

The Impact of Key Audit Matters on Earnings Quality: The Moderating Role of Ownership Structure in Egyptian Listed Companies.

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Abstract:

This study investigates the influence of key audit matters (KAMs) on earnings quality, measured by earnings per share (EPS), in Egyptian listed companies, with a particular focus on the moderating role of ownership structure. To address potential endogeneity concerns, the study employs the generalized method of moments (GMM) for panel data analysis. The findings indicate that KAM disclosures have a significant negative impact on EPS, suggesting that increased disclosure of critical audit matters is associated with a decline in earnings quality. However, this relationship is moderated by ownership structure, as

concentrated ownership helps mitigate the adverse effects of KAMs on EPS. Additionally, earnings quality is positively influenced by the frequency of audit committee meetings and firm size, whereas market leverage and liquidity exert negative effects. These results contribute to the existing literature on corporate governance and audit quality by highlighting the pivotal role of ownership concentration in shaping the impact of audit-related disclosures on financial performance.

Keywords:Key Audit Matters (KAMS), Earnings Quality (EPS), Ownership Structure, Panel Data Analysis, Egyptian Listed Companies.

1. Introduction:

The introduction of Key Audit Matters (KAMs) into audit reports represents a significant development in the auditing profession, particularly in enhancing the transparency and quality of financial reporting. KAMs are defined as matters that, in the auditor's professional judgment, were of the most significance in the audit of the financial statements. Their disclosure aims to provide stakeholders with insights into areas of higher risk and the auditor's response to those risks, thereby enhancing the overall informativeness of the audit report (Sun et al., 2023; Ting, 2023; Altawalbeh & Alhajaya, 2019). This shift toward greater disclosure is based on the premise that it can improve financial reporting quality and, consequently, influence key

financial metrics such as earnings per share (EPS) (Ndubuisi, 2023; Hu et al., 2022).

The relationship between KAMs and EPS is particularly noteworthy, as EPS serves as a critical indicator of a company's profitability and financial health. Research suggests that the presence of KAMs can positively influence analysts' earnings forecasts by providing additional context and information, leading to more accurate predictions of a company's future performance (Sun et al., 2023; Hu et al., 2022). Furthermore, KAM disclosure has been linked to a reduction in earnings management practices, indicating that KAMs can enhance the integrity of financial reporting (Ting, 2023; Alqam et al., 2021). This is particularly relevant in the context of corporate governance, where high-quality audits can mitigate the risks associated with earnings manipulation and enhance the reliability of reported earnings (Ndubuisi, 2023; Alqam et al., 2021).

Additionally, the impact of KAMs on EPS can be understood through the lens of signalling theory, which posits that the information conveyed through KAMs influences investor perceptions and decision-making. By offering detailed insights into the audit process and identified risks, KAMs can enhance investor confidence in reported earnings, thereby positively affecting stock prices and, ultimately, EPS (Chang et al., 2022; Ndubuisi, 2023). This relationship underscores the importance of

KAMs not only as a tool for auditors but also as a key factor in shaping market perceptions and investor behaviour.

Using a sample of 228 firm-year observations of Egyptian listed companies from 2018 to 2021, this study finds that KAMs have a significant negative impact on EPS. This suggests that KAM disclosures in audit reports fail to enhance earnings quality or improve EPS. Furthermore, the results indicate that KAMs do not have a significant impact on EPS for companies with low ownership structure. Similarly, no significant relationship is found between KAM disclosure and EPS for firms with low ownership concentration, governmental ownership, institutional ownership, or managerial ownership.

Thus, this study makes a significant contribution to the existing body of research on KAMs by providing an in-depth investigation and additional evidence regarding the relationship between KAMs and financial reporting quality in a developing market. Moreover, it extends the literature by examining the moderating role of ownership structure in this relationship. To the best of the authors' knowledge, limited research has explored how ownership structure moderates the relationship between KAMs and financial reporting quality within the Egyptian stock market. These findings highlight the need for further exploration of the broader literature on KAMs, particularly in the context of audit reporting and its implications for earnings quality.

The paper is organized as follows: Section 2 discusses the related literature and develops testable hypotheses. Section 3 describes the research design and methodology. Section 4 presents the empirical results. Section 5 provides concluding remarks.

