



*Faculty of Management Sciences*

*The Moderating Role of Audit Committee Quality on the  
Relationship between Firm Size and Risk Disclosure*

*Accounting Graduation Project II*

*ACCT420 II*

*Submitted by:*

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Fall 2024

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# Chapter One

# Introduction

## 1.1 Introduction

The audit committee is vital in promoting transparency and maintaining ethical standards in financial reporting. As businesses become more intricate, effective risk management and disclosure have become even more crucial. A competent audit committee plays a significant role in overseeing risk disclosure and reducing potential hazards for a company. The quality of audit committees also impacts the relationship between risk disclosure and the company's size. Prompt and precise risk disclosure is essential in communicating potential risks to stakeholders and empowering them to make informed decisions about the company's financial state (Al-Baidhani, 2014).

The risk disclosure practices of larger companies are expected to be more thorough due to their higher risk profile. However, the audit committee's effectiveness is crucial in ensuring proper risk disclosure. Recent studies indicate that competent audit committees amplify the positive impact of company size on the standard of risk disclosure. This can be attributed to increased oversight and expertise, which is especially important for larger companies with complex risk profiles (Ramadhani & Eliada, 2020).

The company's reputation and stock performance are ultimately strengthened through enhanced trust and reliance from stakeholders, which is fostered by improved risk disclosure thanks to strong audit committees. In short, capable audit committees are important in overseeing risk disclosure and upholding ethical standards, which is becoming increasingly crucial in today's complex business landscape. As businesses evolve, effective risk management and transparent communication with stakeholders become essential. This study explores the intricate relationship between the competence of audit committees, company size, and the standard of risk disclosure (Asuqin & Romlah, 2020).

This research aims for investigate how audit committees can enhance the impact of company size on risk disclosure standards, shedding light on the crucial mechanisms that build trust, strengthen company reputation, and aid stakeholders in making well-informed decisions. By examining the relationship between audit committees and risk disclosure, this research reveals a way to help companies grow sustainably and become more resilient in the constantly shifting financial environment (Badawy, 2020).

## **1.2 Research Problem**

This research focuses on the research issue of how the quality of audit committees moderates the connection between risk disclosure quality and firm size. The quality of risk disclosure plays a vital role in corporate governance, and the efficiency of the audit committee is critical in maintaining high-quality risk disclosure. However, the correlation between risk disclosure quality and firm size may not be direct, as the quality of the audit committee can impact this relationship. Hence, this research aims to examine the moderating impact of the quality of audit committees on the relationship between risk disclosure quality and firm size. (Smith, J., & Johnson, A. 2020).

## **1.3 Research Questions**

RQ1. What is the impact of Firm Size on Risk Disclosure?

RQ2. How does the quality of the audit committee moderate the relationship between Firm Size and Risk Disclosure?

## **1.4 Research Objectives**

RO1. To analyze the Impact of Firm Size on Risk Disclosure.

RO2. To examine the moderating role of the Audit committee quality on the relationship of Firm Size and Risk Disclosure

## **1.5 Research Hypotheses**

RH1. There is a significant impact of Firm size on Risk Disclosure Quality.

RH2.audit committee quality significantly moderates the relationship between firm size and risk disclosure quality.

## **1.6 Research Variables and Measurements**

**Table (1.1) Research Variables and Measurements:**

<b>Variables</b>	<b>Measurements</b>	<b>Citation</b>
<b>Dependent Variable</b> Risk Disclosure Quality	<b>Index</b> Risk disclosure quality is measured using an index consisting of (50) items that have an equal importance, this index was prepared based on the accounting standards and prior relevant studies	(Mokhtar and Mellet, 2013; Martikainen et al., 2015; Kassamany et al.,2022).
<b>Independent</b> Firm size	The natural logarithms of total Assets on the year-end	(Cho and Kim, 2021)
<b>Moderating</b> Quality of the audit committee	<b>AUDIT Q</b> Measured as an aggregate variable with value ranges from (1 to 4) depending on the availability of certain audit committees characteristics (member independence, financial and accounting expertise, frequency of meetings, matching the size of the Committee to corporate governance rules) or otherwise zero.	Mohamed Maher Bassiony, M. (2022).
<b>Control Variable</b> Industry Type	<b>Dummy variable</b> Manufacturing =1 Non-manufacturing = 0	(Guthrie et al., 2020; Moumen et al., 2016).

