

Impact of Audit Expectation Gap on the Investment Decision Making of Public Listed Companies in Manufacturing Sector.

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Abstract

The audit plays a major role in today's world. This has created a concern on the existence of the expectation gap between auditing profession and the general public. Sri Lanka as a developing country with a developing financial market in which foreign and local investors depend on audited financial reports for investment decisions. Audit exception gap creates a significant concern among the parties. Therefore, this study is conducted with the main objective to examine the impact of audit expectation gap on the investment decision making of public listed companies in manufacturing sector.

Responsibility of auditor, reliability factor, nature and meaning of audit report messages and audit independence were used as the independent variables for the study and investment decision making as the dependent variable. 20 public listed companies in manufacturing sector was selected for the sample based on convenience sampling method. Questionnaires were distributed among the shareholders and auditors to collect data. This study will provide valuable insights to auditors, audit firms, in Sri Lanka whereas to the users of financial statements of all organizations in identifying the factors that would cause audit expectation gap and how these factors would help in making better investment decisions.

Keywords: Audit, Audit expectation Gap, impact of audit expectation gap, Investment Decision Making