
The Use of Audit Opinion in Estimating the Financial Reporting Transparency Level

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ABSTRACT

Information presented to stakeholders through a system of standardized indicators and transparency in financial reporting are the basis in the decision-making process for a sustainable development of the companies. The purpose of this study is to analyze and assess the transparency in financial reporting, assessed based on the audit opinion, and the influence of determinant factors on transparency, using logistic regression. The determinant factors are expressed by principal dimensions of financial statements identified through the Principal Component Analysis applied on the indicators of position and performance. The observed sample consists of 62 companies listed on Bucharest Stock Exchange during the period 2011-2016. The main results reveal the existence of three principal components of the financial statements, Cash flow component, Return component and Current assets structure component; among these dimensions, only the return component has significant influence on transparency in financial reporting assessed through the audit opinion.

Keywords: sustainable development, transparency, financial reporting, audit opinion, principal component analysis, logistic regression

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