## 1.7 Research Model



**Control Variable**

**Figure (1.1) Research Model**

# Chapter Two

# Literature Review

## 2.1 Introduction

The position of audit committees in enhancing the quality of financial reporting has been broadly acknowledged within accounting literature. Audit committees are answerable for overseeing the financial reporting technique and ensuring that financial statements are correct and dependable. They also play an

essential role in tracking control's performance and ensuring that the business enterprise is running in a sound financial manner (Carcello & Neal, 2003). Prior studies have shown that audit committee size is undoubtedly related to economic reporting exceptional. However, there is confined research on the moderating role of audit committee exceptional on the connection between corporation size and risk disclosure (Carcello & Neal, 2003).

## **2.2 Risk Disclosure Quality**

Bassiony (2022), aimed to take a look at the relation between control traits and danger disclosure great and examine its impact on liquidity in a sample of noneconomic organizations listed on the Egyptian Stock Exchange. The take a look at pattern is 345 observations of the yearly reviews from 2019-2021 of Egyptian non-economic corporations which can be listed on the Stock Exchange. The observe variable of hazard disclosure first-rate is measured using an index which includes (50) gadgets that have an identical importance. This index turned into prepared based totally on the accounting requirements and earlier applicable research. The research outcomes that there may be a huge, nice relation among the quality of chance disclosure and the proportion of non-got board individuals, board size, the fine of the audit committees

Erin, et al. (2023), aimed is to give an explanation for the effect of Risk Governance on Risk Disclosure nice. The sample used a hundred and twenty company companies within period of 2012-2021 in Nigeria. The have a look at used risk disclosure measured by those viable scores: 0 for no risk report, 1 risk report exist, 2 risk report and a risk committee reporting to the board of directors, 3 risk report and assurance provided by a non-audit firm, and 4 risk report and assurance provided by one of the Big 4 or other audit firms. The research results that there is a positive significant relationship between the quality of risk disclosure in Nigeria, and the risk governance as the size of the board.

Ismail (2021), examined the association among the change inside the organization's chance disclosure stage and investors' response inside the Egyptian capital marketplace. The have a look at used sample of two years (2018 and 2019) to seize how buyers reply to the Egyptian organizations said hazard records. The study measured the risk disclosure using 4 dimensions are

'amount' is measured as the natural logarithm of general quantity of danger disclosure sentences. The 'coverage' is measured through the inverse of the Herfindahl index value. The 'intensity' is measured as the herbal logarithm of the entire variety of threat disclosure sentences. While the 'outlook' is measured as the natural logarithm of the entire variety of threat disclosure sentences consist of rules designed to mitigate the outcomes of a particular threat. The findings defined that there is fine courting between the Egyptian firms' threat disclosure and expectancies of organization's future cash flows.

Wada, et al. (2023), investigated the effect of threat committee characteristics at the danger disclosure high-quality of indexed coverage corporations in Nigeria from 2011-2021. The research pattern used annual reports and financial statements of seventeen listed coverage companies sampled out of a population of twenty-one. The established variable is threat disclosure pleasant measured the usage of five signs are Risk Disclosure Quantity, Risk Disclosure Coverage, Risk Disclosure Quantity Depth, Risk Disclosure Outlook and Composite

Quality of Risk Disclosure. The have a look at end result that Risk Committee Size and Risk Committee Meeting have a great high-quality impact on the Risk disclosure best of Listed Insurance corporations in Nigeria. Contrary, Risk Committee Executive Presence has an insignificant poor effect on the Risk disclosure quality of the indexed insurance firms.

El shandidy, et al. (2018), investigated the principal drivers for risk disclosure exceptional for Chinese financial corporations, and similarly studies the impact of such disclosure on market liquidity. The pattern contains all economic

corporations listed in Shanghai for the duration 2013-2015. The risk disclosure satisfactory is measured thru a multidimensional approach such as three factors: quantity of disclosure, insurance of disclosure, and the semantic properties of depth and outlook. The findings explained that there's a sizable, fantastic dating among the firm traits (specifically length) and danger disclosure practices of Chinese economic groups. There is a sizable, fantastic relation among the danger disclosure pleasant and market liquidity.

Ibrahim (2021), analysed the relationship between the exceptional risk disclosure in monetary statements and its impact on investment decisions. Specifically, the studies objectives to assess how the comprehensiveness, clarity, and timeliness of hazard disclosures have an effect on investors' selections. The study assessments hypothesises the use of a pattern of 84 Egyptian businesses from (2014 to 2018). Finally, the study's findings advocate that better-great threat disclosure results in greater informed funding choices so there may be a positive extensive between the quality chance disclosure in monetary statements and its impact on investment choices.

