeinflussen.[157] Allerdings werden sowohl beim Bericht des Aufsichtsrats ($p < 0,05$) als auch beim Brief des Vorstands ($p < 0,01$) durchschnittlich mehr positive als negative Wörter genutzt.

[155] Vgl. Bannier/Pauls/Walter, Journal of Business Economics 2019, S. 79-123.
[156] Zur automatisierten Bestimmung des Sentiments wurde das Textmining-Paket der Programmiersprache „R“ genutzt.
[157] Vgl. Patelli/Pedrini, Journal of Business Ethics 2014, S. 31.

Eine Veränderung im Zeitablauf konnte nur beim Brief des Vorstands festgestellt werden: Im Geschäftsjahr 2008 nutzten die Vorstände signifikant mehr negativ konnotierte Begriffe ($p < 0{,}01$) als in den Geschäftsjahren 2013 und 2018. Dies erscheint im Hinblick auf die Finanzkrise 2008/09 plausibel. Hinsichtlich der positiv besetzten Begriffe lässt sich kein eindeutiger Trend erkennen, was möglicherweise auf die unterschiedliche wirtschaftliche Situation in den jeweiligen Geschäftsjahren zurückzuführen ist.

Durch die Wortwahl von Aufsichtsräten und Vorständen lassen sich entscheidungsrelevante Informationen generieren.[158] So deuten Forschungsergebnisse darauf hin, dass die Stimmung in der Finanzberichterstattung eines Unternehmens Einfluss auf die Wahrnehmung von Investoren sowie die Erfolgsentwicklung hat. Frühere Studien zeigen z. B. einen Zusammenhang zwischen einer negativen Grundstimmung und einem erhöhtem Druck auf die Aktienkurse[159] sowie einem sinkenden Handelsvolumen.[160] Analog konnte festgestellt werden, dass eine positive Stimmung in der Finanzberichterstattung eine positive Kapitalmarktreaktion hervorrufen kann.[161] Aufsichtsrat und Vorstand sollten sich also bewusst machen, dass neben einer verständlichen Sprache auch der Gebrauch von stimmungsbehafteten Begriffen das Entscheidungsverhalten von Adressaten beeinflussen kann. Dies eröffnet für beide Berichtsinstrumente die Möglichkeit der aktiven Einflussnahme auf die Leserschaft.

6.5 Zusammenfassung

Neben quantitativen Finanzinformationen gewinnen qualitative Berichtsinstrumente zunehmend an Bedeutung. So dienen sowohl der Bericht des Aufsichtsrats als auch der Brief des Vorstands als Kommunikationsinstrument, um Transparenz zu schaffen und den Aktionären entscheidungsnützliche Informationen zur Verfügung zu stellen. Für eine wirkungsvolle Kommunikation ist eine verständliche und der Zielgruppe angemessene Sprache entscheidend. Dies ist vor allem insoweit relevant, als diese Berichtsinstrumente sich neben großen bzw. institutionellen Investoren auch an Kleinanleger richten.

Die Untersuchung deutschsprachiger Aufsichtsratsberichte und Briefe des Vorstands zeigt, dass beide Instrumente über die letzten zehn Jahre an Umfang gewonnen haben.

[158] Vgl. Kaya/Seebeck, WPg 2018, S. 997; Loughran/McDonald, JAR 2016, S. 1187-1230.
[159] Vgl. Tetlock/Saar-Tsechansky/Macskassy, JoF 2008, S. 1439.
[160] Vgl. Tetlock, JoF 2007, S. 1139-1167.
[161] Vgl. Davis/Piger/Sedor, Contemporary Accounting Research 2012, S. 863; Henry, Journal of Business Communication 2008, S. 396.

Dabei ist der Bericht des Aufsichtsrats durchschnittlich wesentlich länger als der Brief des Vorstands. Zudem werden Unterschiede hinsichtlich Verständlichkeit und Stimmung zwischen beiden Berichtsformaten aufgedeckt.

So zeigt sich, dass der Vorstand eine verständlichere Sprache als der Aufsichtsrat nutzt. Gleichwohl sind beide Berichtsinstrumente schwer lesbar, wodurch sich das potentielle Problem des Disclosure Overload einzelner Stakeholder-Gruppen zu Lasten des Informationswerts der Berichterstattung verschärfen kann. Zudem nutzt der Vorstand mehr stimmungsbehaftete Wörter als der Aufsichtsrat, was mit einem höheren Kommunikationswert einhergehen kann, da mehr entscheidungsnützliche Informationen übermittelt werden.

Da sowohl Vorstand als auch Aufsichtsrat grundsätzlich frei in der sprachlichen Gestaltung ihrer Berichterstattung sind, besteht ein ungenutztes Potential, Investoren mit einfachen und verständlichen Formulierungen komplexe Sachverhalte näherzubringen. Wenn der obligatorische Bericht des Aufsichtsrats über die Erfüllung der Compliance-Funktion hinausgeht und Vorstand und Aufsichtsrat ihre Berichterstattung bewusst adressatenorientiert gestalten, besteht die Chance einer verbesserten Kommunikation mit den Abschlussadressaten.

