



The Influence of Auditor Reputation and Degree of Ownership Concentration on the Quality of Financial Reporting

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Abstract

The quality of financial information reported by companies is determined by a number of factors designed to help make it more useful to investors. This paper aims to assess the contribution of auditor reputation and ownership concentration to share price formation, thereby evaluating the relevance of these characteristics for investors. Using information specific to companies listed on the Bucharest Stock Exchange (BSE) for a period of 10 financial years, the study identifies a significant influence of auditors' reputation when the latter belong to the Big4 group; meanwhile, after forming categories per the legal form of organization, it was revealed that the market does not distinguish between auditors organized as audit firms or those who provide the specific services as independent professionals. The study also reveals a significant influence of financial information on the share price at the highest level of ownership concentration compared to the other levels introduced in the analysis. Following the introduction of control variables, such as listing market segment, size, industry or leverage into the study, the sense and significance of the influences were preserved, and the results also remained robust following the sensitivity analysis conducted on the influence of auditor reputation function of ownership concentration and BSE section.

Key words: value relevance; audit quality; ownership concentration; accounting information quality;

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Introduction

Although the literature is replete with papers that address the quality of accounting information in general and earnings information in particular, the subject of factors that influence the quality of earnings reported by companies is far from settled. The value relevance of accounting figures is extremely important for users, especially investors, as it forms the basis of all the judgements and decisions they make (Lee and Lee, 2013).

A synthesis by Dechow et al. (2010) highlights that the approach to accounting quality in academic work is less comprehensive than in the standards issued by IASB because the quality of the earnings is analyzed separately and not through qualitative characteristics that relate to accounting information in general.

Users of accounting information – particularly investors – are put in the position of forecasting future earnings of the company based on past performance; therefore, one dimension of the quality of earnings relates to their persistence (associated with the absence of manipulation), which means that the results should not vary significantly from one period to another, otherwise they have a limited usefulness for estimating cash flow. Another quality dimension relates to the timeliness of loss recognition (Dechow et al., 2010; Ball et al., 2008), explained by the desirability of accounting for *bad news* quickly (*time loss recognition*). In this context it is worth noting that after conducting a study, Ball and Shivakumar (2005) concluded that in the UK loss recognition is faster in listed companies than in non-listed companies. The absence of accounting manipulation and the value relevance of reported information can also be mentioned in addition to these dimensions.

Accounting information quality is a subject that has been debated over time from different perspectives. In terms of the works on *value relevance*, it examines the usefulness of accounting figures reported by companies for investors, as well as their capacity to influence their share price decisions (Barth, Beaver and Landsman, 2001; Beisland, 2009; Oliveira, Rodrigues and Craig, 2010; Gong, Sophia and Wang, 2016; Barth, Li and McClure, 2021). Although the issue has generally been investigated based on economic and financial indicators, over the course of time researchers have also focused on *value relevance* analysis via certain non-financial information. For example, a significant number of papers has studied the

capacity of environmental information disclosed by firms, both voluntary and mandatory, to influence the market value of companies (Amir and Lev, 1996; Hassel, Nilsson and Nyquist, 2005; Moneva and Cuellar, 2009; Fazzini, and Dal Maso, 2016; Cordazzo, Bini, and Marzo, 2020). Hirsche, Richardson, and Scholz (2001) identified that disclosure of patent quality information for firms operating in the high-tech sector could be useful to investors in evaluating companies. Gamerschlag (2013) analyzed human capital information voluntarily disclosed by German companies and found that it is positively associated with firm value (especially information on employee qualifications and skills). The presence of women in the board of companies also proved to have a positive influence on the value of earnings and equity information, and thus leads to higher quality financial reporting (Cimini, 2021). From another perspective, a recent paper showed that Romanian companies listed on the Bucharest Stock Exchange with connections to offshore jurisdictions tend to have lower value relevance of accounting information as opposed to those without such connections (Afrăsinei and Georgescu, 2020). Another factor that can significantly influence the relevance of financial information is the auditor's reputation or the quality of audit services. In this regard, Lee & Lee (2013) found that, for companies audited by Big 4 firms, the earnings and book value of equity have a higher relevance for stock valuation, as opposed to firms with other auditors.