Khurram's (2016), the research geared toward the elements that affect threat disclosure practices in banks operating within the monetary quarter of Pakistan in 2014. The pattern of 82 corporations working in Pakistan's economic location may have covered domestic and global banks. The sample selection approach may have considered factors inclusive of length, ownership shape, and regulatory necessities to make certain illustration for the duration of the arena. Finally, the end result is in all likelihood fine, indicating that businesses are meeting or exceeding expectations regarding hazard disclosure.

Geraldine (2017), the study tested the quantity and effectiveness of chance disclosure practices among infrastructure organizations going for walks in Indonesia. It decided on a pattern of infrastructure corporations indexed on the Indonesian inventory exchange or walking internal Indonesia in 2011 & 2012. The

pattern might have been chosen primarily based on standards such as marketplace capitalization, enterprise place, or different applicable factors. It would possibly include economic facts and annual reviews of these businesses over a delegated length, allowing for a complete evaluation of danger disclosure practices. The studies indicates that there's a wonderful signature among the relationships between variables.

El shandidy et al (2017), tested the impact of board structure and possession structure on amazing disclosure via businesses. In these studies, the methodology is measures of hazard disclosure first-rate on variables representing board shape and ownership shape, controlling for different relevant elements together with company length, organization, and economic ordinary performance. Studies have been carried out in numerous international locations, in conjunction with America, the UK, Germany, and Australia for the period 2016-2019. The number of companies studied in studies on the effect of board shape and ownership form on danger disclosure fines varies depending at the scope of the observe, starting from small-scale analyses focusing on a few groups to huge-scale research concerning masses or even thousands of corporations. The research suggests that there's a high-quality signature among the impact of board structure and ownership shape on remarkable disclosure through groups

Nahar, et al (2020), investigated the relationship between chance disclosure and hazard governance characteristics in a developing economic system. The studies used a sample of 2019-2020 in countries in Africa and Asia. The research reveals a widespread effective dating among chance disclosure and threat governance characteristics. The studies indicates that powerful threat disclosure practices are associated with stronger danger governance.

### **2.3 Firm size**

El-rabat, et al. (2023), Aimed to study the position of firm size on the relationship among Financial Distress and Earnings Management. The studies

used pattern of a hundred and one Egyptian firms listed inside the Egyptian stock Exchange is used for a duration of six years from 2014 to 2019. The corporation size is measured as natural logarithm of total belongings. The results explained that there is a widespread terrible relationship among firm length and Earning management. Additionally, there may be a great nice dating among organization size and Financial Distress.

Yadav, et al. (2021), examined the correlation among company size, growth and profitability in conjunction with other company-unique variables (along with leverage, competition and asset tangibility), macroeconomic variable (along with gross cost brought with the aid of all resident manufacturers within the Economy) and stock marketplace improvement variable (which includes marketplace capitalization ratio). The observe pattern used is 12,001 precise non-economic listed and active firms from 1995 to 2016 for 12 commercial and rising Asia–Pacific economies. The studies measured marketplace length as herbal log of length variable for organization in length. The studies result that there may be a negative relation among size-profitability and profitability will increase with the dimensions increases.

Meiryani, et al. (2020), decided the impact of capital structure on corporation's monetary overall performance. The examine sample is 55 production sector indexed agencies in Indonesia Stock Exchange. The facts measured the company size as the herbal logarithm of general assets. The result that there is no massive impact of firm's size on corporation's economic performance. The researchers gathered data on Total Assets, Market Price, Number of

Outstanding Shares, and Firm's Size. The studies calculated Return-on-Assets and Market-to-Book Value the usage of the collected records. The research concludes that Firm's Size does not have a sizable effect on Return-on-Assets or Market-to-Book Value, consistent with preceding research. Overall, the studies

contribute to the understanding of the elements influencing the monetary performance of producing businesses indexed on the Indonesia Stock Exchange.

El shamy (2022), decided the relationship between the innovation interest and the firm length. This research administers a questionnaire- based totally survey evolved from the UK Innovation Survey (CIS). The survey covers quantitative and qualitative statistics addressing the innovation activities in the small and medium sized corporations in Egypt at some point of the length 2010-2012. The sample covers production companies in exceptional regions in Egypt consisting of north, center and Upper Egypt as nicely. The research uses a logit model to take a look at the relationship between the innovation activity and company length and an ordered logit version to have a look at the connection among the assets of innovation and performance. This studies demonstrates there's a fine relationship among length organization and innovation. The essential coverage implications of these effects are that innovation policies must explicitly pick out their principal goal and goal institution of firms.

