

Predicting Auditors' Opinions Using Financial Ratios and Non-Financial Metrics; Evidence of The Listed Food, Beverage and Tobacco Companies in Sri Lanka

Ranasingha, R.A.R.N.¹ and Kawshalya, M.D.P.²

^{1,2}*Department of Accountancy, University of Kelaniya*

¹*ravindu.nethmina@gmail.com*, ²*pubuduk@kln.ac.lk*

Abstract

The purpose of this study is to investigate the extent to which a model based on financial and non-financial variables predicts auditors' decisions to issue qualified audit reports in the case of companies listed on the Colombo Stock Exchange. The population of the considering sector consists of fifty listed companies according to the official webpage of Colombo Stock Exchange as at 31st August 2021. Then out of the population, there are 25 listed companies were selected for the sample according to the Market Capitalization. The financial statements in the year range of 2016/17-2020/21 of those companies were taken to obtain evidences for the analyzing purposes of the research. The predictive accuracy of the estimated model is evaluated using a regression model for the probabilities of qualified and clean opinions. The paper has practical implications as this can assist auditors in identifying factors motivating audit report qualifications, mainly in emerging economies. The paper contributes to auditing research, since very little is known about the determinants of audit opinion in emerging markets including Sri Lanka.

Key words: *Auditor's opinion, Financial and non-financial variables, Colombo Stock Exchange*