In general, the studies that measured the capacity of corporate disclosures to influence investors' stock price decisions have relied on the Easton and Harris (1991) and Ohlson (1995) models to track the relationship between market price and accounting valuation of earnings and equity, respectively (Alali and Foote, 2012; Ragab and Omran, 2006; Hellström, 2006; Harris, Lang and Möller, 1994).

This paper aims to analyze the influence of auditor reputation on the relevance of financial information reported by companies listed on the Bucharest Stock Exchange. The connection is studied by reference to the degree of ownership concentration, an element with a significant impact on the auditor-client company relationship, as well as by using control variables suitable for the stated relationship, such as: field of activity, listing market, leverage and company size. The study contributes to the literature in two directions. Firstly, the results that reveal an increased relevance of the information reported by BSE listed Romanian companies audited by a Big 4

firm are consistent with previous research in the field. Secondly, to investigate the influence on the market price, the study takes into account not only the auditor's reputation, estimated according to several grouping criteria, but also their Big 4 group status (Big 4 vs. Non-Big 4), the legal form of organization (audit firm or independent professional) and the degree of ownership concentration, respectively.

The whole research approach of this paper is structured into several sections presenting the research hypotheses determined based on the literature review, the research methodology, the results obtained, and the conclusions.

1. Literature review and hypotheses development

There are numerous studies that have focused on the relationship between audit quality and accounting information quality. The connection between the choice of a reputable auditor and the level of manipulation of the audited company's earnings was analyzed in this context. Thus, while the study by Becker et al. (1998) showed that US companies audited by Big 6 auditors (at that time there were 6 large audit firms) had a lower magnitude of discretionary engagements than the firms audited by non-Big 6 auditors, Lennox and Pittman's (2010) study found that companies audited by Big 5 auditors were less involved in SEC-sanctioned fraudulent financial reporting compared to firms whose accounting reports were certified by smaller auditors. Another aspect under analysis is the positive influence of audit quality on the predictive capacity of accounting information; therefore, the results of the study by Behn et al. (2008) led to the conclusion that analysts' predictions are more accurate when companies are audited by Big 4 auditors.

Normally, the decision to choose the auditor should rest with the shareholders, but in reality, it is the managers who decide. The literature includes studies designed to identify the factors that influence these decisions, as well as the reasons for changing the auditor. They have highlighted that there are two categories of reasons that support the preference of companies towards an auditor within the international Big 4 network (Raffournier, 2018), namely: the intention to attract investors and reducing the risk of political costs by publishing financial statements of unquestionable reliability. We can thus hypothesize that the companies audited by Big 4 firms are those that tap into financial markets and they are large companies.

Choosing a Big 4 auditor may also be the consequence of agency relationships within the firm, and is more likely where the shareholding is dispersed, the firm is more leveraged, and managers are directly interested in the earnings. Thus, the study by Hope et al. (2012) confirmed the influence of agency relationships on the choice of auditor type (Big 4 or non-Big 4) for companies in Norway, and the results obtained by Broye and Weill (2008) following a research conducted on a sample of European companies showed that the relationship between leverage (debt level) and auditor type varies across countries, supporting the idea that the higher the level of creditor protection, the stronger the relationship.

On the other hand, choosing a reputable auditor, such as Big 4 ones, means higher fee expenses for the client company, but also a higher probability that the audit will detect irregularities in the financial statements. Therefore, we can infer that companies using such auditors do not intend to influence the financial statements via questionable accounting practices. The disadvantage of high costs for quality audit services must be offset by certain advantages, such as a firm's going public. In this context, it is worth noting that most studies targeting US companies have concluded that there is a correlation between auditor reputation and stock undervaluation at IPO (Raffournier, 2018), while a study by Broye and Weill (2008) shows that in France choosing a reputable auditor helps reduce stock undervaluation, and research by Chang et al. a. (2008), on the contrary, finds a positive correlation between choosing a Big 4 auditor and the undervaluation of stocks for IPO companies.