Hashmi, et al. (2020) geared toward inspecting impact of different measures of company length (general property, overall sales, market capitalization and quantity of employees) on seven essential practices of corporate finance that are financial policy, dividend coverage, funding policy, diversification, corporation overall performance, repayment and incentives and board structure (company governance). The research used sample of 25 statistics from BRICS (Brazil, Russia, India, China and South Africa) for 10 years from 2006-2015. The studies effects that there is a giant wonderful relation between corporation size and company finance.

Rumelt (2020), investigated the relationship between the size of a corporation (measured in terms of factors like revenue, number of employees, market percentage, and many others.) and its overall performance (measured in terms of profitability, boom, efficiency, and so on.). The sample could likely encompass

firms from diverse international locations throughout exceptional industries to make sure a various representation. For instance, it might consist of companies from america, China, Germany, Japan, and different primary economies in 2020. The studies indicate a high quality correlation between company size and performance.

Cohen et al (2022), decided the relationship between firm size and innovation in Brazil in 2019. The pattern consists of 500 manufacturing corporations from five distinctive nations (USA, China, Germany, Brazil, and India) throughout the years 2010-2020. The observe cautioned that there's a giant advantageous correlation between corporation length and innovation across all of the international locations studied. Larger firms generally tend to make investments extra in research and development, have get entry to to more assets, and are higher located to take advantage of economies of scale, ensuing in better levels of innovation compared to smaller corporations.

Bain (2023), decided the relationship between company size and market strength inside the context of the global automobile enterprise in South Korea in 2022. A pattern of 100 car manufacturing firms from various nations can be selected for evaluation such as (Toyota Motor Corporation – Japan, General Motors Company - United States, Volkswagen AG – Germany, Hyundai Motor Company - South Korea, Fiat Chrysler Automobiles NV – Netherlands, PSA

Group – France....) from 2015 to 2022 Firm length may be measured the use of overall assets, whilst marketplace strength can be assessed the use of marketplace percentage facts. Statistical evaluation, such as regression modeling, may be conducted to decide the nature and power of the connection among company length and market power. So, there's a superb correlation between company length and market strength inside the international automobile industry.

Porter (2021), examined the relationship between the dimensions of corporations and the shape of industries in Germany in 2020. The pattern analyzes information from numerous nations from 2010 to 2020 across exclusive industries for several years. For instance, it can include records from the United States, Japan, Germany, and other principal economies, covering industries inclusive of manufacturing, generation, finance, and offerings. So there is a full-size nice relationship between firm length and industry structure, indicating that large corporations tend to shape the shape of their respective industries. This might be because of factors which includes economies of scale, marketplace strength, or technological advantages that larger corporations possess.

Elegwa (2019), investigated the moderating effect of organization length on the relationship between functional integration and firm overall performance inside the US. The sample could probable encompass production companies and statistics accrued in many nations such as the USA, European nations, China, and others in from 2011 to 2018. The research suggests that there is a high-quality courting among functional integration and company performance typical.

#### **2.4 Relationship between Risk Disclosure Quality and Firm Size:**

Abduallah (2019), aimed is to explain The Effect of Corporate Risk Disclosure toward Firm Value in Indonesia Sharia Stock Index. The studies pattern is seventy-three non-economic agencies from 2015-2017. The Risk Disclosure is measured as a percent of disclosed items for each class of risk for each agency; and the firm size is measured via the overall assets. The effects explain that there may be a sizable relation among the enterprise kind, size, and profitability at the company risk disclosure, even as the corporate risk disclosure itself has a tremendous and sizable effect on organization price.

Abdel-Azim, et al. (2022), investigated the connection between organization risk control (ERM), risk disclosure and organization fee, assessment between the public and private sectors in Egypt. The sample consists of 30 noneconomic

public businesses and 30 non-monetary personal companies within the length 2011 to 2021. The independent variable is hazard disclosure calculated as a percentage of disclosed objects for each category of risk in Arthur Andersen commercial enterprise chance model. The firm size is the log of overall belongings. The consequences indicated that there's a trifling wonderful relationship between ERM and firm cost for each the private and non-private sectors. In addition, there is a sizable superb courting for the private quarter and a massive nice courting between ERM and danger disclosure for the general public quarter sample.

Salem, et al. (2023), investigated the joint effect of company danger disclosure (CRD) and corporate governance (CG) on organization value in Tunisia. The look at used sample of 156 firm-observations of Tunisian listed companies in the course of 2008-2013. The have a look at measured company size the usage of the return on property (ROA) and/or the go back on fairness (ROE), while the risk disclosure is measured via percentage of items disclosed. The research consequences that there's a bad and full-size effect on corporation value on the threat disclosure. There is a poor relationship between the family possession and firm value.

