

The Effectiveness of Audit Reports in Taking Investment Decisions from Investors

Point of view:

An Empirical Study on Investors within the Saudi Stock Market

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Abstract

This research aims at evaluating the effectiveness of audit reports in taking investment decisions from the point of view of users of such reports in the Kingdom of Saudi Arabia. The significance of this research comes from the need to have a basis upon which proper future solutions that enable the existence of effective information sources for investment decisions makers, including audit reports that had been prepared and approved by certified public accountants in Saudi Arabia, especially when the number of academic studies and research relating to audit reports in the Kingdom of Saudi Arabia are limited. This will be accomplished through highlighting the most important factors that support the level of clarity, usefulness and comprehensibility of audit reports, and thus, the possibility of using these reports as bases for successful investment decisions, as well as identifying other sources of information that can be used as bases for taking investment decisions rather than audit reports. To achieve that, a questionnaire that includes a number of indicators directed to test the research's two hypotheses has been designed, as a positive research methodological approach was implemented. The results of the empirical research support the reliability of the first hypothesis, which in turn, support the significance of having clearer, and more useful and comprehensive audit reports, to be able to use these reports as bases for successful investment decisions. The results also support the reliability of the second hypothesis, which in turn support the importance of having various sources of information that can be used as bases for taking investment decisions rather than audit reports. By way of conclusion, the researcher has provided a number of recommendations, among which were emphasizing the significance of the factors that enhance the level of clarity, usefulness and comprehensibility of audit reports, asserting the significance of supporting the methods that may assure a higher level of awareness to such factors by various beneficiary groups and the Saudi society at large, and asserting the importance of enhancing investors' awareness of the significance of using audit reports as well as other proper sources of information that can help in reaching successful investment decisions. The researcher has also emphasized the importance of undertaking more research relating to audit reports within the Saudi auditing context, due to the lack of the proper number of related studies, and due to the significance of this research for the investment decision of a wide beneficiary group.