H1: Auditor reputation significantly influences the relevance of financial information.

The influence of the degree of ownership concentration has been studied in the literature from several perspectives, but most of the work has focused on the analysis of the relationship between ownership structure and firm performance (Balsmeier and Czarnitzki, 2017; Alimehmeti and Paletta, 2012; Chen et al, 2005; Thomsen and Pedersen, 2000; Wruck, 1989). Research on this topic has shown that in some countries there is an influence of ownership structure on firm performance (Machek and Kubiček, 2018; Scafarto et al., 2017; Foroughi and Fooladi, 2011), while in others there is no significant association (Yasser and Al Mamun, 2015; Laporšek, Dolenc, Grum and Stubelj, 2020). A recent study (Horobet et al.,

2019) on a sample of firms operating in the manufacturing sector across the European Union found that, in the case of Western European companies, there is a positive connection between ownership concentration and company performance, while in the case of Eastern European companies the relationship is not statistically significant.

Ownership concentration can also have a significant influence on the use of high-quality external audit services and reputable auditors, respectively. In terms of audit quality, previous work in the literature finds that Big 4 firms provide higher quality audit services than other audit firms (Van Tendeloo and Vanstraelen (2008) and also enjoy higher credibility (Lee and Lee, 2013). Thus, the quality of the audit endeavor varies by audit firm size, and large firms, having a lot of clients, are thought to be more concerned about not committing errors because they “have more to lose” (De Angelo, 1981). In this regard, Darmadi (2016) found that companies with a high concentration of shareholders tend to use the services of a Big 4 audit firm. Family-owned firms are at the other side of the spectrum, as they prefer to use audit services deemed to be less qualitative. The same authors showed that the correlation between the degree of concentration of firm ownership and the pursuit of quality audit services is negative for family-owned firms.

To delineate the degree of ownership concentration, Horobet et al. (2019) used an indicator whereby firms were classified into four categories according to the number of shareholders and the proportion of shares held individually or collectively. The first category -**A**- presents a low concentration of ownership and includes the companies with shareholders that hold less than 25% of the total number of shares. The second category -**B**- presents a medium to low concentration of ownership and includes the companies with shareholders that hold less than 50% of the total number of shares, but at least one shareholder holding more than 25%. The third category -**C**- presents a medium to high concentration of ownership and includes the companies with shareholders that hold in total more than 50% of the shares. The fourth category -**D**- presents a high concentration of ownership and includes the companies with shareholders that

directly hold more than 50% of the shares. In another paper (Scafarto et al., 2017), the analyzed firms were divided by degree of ownership concentration into just two categories, based on the median. Thus, one category includes firms with an ownership concentration above the median, while the other category includes firms where the value of this indicator is below the median. Other studies have measured the degree of ownership concentration considering the ratio of shares held by a certain number of the largest shareholders (e.g., the top 5 or 10), respectively using the Herfindahl index as a proxy variable for the degree of ownership concentration (Demsetz and Lehn, 1985; Leech and Leahy, 1991; Demsetz and Villalonga, 2001; Goergen, and Renneboog, 2001; Fazlzadeh, Hendi and Mahboubi, 2011). In the same vein, to measure ownership concentration, Thomsen and Pedersen (2000) only considered the share ratio held by the largest shareholder. Yasser and Al Mamun (2015) used five variables in their study for classifying the degree of ownership concentration based on the share ratio held by the largest shareholder, the two largest shareholders, the three largest shareholders, the five largest shareholders, and the 10 largest shareholders.

H2: The degree of ownership concentration significantly influences the decisions of investors.