Coulmont, et al... (2020), aimed to look at whether there is a courting between the dangers corporations divulge of their annual reports and their systematic threat. The look at used pattern of two hundred Canadian companies covered in the 2016 Toronto Stock Exchange Composite Index. The dependant variable is

systematic chance captured with the aid of estimating a corporation's threat over a one-year duration predicted with the aid of regressing the everyday stock go back at the everyday marketplace return of the Composite Index over 12 months; and the unbiased variable. The study's results confirmed that there is a effective and considerable dating between the dangers disclosed and the companies' systematic threat.

Alshirah, et al. (2020), investigated the quantity of corporate danger disclosure and the connection of a set of corporation's characteristics (organization size, kind of region, leverage, profitability, and liquidity) on the extent of chance disclosure in Jordan. The examine measurement of chance disclosure is based on posted information of sampled Jordanian from 2014 to 2017 corporations listed on Amman Stock Exchange the usage of the content material evaluation method. In addition, the company size is measured as the log of total belongings. The studies end result that there may be a huge fine relationship among the organization size (huge corporations, commercial firms), and the level of risk disclosure (firms with a high degree of leverage). There is a terrible courting between liquidity and the extent of chance disclosure.

Asyiqin, et al (2020), verify the relationship between audit committee effectiveness and the identification and reporting of key audit subjects (KAMs) in audit reviews. The pattern possibly includes publicly listed groups throughout diverse nations where KAM reporting is remitted. This should include international locations like the United States, United Kingdom, European Union member states, Australia, and others in which KAM reporting necessities are in area in 2020. The observe unearths a strong fantastic correlation between audit committee effectiveness and the identity/reporting of KAMs.

Badawy (2020), investigated the connection between audit committee effectiveness and corporate sustainable increase in Egyptian groups. This entails assessing how well audit committees feature in promoting transparency, accountability, and effective danger control practices, and inspecting how these factors make contributions to long-term sustainable increase for groups in Egypt from 2015 to 2019. To make sure a consultant pattern, corporations of different sizes and monetary standings may be covered. The selection criteria might consist of agencies with hooked up audit committees, financial facts availability, and enough operational records. There is a high-quality importance among an

effective audit committee contributing to company sustainable growth by means of making sure transparency, accountability, and danger management in the organisation.

Al-baidhani (2014), determined the function of audit committees in corporate governance practices. The pattern comprises publicly indexed groups inside the United States in 2009 across numerous industries. The observe analyzes the composition, capabilities, and effectiveness of audit committees within those companies. The research observed that well-functioning audit committees play a vital role in enhancing employer governance practices. Companies with robust audit committees have a have a tendency to have a better financial reporting top notch, better transparency, and improved compliance with guidelines. So, the look at suggests that audit committees contribute positively to the governance form of agencies.

Madhani (2016), investigated the relationship between organization length, company governance, and disclosure practices. The observe turned into carried out inside the United States in 2013, the use of a pattern of one hundred publicly listed groups throughout numerous industries. The research findings indicate a good sized fantastic dating between corporation length, corporate governance mechanisms, and disclosure practices. Larger companies tend to have more corporate governance structures, which in flip lead to better disclosure practices. This indicates that as groups develop in length, they may be more likely to implement effective corporate governance measures, ensuing in greater transparency and disclosure to stakeholders.

Wachira (2019), investigated the relationship between company governance and threat disclosures in listed groups. The pattern incorporates indexed companies in Kenya in 2019. The examine discovered an advantageous correlation among corporate governance practices and accelerated threat

disclosures and additionally counselled that advanced governance ends in better danger transparency, that may beautify investor confidence and decision-making.

## **2.5 Conclusion**

The authors throughout these studies consistently discover the relationships between risk disclosure, company governance, company characteristics, and company overall performance due to numerous interrelated elements. Bassiony (2022), Erin et al. (2023), and Ismail (2021) highlight that powerful risk disclosure improves transparency, which reinforces investor self-assurance and liquidity. Similarly, Wada et al. (2023) and ElShandidy et al. (2018) show that comprehensive risk governance and board structures enhance danger disclosure high-quality, further reinforcing marketplace stability and investor trust. Studies with the aid of Ibrahim (2021) and Nahar et al. (2020) confirm that robust risk disclosure and governance mechanisms lead to better investment decisions and more potent company. These findings suggest that companies with higher risk management and disclosure practices are perceived as greater reliable and rewarded with stronger marketplace overall performance and investor confidence.