7 Conclusion

This dissertation examines the effectiveness of communication by auditors, managers and members of the supervisory board with stakeholders. Specifically, it focuses on three instruments of financial reporting: the new auditor's report, the report of the supervisory board and the CEO letter.

The *first paper* (chapter 2) provides an overview of the emerging body of academic research focusing on KAM disclosures in the auditor's report. It identifies four distinct streams of research that examine the effects of KAM disclosure on (1) investor behavior and market reaction, (2) auditor judgement, audit fee and audit quality, (3) jurors' assessments of auditor liability and (4) management reporting practices. The literature review reveals an overall support of the intended benefits of KAM disclosures by experimental research suggesting that KAMs have the potential of influencing the decisions of financial statement users. However, preliminary archival research does not find a capital market reaction, raising questions about the economic significance of the new reporting model. KAM disclosures also appear to have some unanticipated consequences like efficiency losses in terms of increased audit report lags and audit fees, and less professional skepticism by the auditor. Furthermore, research considering further stakeholder groups besides investors and auditors seems to be limited. Therefore, the findings of this paper suggest several fruitful avenues for future research like the impact of KAMs on managers' reporting behavior and the audit expectation gap.

Responding to the need for further research examining KAM disclosures, two experimental studies were conducted. The *second paper* of this dissertation (chapter 3) investigates the effect of KAM disclosures on managers' reporting behavior. The experimental results show that managers who received an audit report including KAMs exhibit a more conservative reporting behavior than those who received an audit report without KAMs. Moreover, the findings suggest that this effect is irrespective of the degree of information precision. Despite a non-firm-specific description of a KAM, managers showed a less aggressive reporting behavior (compared to managers who received an audit report without KAMs) indicating that managerial judgment is more driven by information salience than by the specificity of the information. Overall, the findings suggest that KAMs can serve as a beneficial accountability mechanism to reduce managerial opportunistic behavior and ultimately to achieve higher financial reporting quality, regardless the specificity of the language.

The *third paper* (chapter 4) extends the discussion of the usefulness of the new audit report model by addressing the question whether KAM disclosure may reduce the audit expectation gap. The first objective was to empirically assess the current state of the audit expectation gap under the revised auditor's report. Consistent with our predictions, results reveal that financial statement users ascribe significantly higher responsibility toward the auditor than auditors do themselves, indicating an expectation gap regarding auditor's responsibilities. Furthermore, we found a significant gap between the perceptions of financial statement users and auditors regarding management responsibility and the ascribed financial statement reliability. Overall, the findings strongly indicate that the audit expectation gap still exists. Motivated by the recent regulatory developments, we next investigated the effect of the disclosure of KAMs on the audit expectation gap compared to the previous version of the auditor's report without KAMs. The results suggest that the disclosure of KAMs changes neither the financial statement users' perceptions nor the auditors' perceptions and consequently does not reduce the audit expectation gap. In summary, our experimental findings indicate that KAMs might be less successful than expected in closing the audit expectation gap.

The *fourth paper* (chapter 5) focuses on the communication of KAMs in the supervisory board report. The analysis of the supervisory board reports from German companies in the first year of KAM disclosure shows that KAMs were mentioned in less than two thirds of the reports. In the case that the report discusses KAMs, it provides little detail how the audit committee reacts to these topics. Overall, results reveal potential for improvement regarding the communication about KAMs by the supervisory board. The results are particularly important for members of the supervisory board, as the discussion of KAMs in the report of the supervisory board may help to intensify the communication with stakeholders. In order to enhance the transparency about the work of the supervisory board, which may ultimately strengthen the confidence into financial reports, members of the supervisory board should be aware of the new audit report requirements and discuss these matters thoroughly.

The *fifth paper* (chapter 6) provides insight into the effectiveness of the written communication by the supervisory board and the CEO at the beginning of the financial reports. The textual analysis of German companies' financial reports shows that both, the report of the supervisory board and the CEO letter, gained in scope over the last decade, whereas the report of the supervisory board is considerably more extensive than the CEO letter. Moreover, we identified significant differences regarding readability and sentiment: The CEO uses a more comprehensible and sentiment-based language compared to the supervisory board. However, both reports are difficult to read, which implies great cognitive effort by the reader intensifying the ongoing debate about a disclosure overload in financial reporting. As the supervisory board and CEOs are basically free in their use of language, the study reveals unexploited potential regarding their communication with stakeholders. Specifically, a clear and addressee-oriented language may help to communicate complex issues and ultimately ensure an effective communication.

Overall, this dissertation provides important insights for regulators, standard setters and practitioners regarding the effectiveness of communication in auditing and financial reporting. Auditors and board directors should be aware how their disclosures and the way they communicate this information can affect stakeholders. Thus, regulators, standard setters and practitioners should carefully consider which information should be communicated in order to ensure an effective communication.

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