2. Methodology

This paper examines the role of auditor reputation and ownership concentration in enhancing the quality of financial information from the perspective of its relevance to investors on the BSE.

2.1. Sample and data

The analyzed population is represented by companies listed on the Bucharest Stock Exchange (BSE), excluding financial companies. The data was collected from the Amadeus database, as well as from the financial statements published by companies on the BSE website. The study was conducted over the span of 10 financial years (2010-2019), using information from 341 entities.

The variables used to test the stated hypotheses are presented in **Table no. 1**.

Table no. 1. Variables used in the study

Variable	Symbol	Description
Share price	P	Share price of a stock
Equity per share	Cpr	Equity per share for an ordinary share (the mathematical value of a share)
Net earnings per share	EPS	Net earnings divided by the number of issued shares
Reputation of auditor 1	BIG4	Dummy variable that takes the value 1 if the auditor is a BIG4 company and 0 otherwise
Reputation of auditor 2	Firm	Dummy variable that takes the value 1 if the auditor is a company and 0 if the auditor is an independent professional
Ownership concentration	Act	Variable that reflects the degree of ownership concentration. Dummy variable that takes the value 1 when the degree of ownership concentration falls under the D category and 0 otherwise.
BSE segment	SegB	Dummy variable that takes the value 1 if the entity is listed on the main market of the BSE and 0 if it is listed on the AeRO section
Domain of activity	Dom	Dummy variable that takes the value 1 if a company carries out an industrial activity, and 0, respectively, for the other domains
Company size	Dim	Log of total asset
Leverage (debt level)	LF	Financial leverage (total debt/equity capital)

Source: Authors' processing, 2021

Table no. 2 synthesizes the distribution of observations regarding

auditors, function of their relevant category.

Table no. 2. Distribution of observations regarding auditors by categories

No.	Auditor category	Number of observations	Ratio of total observations – %
1	BIG4	340	9.97
	Non-BIG4	3069	90.03
2	Audit firms	2899	85.03
	Independent professionals	510	14.97
	Total	3409	100

Source: Authors' processing, 2021

2.2. Data analysis methods

Correlation analysis and regression analysis with multiple alternative variables were used to study the relationships between the variables involved. Econometric models derived from the Ohlson (1995) model, representative for the field of assessing the extent to which company reporting influences investors' decisions, were used in analyzing the influence of auditor reputation and ownership concentration on the quality of reported financial information.

Thus, equation no. 1 captures the model used for individual testing of the influence of auditor reputation and ownership concentration, respectively, on stock market indicators:

$$P_{t+1/2} = \alpha_0 + \alpha_1 \times Rep_t + \alpha_2 \times Act_t + \alpha_3 \times Ctr_t + \varepsilon_t \quad (1)$$

where P_t is the price of a share at the middle of the year $t+1$; Rep_t auditor reputation in the year t , representing alternatively the *BIG4* and *Firm* variable, respectively; Act_t reflects the degree of ownership concentration in the year t ; Ctr_t includes control variables, as well as the market segment the company is listed on (*SegB*), the domain of activity (*Dom*), the size (*Dim*), and the leverage of the company (*LF*); $\alpha_0, \dots, \alpha_i$ are parameters associated to the variables in the model, while ε_t is the residual component.

The sensitivity analysis for auditor reputation function of ownership concentration and BSE section is tested using the model captured in equation no. 2:

$$P_{t+1/2} = \beta_0 + \beta_1 \times Rep_t + \beta_2 \times Rep_t \times Act_t + \beta_3 Act_t \times SegB_t + \beta_4 \times Rep_t \times Act_t \times SegB_t + \beta_5 \times Ctr_t + \varepsilon_t \quad (2)$$

where $Rep_t \times Act_t$ indicates the influence on the investors' decisions on the existence of an auditor in the BIG4 category (respectively legally organized in the form of a company), in the context of a high degree of ownership concentration; $Act_t \times SegB_t$ reflects the effect of the degree of ownership concentration function of market segment that the company is listed on; $Rep_t \times Act_t \times SegB_t$ shows the impact of the auditor's reputation function of the degree of ownership concentration and the stock exchange market segment that the company is listed on.