2. Literature Review:

2.1. KAMs in Audit Report

The rapid advancements in the global business landscape have compelled regulators and auditing professionals to focus on improving audit quality. Continuous developments in the auditing profession and the implementation of new auditing standards aim to enhance the overall quality of audits. The application of audit reporting regulations has improved auditors' judgments regarding material risk areas (Chang et al., 2024). One of the most significant developments in audit reporting is the introduction of a dedicated section for Key Audit Matters (KAMs), which serves as a key component in advancing audit practices and enhancing auditor performance. KAMs represent the most substantial transformation in audit reports in recent decades (Deneuve, 2023). Their disclosure facilitates audit effectiveness (Rautiainen et al., 2021) and strengthens investor confidence. Moreover, KAMs assist in evaluating audit risks and guiding auditors in addressing them. Theoretically, the disclosure of KAMs is expected to have a significant impact on investors' decision-making, which was the primary intent behind regulatory initiatives (Camacho-Miñano et al., 2024).

From an agency theory perspective, the disclosure of high-quality information fosters greater transparency and reduces information asymmetry between management and external stakeholders. External auditing serves as a fundamental corporate governance mechanism that limits managerial opportunism. Accordingly, incorporating KAMs in audit reports enhances financial information quality and mitigates agency conflicts (Halel & Kahlol, 2022). Similarly, stakeholder theory posits that both management and owners bear the responsibility of demonstrating improved performance and sustainable business practices. This perspective suggests that firms should disclose information that meets the expectations of internal stakeholders (e.g., management) as well as external stakeholders, such as shareholders, creditors, and customers. Expanding disclosure standards to include KAMs in audit reports is essential for addressing stakeholders' expectations (Maglio et al., 2020) and reducing information asymmetry.

Several studies have examined the disclosure of KAMs and its effect on information quality. Some research suggests that KAMs provide valuable information to financial statement users (Brasel et al., 2016; Ong et al., 2022), while other studies present contradictory findings (Seebeck, 2024). While some scholars anticipate that KAM disclosures will enhance the usefulness of annual reports (Moroney et al., 2021; Smith, 2023), others highlight the incremental informativeness of KAMs for investors

in developing economies such as China and Tunisia (Goh et al., 2023; Halel & Kahlol, 2022). For instance, Halel & Kahlol (2022) investigated the impact of KAM disclosure on the quality of financial information in Tunisian firms and found that it improves financial information quality, reduces information asymmetry, and enhances trust in financial reporting. Similarly, Zhao (2022) argued that KAM disclosure enhances information quality and curtails opportunistic managerial behavior.

Recent research has increasingly focused on the impact of KAM disclosure on audit quality (Liu, 2023; Suttipun, 2021; Al Lawati & Hussainey, 2020), with most studies confirming a significant relationship. Liu (2023) investigated whether KAM disclosure enhances audit quality and found a strong positive association. Additionally, studies conducted in developed countries have shown that KAM disclosure positively affects audit quality (Al Lawati & Hussainey, 2020; Suttipun, 2021). In line with this research, other studies have demonstrated that financial reporting quality has improved following the implementation of audit reports that disclose KAMs (Bens et al., 2019; Gold et al., 2020).

2.2 KAMs and Earnings Quality

Previous research has demonstrated that higher audit quality is associated with reduced earnings management (EM) (Van Tendeloo & Vanstraelen, 2008; Lin & Hwang, 2010). Additionally, Kojour & Niyasani (2024) found that disclosing

Key Audit Matters (KAMs) enhances transparency and audit quality, thereby curbing EM. Their study provided evidence that KAM disclosures play a vital role in improving the reliability of financial reports. The literature on disclosure transparency further suggests that increased transparency reduces the likelihood of earnings management practices (Cassell et al., 2015; Lee, 2006). In line with this, Sai et al. (2024) argue that the communication of KAMs in audit reports leads to a decline in EM levels. Similarly, Elshafie (2023) found that auditors are more likely to report KAMs when earnings quality is low and when they adopt a more conservative approach.

Despite the general expectation that KAMs enhance earnings quality, empirical research has produced contradictory findings. Studies investigating the impact of KAM disclosure on EM provide mixed results regarding the audit report's ability to enhance financial reporting quality (e.g., Chiang et al., 2023; Barghathi et al., 2021; Gold et al., 2020; Reid et al., 2019). On one hand, a significant body of research supports the notion that KAM disclosures improve financial reporting quality (Reid et al., 2019). Furthermore, KAMs have been shown to reduce aggressive financial reporting decisions (Gold et al., 2020). Barghathi et al. (2021) also found that KAM disclosures enhance audit quality in publicly listed firms by promoting better communication and transparency.