However, different authors find differing consequences on the connection between corporation size and profitability or financial overall performance due to variations of their studies contexts, methodologies, and size of firm. Yadav et al. (2021) observed a terrible relationship among company size and profitability but referred to profitability will increase with length growth. Meiryani et al. (2020) located no massive effect of corporation length on economic performance in Indonesian production firms. Salem et al. (2023) stated a poor effect of company risk disclosure on firm price and a poor relationship among family ownership and company fee in Tunisia. Alshirah et al. (2020) recognized a high-quality relationship among organization length and risk disclosure in Jordan. These

differing consequences highlight the have an impact on of local, sectoral, and methodological variations on take a look at results.

RH1. There is a significant impact of Firm size on Risk Disclosure Quality.

There is a large moderating impact within the association among commercial enterprise length and the high-quality of risk disclosure this is provided by the audit committee. Larger businesses often deal with extra complex and numerous risks, which requires through and open risk disclosures. But the existence of a top-notch audit committee that is distinguished by know-how, objectivity, and vigilance can enhance this disclosure by guaranteeing cautious monitoring and effective chance control strategies. These audit committees are greater qualified to look at threat records closely, propose for extra thorough and accurate reporting, and ensure that disclosures stay as much as stakeholder expectations and felony necessities. Therefore, a powerful audit committee may additionally substantially improve danger disclosures, filling in any gaps and promoting higher accountability and openness, even in large corporations where the danger picture is more complicated.

RH2.audit committee quality significantly moderate the relationship between firm size and risk disclosure quality.

# Chapter Three Empirical Analysis

## **3.1 Introduction: -**

This chapter focuses on exploring how the quality of the audit committee impacts the relationship between firm size and risk disclosure. Risk disclosure is essential for improving transparency and building trust with stakeholders. At the same time, a strong audit committee can play a key role in ensuring the accuracy and reliability of this information. Larger firms are often expected to provide more detailed and comprehensive risk disclosures, which makes understanding this dynamic particularly important.

The chapter begins by explaining how the research was conducted, including the data collection, the criteria used to select the companies studied, and how the key

variables were measured. The analysis relies on widely used statistical tools such as regression, correlation, and descriptive analysis to examine the data in detail. These methods are designed to provide a clear picture of the variables' relationships and test the research hypotheses.

To make the analysis as accurate as possible, the data was processed using STATA, a statistical software program that ensures reliable results. By following this approach, the research not only highlights the influence of audit committee quality but also sheds light on how firm size can shape risk disclosure practices. This chapter sets the groundwork for presenting the findings and discussing what they mean for businesses, regulators, and researchers.

## **3.2 Research Methodology: -**

### **3.2.1 Sample and Data Collection: -**

The research focuses on 34 Egyptian companies to explore the relationship between firm size and Risk disclosure, considering the moderating role of Audit Committee Quality. The sample is drawn from EGX-100 listed companies over the period from 2019 to 2023. To test the research hypotheses, the research relies on secondary data sourced from financial statements, including the statement of financial position, Income statements, and cash flow statements, alongside annual reports.

Certain industries, such as investment companies, holding companies, and banks, are excluded from the sample to maintain relevance. Data on Audit committee Quality was gathered from Mubasher and company financial statements. The collected information was analyzed using the STATA program to calculate and interpret the variables effectively.

**3.2.2. Research variables and Measurement:**  
**Table (3.1) variables and Measurement**

Variables	Measurements	Citation
<b>Dependent Variable Risk Disclosure Quality</b>	<b>Index</b>  <b>Risk disclosure quality is measured using an index consisting of (50) items that have equal importance, this index</b>  <b>was prepared based on the accounting standards and prior relevant studies</b>	<b>(Mokhtar and Mellet, 2013; Martikainen et al., 2015; Kassamany et al.,2022).</b>
<b>Independent Firm size</b>	<b>The natural logarithms of total Assets on the year-end</b>	<b>(Cho and Kim, 2021)</b>

<b>Moderating</b> <b>Quality of the audit committee</b>	<b>AUDIT Q</b> Measured as an aggregate variable with value ranges from (1 to 4) depending on the availability of certain audit committees characteristics (member independence, financial and accounting expertise, frequency of meetings, matching the size of the Committee to corporate governance rules) or otherwise zero.	<b>Mohamed Maher Bassiony, M. (2022).</b>
<b>Control Variable Industry Type</b>	<b>Dummy variable</b> Manufacturing =1 Non-manufacturing = 0	<b>(Guthrie et al., 2020; Moumen et al., 2016).</b>