3. Interpretation of the results

Table no. 3 provides a snapshot of the correlation analysis between the variables involved in the study, noting the existence of significant connections between the dependent variable and independent characteristics. Also, no connections are identified between independent variables that would highlight potential collinearity relations. These elements support the conduct of the regression analysis according to the stated hypotheses.

Table no. 3. Correlation matrix

Variables	EPS	P	Cpr	LF	Big4	Firm	SegB	Act	Dom	Dim
EPS	1	.482**	.367**	-.024	.065**	.037*	.055**	-.011	-.071**	.102**
P		1	.668**	.001	.058**	.026	.048**	.020	-.095**	.168**
Cpr			1	-.012	.010	-.003	-.048**	.013	-.123**	.193**
LF				1	.064**	.042*	.111**	.003	.142**	.172**
Big4					1	.140**	.262**	-.040*	.081**	.355**
Firm						1	.162**	.084**	.095**	.202**
SegB							1	.001	.178**	.505**
Act								1	-.018	.153**
Dom									1	.253**
Dim										1

Source: Authors' processing, 2021

Table no. 4 reflects the influence of the auditor's reputation from the perspective of their Big4/Non-Big4 status. Thus, we note an increased relevance of the information reported by entities audited by a Big4 company. Investors associate higher quality of financial information with auditor reputation ($\alpha_{Big4_modelP1} = 0.662$). In this context, the degree of ownership concentration positively influences the price of shares ($\alpha_{Act_modelP3} = 0.195$), interpreting that a maximum focus on strategic decisions contributes to increasing the quality of financial

information. From the stock market segment perspective, the information published by companies listed on the main section of the BSE are more relevant (help in share price formation to a greater extent) compared to the information reported by companies listed on the AeRO market ($\alpha_{SegB_modelP4} = 0.880$). The control variables introduced in model P4 (Dim, Dom, and LF) do not significantly influence the price of shares, while the sense of the connections specific of the main independent variables are maintained in all the proposed models.

Table no. 4. Influence of auditor category – Big4/Non Big4 – on investment performance

Independent variables	Dependent variable – P			
	P1	P2	P3	P4
Constant	-0.009 (0.209)	-0.057 (0.424)	-0.135 (0.137)	-0.628 (0.076)
Cpr	0.336 (0.000)	0.335 (0.000)	0.336 (0.000)	0.332 (0.000)
EPS	1.635 (0.000)	1.651 (0.000)	1.636 (0.000)	1.633 (0.000)
Big4	0.662 (0.004)		0.675 (0.003)	0.516 (0.038)
Act		0.178 (0.112)	0.195 (0.073)	0.152 (0.098)
SegB				0.880 (0.000)
Dom				-0.195 (0.179)
Dim				-0.025 (0.612)
LF				0.001 (0.397)
N	3409	3409	3409	3409
R square	0.513	0.512	0.513	0.517
Sig F change	0.000	0.000	0.000	0.000

Note: The regression coefficients are presented with values associated sig. in parentheses. In the data processing, a 5% risk was considered in terms of the degree of significance of the results.

Source: Authors' processing, 2021

Table no. 5 synthesizes the role of the auditor's reputation in terms of their company/independent professional status in the formation of share prices. To this end, the regression coefficient $\alpha_{Firm_modelP1} = 0.288$ reflects a greater contribution to substantiating the investment decisions via the information published by entities whose financial statements have been audited by an audit company, compared to where the auditor was an independent professional. However, when the degree of ownership concentration (P4 model) is also included in the analysis, the significance of this

relationship decreases (Sig $\alpha_{Firm_modelP4} = 0.288$), indicating that in the context of a combination of factors the market does not differentiate (from the perspective of this grouping) the quality of financial information according to the reputation of the auditor. The market segment in which the company is listed maintains its significance and sense of influence, in the main market the financial and non-financial information introduced in the study contributes to a greater extent to share price formation (compared to the AeRO market).