On the other hand, some studies highlight the potential drawbacks of KAM disclosures. Excessive disclosure of KAMs may introduce additional risks, potentially increasing financial distress. Camacho-Miñano et al. (2024) argue that a higher number of disclosed KAMs may indicate greater financial distress and increased EM. Moreover, KAM disclosures can act as a double-edged sword—while they are intended to improve financial reporting quality and provide insights into audit risks, an excessive number of KAMs may reduce their effectiveness and create confusion among investors and other stakeholders (Pinto & Morais, 2018; Hoang et al., 2022). This dilution effect is particularly concerning because it may obscure critical risk indicators that investors rely on to assess a company's financial stability (Hoang et al., 2022). Additionally, the complexity introduced by multiple KAM disclosures can hinder stakeholders' ability to accurately evaluate the risk of material misstatements, further exacerbating financial distress (Gold et al., 2020).

The role of corporate governance in mitigating the risks associated with KAM disclosures has also been emphasized in recent studies. A strong corporate governance framework can help ensure that KAM disclosures remain meaningful and comprehensible, thus reducing potential risks (Gezgin, 2024; Abu & Jaffar, 2020). This is particularly critical during periods of financial uncertainty, as clear and well-structured disclosures can significantly influence investor confidence and decision-making

(Gezgin, 2024; Abu & Jaffar, 2020). Moreover, the link between KAM disclosures and financial distress is not purely correlational; research suggests that KAM disclosures can serve as early warning signals of potential insolvency, allowing stakeholders to take proactive measures (Abu & Jaffar, 2020).

In conclusion, while prior literature indicates that KAMs are designed to improve financial reporting quality and enhance transparency, their widespread use can introduce additional risks, including increased financial distress if not managed appropriately. Striking a balance between providing sufficient information and avoiding excessive disclosures is crucial for both auditors and corporate governance structures. Given the conflicting findings regarding the relationship between KAM disclosures and EM, further research is needed to better understand this dynamic.

Although numerous studies have explored the association between KAM disclosure and earnings management, additional research is required to examine the intricate relationship between KAMs and earnings quality in Egyptian listed firms. Based on prior research, the following hypothesis is proposed:

H1: KAMS significantly impact earning quality (EPS) in Egyptian Listed Companies

2.3. The Moderating Effect of Ownership Structure on the Association between Earnings Quality and KAMs

The ownership structure of a business is recognized as a crucial management control mechanism. Numerous studies have examined its effect on earnings management (EM) (Almari et al., 2021; Dong et al., 2020). While Dong et al. (2020) reported no definitive evidence of the influence of ownership structure on EM, their findings suggest that Chinese firms with stronger shareholder presence and greater public ownership are less likely to engage in EM. Additionally, other studies (e.g., Kim & An, 2019; Abd Alhadi et al., 2020; Oyebamiji, 2021) have demonstrated that earnings quality varies across firms with different ownership structures, including institutional ownership, ownership concentration, and managerial ownership. Furthermore, contemporary literature (e.g., Abdullatif et al., 2019; Agnihotri & Bhattacharya, 2019; Yang et al., 2022) has emphasized that ownership structure serves as a key determinant of earnings quality, particularly in developing economies.

Conversely, firm-specific characteristics, such as ownership structure, also appear to influence KAM disclosures (Höfmann et al., 2024). Research on information disclosure has explored its determinants from various perspectives, including user perceptions and firm-specific attributes such as size, ownership structure, profitability, and leverage (e.g., Gibbins et al., 1992; Hossain & Adams, 1995; Wei et al., 2024). Several studies have examined the effect of ownership structure on information disclosure, reporting a significant relationship between the two

(Ismail et al., 2018; Wei et al., 2024; Gerged, 2020). However, to the best of our knowledge, no studies have explicitly investigated the relationship between ownership structure and KAM disclosures. Based on prior research, the present study posits that ownership structure may influence the disclosure of KAMs in expanded audit reports.

Given the impact of ownership structure on both earnings' quality and information disclosure, we hypothesize that the interaction between these variables and KAM disclosure may give rise to an influential moderating effect. Rather than treating ownership structure as a control variable that directly affects the dependent variable, this study considers it as a moderating factor in the relationship between KAM disclosure and earnings quality.

To our knowledge, no prior studies have examined the moderating role of ownership structure in the relationship between KAM disclosures and earnings quality in the Egyptian context. This study aims to address this gap by investigating how ownership structure influences the effect of KAM disclosures on earnings quality in Egyptian listed firms. Accordingly, based on the above discussion, the researchers propose the second hypothesis as follows:

H2: Ownership structure is moderating the relationship between key audit matters (KAMS) and earning quality (EPS) practices in Egyptian Listed Companies.

3. Methodology:

In this study, panel data analysis is employed to investigate the relationship between key variables over a defined time period. The dataset consists of multiple observations across various entities, enabling the capture of both cross-sectional and time-series variations.