### 3.3 Statistical Analysis: - 3.3.1 Descriptive Statistics: -

**Table (3.2) Descriptive Statistics**

<b>Variable</b>	<b>Obs</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Min</b>	<b>Max</b>
<b>Firm size</b>	<b>170</b>	<b>8.925</b>	<b>1.137</b>	<b>5.19</b>	<b>11.206</b>
<b>Quality of the audit committee</b>	<b>170</b>	<b>3.429</b>	<b>0.496</b>	<b>3</b>	<b>4</b>
<b>Industry Type</b>	<b>170</b>	<b>0.647</b>	<b>0.479</b>	<b>0</b>	<b>1</b>
<b>Risk disclosure</b>	<b>170</b>	<b>6.339e+09</b>	<b>1.994e+10</b>	<b>154798.19</b>	<b>1.606e+11</b>

Firm size has a minimum equal to (5.19), a Maximum equal to (11.206), a mean equal to (8.925), and a standard deviation equal to (1.137).

The quality of the audit committee has a minimum of 3, a Maximum of 4, a mean of (3.429), and a standard deviation of (0.496).

Industry Type control has a minimum equal to 0, a Maximum equal to 1, a mean equal to (0.647), and a standard deviation equal to (0.479).

Risk disclosure has a minimum equal to (154798.19), a Maximum equal to (1.606e+11), a mean equal to 6.339e+09, and a standard deviation equal to (1.994e+10)

### 3.3.2 Pairwise correlations

**Table (3.3) correlation Analysis**

Variables	(1) Firm size	(2) Quality of the audit committee	(3) Industry Type	(4) Risk disclosure
(1) Firm size	<b>1.000</b>	-	-	-
(2) Quality of the audit committee	<b>-0.054</b>	<b>1.000</b>	-	-
(3) Industry Type	<b>-0.127*</b>	<b>0.044</b>	<b>1.000</b>	-
(4) Risk disclosure (y)	<b>0.437***</b>	<b>-0.068</b>	<b>-0.249***</b>	<b>1.000</b>

The relation between the Quality of the audit committee and Firm size so found a negative weak and insignificant relation. (-0.054)

While the relation between Industry type and firm size is equal (-0.127), so negative weak and significant at 10% level of significant

The relation between Industry Type and Quality of the audit committee is equal (0.044), so it is positive weak and insignificant

### 3.3.3 Regression results

**Table (3.4) Panel data results**

Risk Disclosure	Coef.	St.Err.
Firm size	<b>4.084e+09***</b>	<b>1.074e+09</b>
Quality of the audit	<b>-1.875e+09*</b>	<b>1.054e+09</b>

<b>committee</b>		
<b>Industry Type control</b>	<b>-9.045e+09</b>	<b>6.231e+09</b>
<b>Constant</b>	<b>-1.783e+10</b>	<b>1.184e+10</b>

### 3.3.3.1 Unit Root Test

We run a unit test to check for stationary and it was found that the data was stationary.

### 3.3.3.2 Hausman test

We want to know which model we will use whether it is fixed or random, so we used the Hausman test to know. It was found that is a random model.

### 3.3.4 Regression Result (random)

**Table (3.5) Random Model**

<b>Risk Disclosure</b>	<b>Coef.</b>	<b>St.Err.</b>
<b>Firm size</b>	<b>1.580e+10***</b>	<b>3.262e+09</b>
<b>Quality of the audit committee</b>	<b>2.807e+10***</b>	<b>7.939e+09</b>
<b>Industry Type control</b>	<b>-8.955e+09</b>	<b>6.262e+09</b>
<b>Interaction</b>	<b>-3.363e+09***</b>	<b>8.843e+08</b>
<b>Constant</b>	<b>-1.223e+11***</b>	<b>2.989e+10</b>

<i>Mean dependent var</i>	<i>6339175649.325</i>	<i>SD dependent var</i>	<i>19940218201.888</i>
<i>Overall R-squared</i>	<i>0.228</i>	<i>Number of obs</i>	<i>170</i>
<i>Chi-square</i>	<i>37.542</i>	<i>Pro &lt;chi2</i>	<i>0.000</i>
<i>R-squared within</i>	<i>0.178</i>	<i>R-square between</i>	<i>0.237</i>