Table no. 5. The impact of auditor category – company/independent professional – on share price

Independent variables	Dependent variable – P			
	P1	P2	P3	P4
Constant	-0.188 (0.192)	-0.057 (0.424)	-0.276 (0.156)	-0.222 (0.368)
Cpr	336 (0.000)	0.335 (0.000)	0.336 (0.000)	0.337 (0.000)
EPS	1.645 (0.000)	1.651 (0.000)	1.646 (0.000)	1.616 (0.000)
Firm	0.288 (0.033)		0.270 (0.061)	0.137 (0.288)
Act		0.178 (0.112)	0.161 (0.261)	0.168 (0.149)
SegB				0.896 (0.000)
Dom				-0.204 (0.161)
Dim				-0.004 (0.930)
LF				0.001 (0.395)
N	3409	3409	3409	3390
R square	0.512	0.512	0.512	0.516
Sig F change	0.000	0.000	0.000	0.000

Note: The regression coefficients are presented with values associated sig. in parentheses. In the data processing, a 5% risk was considered in terms of the degree of significance of the results.

Source: Authors' processing, 2021

The results of the sensitivity analysis are presented in **Table no. 6**. The individual connections specific of variables *Big4* and *Act* retain the sense and significance of their influence on share price. However, a negative influence of information on the share price is noted in the case of firms whose financial statements are audited by a Big 4 member and having a higher concentration of ownership ($\beta_{Big4*Act_modelP2}=-1.881$). This can

be explained by investors construing this association as a potential clue for affecting auditor independence, when there is a high degree of ownership concentration. A high concentration of ownership on the main market has a positive effect on share price ($\beta_{Act*Piata_modelP3}=1.234$; $\beta_{Act*Piata_modelP4}=1.477$), but the negative influence of the Big4 presence in the event of a high level of *Act* does not differentiate function of BSE

market segment ($\text{Sig } \beta_{\text{Big4*Act*Piata_modelP4}} = 0.335$).

Table no. 6. Sensitivity analysis of the connection between the auditor's Big4 status, ownership concentration and BSE market segment

Independent variables	Dependent variable – P			
	P1	P2	P3	P4
Constant	-0.135 (0.137)	-0.235 (0.036)	-0.260 (0.034)	0.337 (0.384)
Cpr	0.336 (0.000)	0.333 (0.000)	0.335 (0.000)	0.336 (0.000)
EPS	1.636 (0.000)	1.623 (0.000)	1.584 (0.000)	1.577 (0.000)
Big4	0.675 (0.003)	1.797 (0.000)	1.811 (0.000)	2.041 (0.000)
Act	0.195 (0.073)	0.394 (0.009)	0.172 (0.068)	0.172 (0.104)
Big4*Act		-1.881 (0.000)	-2.040 (0.000)	-2.011 (0.000)
Act *Piata			1.234 (0.000)	1.477 (0.000)
Big4*Act *Piata				-0.513 (0.335)
Dom				-0.165 (0.154)
Dim				-0.067 (0.164)
LF				0.001 (0.326)
N	3409	3409	3409	3390
R square	0.513	0.516	0.520	0.521
Sig F change	0.000	0.000	0.000	0.000

Note: The regression coefficients are presented with values associated sig. in parentheses. In the data processing, a 5% risk was considered in terms of the degree of significance of the results.