The analysis begins with descriptive statistics, summarizing the dataset by calculating key metrics such as the mean, standard deviation, minimum, and maximum values for each variable. These statistics provide an overview of data distribution and help identify any notable variations. Additionally, a line plot is utilized to visualize overall trends and behaviors of the variables over time.

Following the descriptive analysis, the study examines the linear relationship between Key Audit Matters (KAMS) and Earnings Per Share (EPS) while controlling for other explanatory variables. To achieve this, the **Generalized Method of Moments (GMM)**, introduced by Arellano and Bond (1991), is applied. GMM is chosen for its robustness in handling situations where the normality assumption does not hold, making it preferable to maximum likelihood estimation due to its minimal distributional requirements.

Specifically, the **system GMM** approach is utilized to enhance estimation efficiency by incorporating additional moment

conditions and addressing econometric issues such as heteroscedasticity and serial correlation. To ensure model validity, two critical tests are conducted: the **Sargan-Hansen test** for over-identification and the **Arellano-Bond test** for autocorrelation. These diagnostic tests help confirm the appropriateness and reliability of the estimated model.

3.1: Study Measures and Characteristics

The study investigates earnings quality (EPS) as the dependent variable, with a primary focus on its relationship with Key Audit Matters (KAMS) as the main independent variable. Additionally, ownership structure is introduced as a moderating variable, influencing the strength and direction of this relationship.

To ensure a comprehensive and robust analysis, several control variables are incorporated to account for other potential determinants of EPS. These include return on assets (ROA), auditor type, audit committee meetings, firm size (AS), market leverage, liquidity, and industry type. By integrating these control variables, the study aims to isolate the true effect of KAMS on EPS, reducing potential biases arising from financial, governance, and organizational factors.

A detailed summary of these variables is presented in the following table.

Table (1): Study Variables

Dependent Variable	Earning Quality (EPS)	
Independent Variable	Key Audit Matters (KAMS)	
Moderating Variable	Ownership Structures	Ownership Concentration
		Governmental Ownership
		Institutional Ownership
		Managerial Ownership
Control Variables	Return on Assets (ROA)	
	Auditor Type	
	Audit Committee Meetings	
	Firm Size (AS)	
	Market Leverage	
	Liquidity	
	Industry Type	

3.2: Data Coding

In this study, missing data will be handled using appropriate imputation techniques to ensure the robustness and reliability of the analysis. Since missing values are a common challenge in panel data, the choice of imputation method will be guided by the type and pattern of missingness to minimize distortions in the dataset.

Implementing effective imputation strategies is crucial to mitigating potential biases in the estimation process. By employing these techniques, the dataset will more accurately reflect the true distribution of variables, reducing the risk of misleading conclusions due to incomplete data.

3.3: Statistical Technique and Analysis

3.3.1: Descriptive Statistics

In this study, we will begin by describing the variables using descriptive statistics, including Mean, Minimum, Maximum, and

Standard Deviation, as presented in Table 2. Next, we will conduct a more detailed analysis of the variables by calculating their average values across both the years and the companies.

Table (2): Descriptive Statistics of the Variable Overall

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Earning Quality (EPS)	228	0.004	42.909	1.539	4.0960
Key Audit Matters (KAMS)	228	0.000	15.000	1.370	2.7390
Ownership Structures	228	0.050	0.500	0.305	0.0934
Ownership Concentration	228	0.000	0.999	0.568	0.2396
Governmental Ownership	228	0.000	0.920	0.131	0.2439
Institutional Ownership	228	0.000	0.928	0.406	0.2654
Managerial Ownership	228	0.000	0.730	0.114	0.2003
Return on Assets (ROA)	228	-73.420	127.000	0.031	10.8807
Audit Committee Meetings	228	0.000	19.000	5.310	3.0610
Firm Size (AS)	228	4.150	8.778	6.485	0.6727
Market Leverage	228	-2.060	31.684	2.723	2.8002
Liquidity	228	0.010	283.000	5.395	27.9651

The earnings per share (EPS) range from a minimum of 0.004 to a maximum of 42.909, with an average of approximately 1.539 and a standard deviation of 4.096. This wide disparity in earnings across firms suggests that while some companies achieve exceptional financial performance, others face significant challenges. Such variability in EPS is often influenced by factors such as ownership structure and corporate governance practices, which play a crucial

role in shaping financial performance and management decisions (Kao et al., 2019; Adamu & Haruna, 2020).

Similarly, the number of audit committee meetings (KAMs) ranges from zero to a maximum of 15, with a mean of 1.370 and a standard deviation of 2.739. This variation highlights differing levels of engagement in audit activities across firms, suggesting that while some companies prioritize audit oversight, others may neglect it, potentially affecting financial reporting quality and risk management (Hsu et al., 2018).