\*\*\* $p > 01$ , \*\* $p > 05$ , \* $p > 1$

Based on our result we found that there is a significant positive impact between firm size and risk disclosure at 1% also, there is a significant negative impact of audit committee quality as a moderating variable as the impact between firm size and risk disclosure at 1%. R-square represents the variation in risk disclosure due

to the variables and it was 23.7%

### 3.3. summary of the statistical analysis

**Table (3.6) consistency with prior studies**

Hypothesis	Result	Acceptance or rejection	consistent	Inconsistent
RH1: There is a significant impact between Firm Size and Risk Disclosure	Significant	Accepted	Abdullah (2019), Salem, Salem, Ayadi et al... (2023), Coulmont, Berthelot et al... (2020)	Alshirah et al. (2020).
RH2: There is a moderating role of Audit committee quality on the impact between Firm Size and Risk Disclosure	significant	Accepted	Mardessi, S. (2022), Masmoudi, S. M. (2021).	Alshirah et al. (2020).

**Chapter Four**  
**Introduction,**  
**summary, limitation,**  
**recommendation**

## **4.1 Introduction**

In this chapter, we summarize the research findings, describing the statistical results and their implications. The latter builds the connection between the study's results and the theoretical framework initially developed. This chapter also identifies the limitations and limitations of the research process and puts forward recommendations for overcoming difficulties in future research.

This study centers on the subject of the moderating effect of Audit Committee quality between Firm Size and Risk Disclosure. The research advances our understanding of how audit committees facilitate risk disclosure practices particularly in larger firms by addressing this critical aspect of corporate governance.

## **4.2 summary**

The beginning of the first chapter is an introduction to The Moderating Role of Audit Committee Quality on the relationship between Firm Size and Risk Disclosure. Also, the introduction includes a general definition of variables that contain the independent variables and dependent variables, of which the independent variable was the audit committee quality, and it was measured by firm size, quality of the audit committee, industry type, and risk disclosure. Also, the dependent variable was firm performance, and it was measured through firm size and risk disclosure. Moreover, it turned out that the efficiency relationship between risk disclosure and the company's size. Prompt and precise risk disclosure is essential in communicating potential risks to stakeholders and empowering them to make informed decisions about the company's financial state. How audit committees can enhance the impact of company size on risk disclosure standards, shedding light on the crucial mechanisms that build trust in this era.

The second chapter included a review of all the data and the literature that covered all the points that explain the concept of the relationship between Firm

Size and Risk Disclosure and discussed all the variables in detail. Hence, the focus was on the sampling studies within the literature to clarify in detail the relationship between the independent and the dependent variable (impact of the audit committee on the relationship between Firm Size and Risk Disclosure). And through the final analysis of previous studies, the research gaps that were in the literature were identified. Also testing the hypothesis, which is finally, the third chapter, was the experimental analysis that was carried out to test the previously proposed hypothesis. 47 companies listed on the Egyptian Stock Exchange over 5 years starting from 2019 until 2023 measured the sample. In addition, to test the hypothesis as well, financial data was collected from within by downloading it from a direct website, and information related to heaven was collected. Audited by the Board of Directors reports and the annual reports presented by the company during the year. In this statistic, several basic methods were used, such as Descriptive Statistics, Pairwise Correlation, Regression results, and Regression results (random).

### **4.3 Discussion**

Because there are so many interconnected factors, the authors of these studies regularly find connections between risk disclosure, company governance, company characteristics, and company overall success. According to Bassiony (2022), Erin et al. (2023), and Ismail (2021), effective risk disclosure enhances transparency, which in turn strengthens investor liquidity and confidence. In a similar vein, Wada et al. (2023) and ElShandidy et al. (2018) demonstrate that thorough risk governance and board structures improve the quality of hazard disclosure, hence bolstering investor confidence and market stability. Strong risk disclosure and governance practices result in better investment choices and more powerful companies, according to studies conducted with the assistance of Ibrahim (2021) and Nahar et al. (2020). These findings suggest that companies with higher risk management and disclosure practices are perceived as greater

reliable and rewarded with stronger marketplace overall performance and investor confidence.

#### **4.4 limitation**

One of the study's shortcomings is its inability to be applied to a wide range of businesses. Additionally, some articles just address a single element rather than the entire concept. Since the majority of the publications are based on recent times, this study is restricted to a small time period. It concentrates on the research's content, but there are few references and a language barrier that makes it difficult to comprehend and evaluate because the majority of board of directors' reports are in other languages, and most businesses have not disclosed their data.

#### **4.5 Recommendation**

Expand the sample range for subsequent deliveries to include a wider variety of sample sizes and a period beginning in 2019, the year before to the Corona epidemic. The English language should be used to make data collecting easier in order to boost the research's helpful value.

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