Source: Authors' processing, 2021

Table no. 7 synthesizes the sensitivity analysis conducted from the perspective of grouping auditors according to their legal form of organization. Note that

the positive influence of maximum ownership concentration is maintained in the main market ($\beta_{\text{Act*Piata_modelP3}} = 1.182$; $\beta_{\text{Act*Piata_modelP4}} = 0.463$), but the

connection between the legal form of organization (companies/independent professional), degree of ownership concentration and stock exchange market segment does not express statistically significant influences (Sig $\beta_{Firm*Act_modelP2}=0.111$; Sig $\beta_{Firm*Act*Piata}$

$_modelP4=0.210$). It is confirmed once again that the market does not differentiate between auditors depending on their form of organization. The sense of the connections is also preserved when control variables are introduced into the analysis.

Table no. 7. Evaluating the connection between auditor reputation, ownership concentration and BSE market segment

Independent variables	Dependent variable – P			
	P1	P2	P3	P4
Constant	-0.276 (0.156)	-0.055 (0.535)	-0.057 (0.529)	0.005 (0.662)
Cpr	0.336 (0.000)	0.336 (0.000)	0.337 (0.000)	0.336 (0.000)
EPS	1.646 (0.000)	1.644 (0.000)	1.608 (0.000)	1.605 (0.000)
Firm	0.270 (0.061)	-0.005 (0.245)	-0.004 (0.348)	-0.017 (0.453)
Act	0.161 (0.261)	-0.245 (0.190)	-0.335 (0.345)	-0.326 (0.369)
Firm*Act		0.485 (0.111)	0.328 (0.198)	0.313 (0.232)
Act *Piata			1.182 (0.000)	0.463 (0.020)
Firm*Act *Piata				0.785 (0.210)
Dom				-0.217 (0.135)
Dim				0.004 (0.626)
LF				0.001 (0.299)
N	3409	3409	3409	3390
Rsquare	0.512	0.513	0.517	0.517
Sig F change	0.000	0.000	0.000	0.000

Note: The regression coefficients are presented with values associated sig. in parentheses. In the data processing, a 5% risk was considered in terms of the degree of significance of the results.

Source: Authors' processing, 2021

From a statistical perspective, all the tested models are significant (*Sig F change* <0.05), with an adequate informative capacity (minimum $R^2 = 0.512$), consistent with other analyses associated with evaluating the degree of relevance of information published by listed companies.

Conclusions

The capacity of accounting figures to influence investors' decisions, although extensively studied in the literature, is a topic that still offers opportunities and challenges owing to its complexity and the multiple perspectives for investigating it. Thus, although the topic was addressed even 30 years ago (Harris, & Ohlson, 1990), it continues to be topical given the need for ongoing investor information.

The aim of the paper was to analyze the connection between auditor reputation and the degree of ownership concentration and the relevance of the financial and accounting information reported by companies listed on the Bucharest Stock Exchange.

By testing the proposed research hypotheses, we identified the contribution of auditor reputation to stock price formation. Thus, the auditor's Big4 status generates higher relevance of financial information for investors compared to when financial statements were audited by Non-Big4 companies. After grouping auditors by legal form of organization i.e., company/independent professional, the results show that the market does not generally differentiate the quality of financial information from this point of view.

The degree of ownership concentration has a significant influence on share price. The study identifies an increased relevance of financial information reported by companies with maximum ownership concentration compared to other levels of concentration.

After introducing control variables into the analysis, a significant contribution is only noted for the variable that refers to the listing market segment, as information from the main BSE market are deemed a decision-making factor to a greater extent than the information reported by companies listed on the AeRO market.

The sensitivity analysis we conducted confirms the results. In this respect, we also note the superior influence of financial information in share price formation in the case of financial statements audited by a Big4 member, on the main market segment of the BSE and in the case of entities with a high degree of ownership concentration. Also, the form of legal organization (company/independent professional) does not express statistically significant connections either in correlation with the degree of ownership concentration and the stock exchange market segment.

Of course, the study does have a number of limitations i.e., the small sample size, the use of a single data analysis model, and the exclusive focus on the Romanian stock exchange market. Future research directions seek to remove such limitations, as well as to make a more in-depth analysis using specific elements of the audit process, such as the audit opinion expressed and Key Audit Matters (KAM), respectively.

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