Ownership structures also exhibit notable diversity. Ownership structure values range from a minimum of 0.050 to a maximum of 0.500, with a mean of approximately 0.305 and a standard deviation of 0.093, indicating moderate concentration. Ownership concentration varies from zero to 0.999, with an average of 0.568 and a standard deviation of 0.240, reflecting a broad distribution of ownership stakes across firms.

Governmental ownership ranges from zero to 0.920, with an average of 0.131 and a standard deviation of 0.244, suggesting that while government stakes in firms are generally low, there is considerable variation among companies. Institutional ownership spans from zero to 0.928, with a mean of 0.406 and a standard deviation of 0.265, indicating a moderate level of institutional investor involvement. Meanwhile, managerial ownership remains

relatively low, fluctuating between zero and 0.730, with an average of 0.114 and a standard deviation of 0.200.

The return on assets (ROA) exhibits significant variation, ranging from -73.420 to 127, with a mean of 0.031 and a standard deviation of 10.881. This broad disparity underscores differences in firms' financial performance, with some companies experiencing substantial losses while others achieve high returns.

Additional financial and governance-related variables also show considerable variation. The number of audit committee meetings ranges from zero to 19, with an average of 5.310 and a standard deviation of 3.061, suggesting moderate audit engagement across firms. Firm size, measured by the logarithm of total assets, ranges from 4.150 to 8.778, with a mean of 6.485 and a standard deviation of 0.673, reflecting moderate variability in company sizes.

Market leverage ranges from a minimum of -2.060 to a maximum of 31.684, with an average of 2.723 and a standard deviation of 2.801, highlighting diverse capital structures across firms. Finally, liquidity levels exhibit substantial differences, ranging from 0.010 to 283, with an average of 5.395 and a standard deviation of 27.965. This suggests that while some companies experience extremely low liquidity, others maintain significantly higher liquidity levels, affecting their financial flexibility and risk exposure.

Table (3): Frequency Distribution of Companies According to the Industry Type

Industry Type	Frequency	Percentage
Food and Tobacco	7	12.3%
Real, Construction and Tourism	15	26.3%
Primary Sources	6	10.5%
Industrial Products, Cars, Textiles, and Pharm	11	19.3%
Shipping	4	7.0%
Telecommunication, Technology, Media, and Educational Services	4	7.0%
Building and Packaging Material	3	5.3%
Energy, Supportive, and Financial Services	7	12.3%
Total	57	100.00%

The data illustrates the distribution of companies across various industry sectors. The real estate, construction, and tourism industries have the highest representation, accounting for 26.3% of the companies. They are followed by the industrial products, automotive, textiles, and pharmaceuticals sectors, which each contribute 19.3%. The food and tobacco industry, as well as the energy, supportive services, and financial services sectors, each represent 12.3% of the total. The primary industries account for 10.5%. Meanwhile, the shipping and telecommunications, technology, media, and educational services sectors are equally represented at 7.0%. The building and packaging materials industry has the smallest representation, comprising 5.3% of the total.

3.3.2. Correlation Analysis

Table (4): Pearson's correlation coefficients

	Earning Quality	Key Audit Matters	Ownership Structures	Ownership Concentration	Governmental Ownership	Institutional Ownership	Managerial Ownership	Return on Assets	Audit Committee Meetings	Firm Size	Market Leverage	Liquidity
Earning Quality	1											
Key Audit Matters	-0.062	1										
Ownership Structures	0.058	0.009	1									
Ownership Concentration	0.087	-0.107	0.921**	1								
Governmental Ownership	-0.007	0.284*	0.295**	0.191**	1							
Institutional Ownership	-0.090	-0.042	0.504**	0.539**	-0.455**	1						
Managerial Ownership	0.132*	-0.145	-0.263**	-0.423**	-0.293**	-0.475**	1					
Return on Assets	-0.055	-0.004	0.091	0.078	0.032	0.041	-0.015	1				
Audit Committee Meetings	0.144*	0.035	0.262**	0.237**	0.249**	-0.54	-0.029	-0.084	1			
Firm Size	-0.051	0.120	0.131*	0.214**	0.111	0.003	-0.150	0.054	0.142*	1		
Market Leverage	-0.023	-0.108	-0.093	-0.040	-0.013	-0.138*	0.072	0.040	-0.067	0.277**	1	
Liquidity	-0.026	-0.034	-0.026	-0.002	-0.065	0.081	-0.074	0.002	-0.049	0.175**	-0.051	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

It can be concluded that there is no strong correlation between the explanatory variables, as all correlation coefficients are below 0.7. However, a high correlation exists between ownership structures and ownership concentration, which is expected since ownership concentration is a sub-indicator of ownership structures. (Al-Saidi, 2020).

3.4: System GMM

The Jarque-Bera test was used to assess normality, with the null hypothesis asserting that the data follows a normal distribution. Additionally, the results of the Shapiro-Wilk test are presented below.

Table (5): Shapiro–Wilk test for normality

Variable	N	W	V	Z	Prob > z
Earning Quality (EPS)	228	0.31207	115.072	10.991	0.000

Since the p-value (Prob > z) is 0.000, which is below the standard significance level of 0.05, the null hypothesis is rejected. This suggests that the EPS variable significantly departs from a normal distribution.

3.4.1. First Model

According to the above, the following model is estimated,

$$Y_{it} = \beta_0 + \beta_1 Y_{it-1} + \sum_i \theta_i x_{it} + \varepsilon_{it} \dots (1)$$

Where:

Y_{it} = Dependent Variable (Earning Quality (EPS)),

x_{it} = Explanatory Variables (Key Audit Matters (KAMS), Return on Assets (ROA), Auditor Type, Audit Committee Meeting, Firm Size (AS), Market Leverage, and Liquidity, Industry),

β_0 = Intercept (Constant Term),

θ_i = Slope Coefficients for i^{th} Explanatory Variable,

ε_{it} = Error Term (with Mean zero and constant variance).

Table (6): summary of the first model

Dynamic Panel-Data Estimation, Two-Step System GMM				
Group Variable	Company ID	Number of Observations	171	
Time Variable	Year	Number of Groups	57	
Number of Instruments	14	Observations per Group	Minimum	3
Wald Chi2 (9)	2193.57		Average	3
Prob > Chi2	0.000		Maximum	3

The results are summarized in the previous table and according to these listed results, the p-value of the Wald Chi2 test equals 0.000 which is significant (less than 0.05). This means that there is at least one variable of the independent variables that has a significant effect on EPS.

Table (7): Coefficient of the First Model

Variable	Earning Quality (EPS)
First Lag of EPS	0.920*** (0.0546)
Key Audit Matters (KAMS)	-0.044*** (0.0155)
Return on Assets (ROA)	-0.005 (0.0062)
Audit Type	-0.007 (0.0875)
Audit Committee Meetings	0.026*** (0.0154)

Firm Size	0.232^{***} (0.0885)
Market Leverage	-0.038[*] (0.0208)
Liquidity	-0.002^{**} (0.0006)
Real, Construction and Tourism	-0.007^{***} (0.0965)
Standard Error in Parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

It can be concluded that the number of audit committee meetings (KAMS) has a significant negative impact on earnings per share (EPS). This finding is consistent with (Galal et al., 2022) in the Egyptian context. However, return on assets (ROA) does not significantly impact EPS. Similarly, the type of auditor does not significantly affect EPS. This suggests that companies with different types of auditors do not experience significant differences in their EPS, assuming all other variables remain constant (Ranjbar & Amanollahi, 2018).

Audit committee meetings have a significant positive impact on EPS. Firm size also has a significant positive impact on EPS, assuming other variables remain constant. Market leverage has a significant negative impact on EPS as well as liquidity

Finally, the coefficient for the industry of real estate, construction, and tourism is -0.007, which suggests that companies in the real estate, construction, and tourism industries, compared to firms in other sectors, are associated with a decrease in EPS of 0.007 units, assuming all other independent variables remain constant.

Table (8): Diagnostics Tests for the First Model

Arellano-Bond Test for AR (1)		Hansen Test (robust, but weakened by many instruments)	
z	Prob > z	Chi2(4)	Prob > Chi2
-1.78	0.074	4.47	0.346

The Arellano-Bond test suggests that there is no evidence of first-order autocorrelation in the differenced errors, suggesting that the model has no issues with autocorrelation at first lag. Furthermore, the Hansen test indicates that the instruments used in the model are not over-identified, meaning they are valid for the model.

3.4.2. Second Model

According to the above, the following model is estimated,

$$Y_{it} = \beta_0 + \beta_1 Y_{it-1} + \sum_i \theta_i x_{it} + \varepsilon_{it} \dots (2)$$

Where:

Y_{it} = Dependent Variable (Earning Quality (EPS)),

x_{it} = Explanatory Variables (**Key Audit Matters (KAMS), Key Audit Matters * Ownership Structures, Return on Assets (ROA), Auditor Type, Audit Committee Meeting, Firm Size (AS), Market Leverage, and Liquidity, Industry**),

β_0 = Intercept (**Constant Term**),

θ_i = Slope Coefficients for i^{th} Explanatory Variable,

ε_{it} = Error Term (with mean zero and constant variance).

Table (9): Summary of the Second Model

Dynamic Panel-Data Estimation, Two-Step System GMM				
Group Variable	CompanyID	Number of Observations	171	
Time Variable	Year	Number of Groups	57	
Number of Instruments	15	Observations per Group	Minimum	3
Wald Chi2 (11)	140.24		Average	3
Prob > Chi2	0.000		Maximum	3

The results are summarized in the previous table and according to these listed results, the p-value of the Wald Chi2 test equals 0.000 which is significant. This means that there is at least one variable of the independent variables that has a significant effect on EPS.

Table (10): Coefficient of the Second Model

Variable	Earning Quality (EPS)
First Lag of EPS	-0.159 (0.1410)
Key Audit Matters (KAMS)	0.032 (0.0384)
Ownership Structures (=High)	0.843** (0.3950)
Key Audit Matters * Ownership Structures	-0.166** (0.0723)
Return on Assets (ROA)	-0.022 (0.0138)
Audit Type	-0.132 (0.2180)
Audit Committee Meetings	0.111* (0.0647)
Firm Size	-0.114 (0.3310)
Market Leverage	0.061 (0.0598)
Liquidity	0.002 (0.0024)
Real, Construction and Tourism	0.047 (0.7660)
Standard Error in Parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

It can be concluded that the number of audit committee meetings (KAMS) does not have a significant impact on earnings per share (EPS) for companies with low ownership structures. Findings also suggest that companies with concentrated ownership tend to have improved. Furthermore, the interaction between KAMS and

ownership structures shows a significantly negative relationship with EPS. Our results resemble (Komal et al.,2022) in this context.

Return on assets (ROA) does not have a significant impact on EPS, given that all other independent variables are constant. Similarly, the type of auditor does not significantly affect EPS. This suggests there is no notable difference in EPS between companies with different types of auditors. On the other hand, audit committee meetings have a significant positive impact on EPS indicating that an increase in audit committee meetings is associated with an increase in EPS which is similar to Istanti et al., (2022) findings.

The firm size, market leverage, and liquidity do not have significant impacts on EPS. Additionally, the industry of real estate, construction, and tourism does not have a significant effect on EPS. This suggests that there is no significant difference in EPS across companies operating in various industries.

Table (11): diagnostics tests for the second model

Arellano-Bond Test for AR (1)		Hansen Test (robust, but weakened by many instruments)	
z	Prob > z	Chi2(3)	Prob > Chi2
-1.55	0.120	2.63	0.268

The Arellano-Bond test suggests that there is no evidence of first-order autocorrelation in the differenced errors, suggesting that the model has no issues with autocorrelation at the first lag.

Furthermore, the Hansen test indicates that the instruments used in the model are not over-identified, meaning they are valid for the model.

3.4.3. Third Model

According to the above, the following model is estimated,

$$Y_{it} = \beta_0 + \beta_1 Y_{it-1} + \sum_i \theta_i x_{it} + \varepsilon_{it} \dots (2)$$

Where:

Y_{it} = Dependent Variable (Earning Quality (EPS)),

x_{it} = Explanatory Variables (Key Audit Matters (KAMS), Key Audit Matters * Ownership Concentration, Key Audit Matters * Governmental Ownership, Key Audit Matters * Institutional Ownership, Key Audit Matters * Managerial Ownership, Return on Assets (ROA), Auditor Type, Audit Committee Meeting, Firm Size (AS), Market Leverage, and Liquidity, Industry),

β_0 = Intercept (Constant Term),

θ_i = Slope Coefficients for i^{th} Explanatory Variable,

ε_{it} = Error Term (with mean zero and constant variance).

Table (12): summary of the third model

Dynamic Panel-Data Estimation, Two-Step System GMM				
Group Variable	CompanyID	Number of Observations		171
Time Variable	Year	Number of Groups		57
Number of Instruments	21		Minimum	3
Wald Chi2 (11)	500.57	Observations per Group	Average	3
Prob > Chi2	0.000		Maximum	3

The results are summarized in the previous table and according to these listed results, the p-value of the Wald Chi2 test equals 0.000 which is significant (less than 0.05). This means that there is at least one variable of the independent variables that has a significant effect on EPS.

Table (13): Coefficient of the Third Model

Variable	Earning Quality (EPS)
First Lag of EPS	-0.174 (0.1340)
Key Audit Matters (KAMS)	0.050 (0.0808)
Ownership Concentration (=High)	3.054*** (0.9301)
Governmental Ownership (=High)	-0.862 (0.6980)
Institutional Ownership (=High)	-1.923*** (0.7080)
Managerial Ownership (=High)	-0.801* (0.4120)
Key Audit Matters * Ownership Concentration	-0.225*** (0.0704)
Key Audit Matters * Governmental Ownership	0.116 (0.1210)
Key Audit Matters * Institutional Ownership	0.131 (0.0844)
Key Audit Matters * Managerial Ownership	0.162 (0.3650)
Return on Assets (ROA)	-0.019 (0.0144)
Audit Type	-0.120 (0.2280)
Audit Committee Meetings	0.078 (0.0480)
Firm Size	-0.202 (0.3660)

Market Leverage	0.115* (0.0674)
Liquidity	0.002 (0.0024)
Real, Construction and Tourism	0.067 (0.4310)
Standard Error in Parentheses	
*** p<0.01, ** p<0.05, * p<0.1	

The findings suggest that the number of audit committee meetings (KAMs) does not significantly influence earnings per share (EPS) in companies with low ownership concentration, governmental ownership, institutional ownership, or managerial ownership. Alike Nwude et al., (2023), this implies that firms with highly concentrated ownership structures tend to exhibit higher EPS, whereas governmental ownership does not have a discernible impact on EPS.

Additionally, the results indicate that companies with high levels of institutional ownership tend to experience a decline in EPS. Similarly as Pratomo and Nuraulia, (2021) and Savitri and Putri (2023) , greater managerial ownership is associated with lower EPS, holding other factors constant. Furthermore, the interaction between KAMs and ownership concentration exhibits a significantly negative relationship with EPS.

The remaining interaction terms do not significantly affect EPS, indicating that other ownership-related variables do not moderate the relationship between KAMs and EPS. Moreover, return on assets (ROA) does not exhibit a significant influence on EPS. Likewise, the type of auditor does not significantly impact EPS, suggesting that

variations in audit firm types do not contribute to meaningful differences in EPS. Additionally, the number of audit committee meetings does not have a statistically significant effect on EPS.

Other firm-specific factors, including firm size, market leverage, and liquidity, were also examined in this analysis. Firm size does not appear to have a significant effect on EPS. However, market leverage exhibits a significant positive relationship with EPS, indicating that higher market leverage corresponds with increased EPS. In contrast, liquidity does not significantly impact EPS.

Finally, industry classification, particularly within the real estate, construction, and tourism sectors, does not have a notable influence on EPS. This suggests that, assuming all other independent variables remain constant, there are no significant differences in EPS across firms operating in different industries.

Table (14): Diagnostics Tests for the Third Model

Arellano-Bond Test for AR (1)		Hansen Test (robust, but weakened by many instruments)	
z	Prob > z	Chi2(3)	Prob > Chi2
-1.64	0.101	3.12	0.210

The Arellano-Bond test suggests that there is no evidence of first-order autocorrelation in the differenced errors, suggesting that the model has no issues with autocorrelation at first lag. Furthermore, the Hansen test indicates that the instruments used

in the model are not over-identified, meaning they are valid for the model.

Conclusion:

This study offers empirical evidence regarding the correlation between earnings quality (EPS) and key audit matters (KAMS) in Egyptian listed firms, with an emphasis on the moderating influence of ownership structures. The results suggest that ownership concentration mitigates the negative impact of KAMS on earnings quality. The implications of KAMS disclosures are more effectively managed by firms with a higher concentration of ownership, according to these findings. Furthermore, the quality of earnings is improved by audit committee meetings and firm size, while market leverage and liquidity have a negative impact on EPS. The study emphasizes the importance of corporate governance mechanisms in determining financial outcomes and provides valuable insights for regulators, auditors, and investors.

The study provides critical insights for both policymakers and investors. For policymakers, the findings emphasize the need to enhance audit regulations to ensure that Key Audit Matters (KAMS) disclosures improve transparency without negatively impacting earnings quality. Strengthening corporate governance policies, particularly regarding ownership structures and audit committee effectiveness, is essential to mitigate risks.

Additionally, sector-specific regulations should be considered to resolve variations in financial reporting across industries.

The significance of assessing ownership structures and governance practices when making investment decisions is emphasized by the study for investors. Companies that maintain robust governance mechanisms and possess active audit committees are inclined to generate superior earnings quality. To make more informed investment decisions, investors should also evaluate financial indicators such as market leverage and liquidity, which have a detrimental effect on earnings quality.

The study has limitations, despite its contributions. The scope of the findings is further restricted by the exclusion of macroeconomic variables and industry-specific variations. Lastly, the results may be inconsistent due to the subjectivity of KAMS disclosure and the static consideration of ownership structures. Lastly, future research could further explore the impact of external economic factors and industry-specific effects on these relationships

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