

**" The effect of accounting standards preparation approaches  
on the audit fees - An applied study "**

**A Research submitted to fulfill the requirements of the master's degree  
in accounting**

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**ABSTRACT**

The objective of this research is to measure the impact of the approaches to preparing accounting standards, accounting standards based on IFRS principles and accounting standards based on rules based on GAAP, on audit fees. Whereas, International Financial Reporting Standards are principles-based standards developed by the International Accounting Standards Board (IASB) to promote consistency of accounting principles and reflect clear global accounting principles that aim to improve the quality of financial reporting, encourage international investment and promote global economic growth. Where the researcher designed a survey list and distributed it to the research sample, which numbered (132), and the basic principle when designing the survey list was that it should be focused in order to obtain clear and sufficient responses. After that, the data collected through the survey form were collected, unloaded and analyzed using the statistical program for social sciences (SPSS V26). The results showed that IFRS and GAAP based accounting standards affect audit fees with a determination factor of 55% and 39%, respectively. The results of the theoretical research indicated that IFRS-based accounting standards are more extensive and complex than GAAP-based accounting standards. Therefore, the results of applied research support that the adoption of international financial reporting standards has an impact on the audit process fees, as auditors need increased efforts to provide their services to companies that International Financial Reporting Standards are used to reduce the risk of litigation. Accordingly, this will result in increased audit fees as auditors are likely to charge a premium to their clients to reward efforts and complementary risks.

**JEL Classification:** M42, M48

**Keywords :** principles-based accounting standard ( IFRS) , rules -based accounting standard (GAAP), audit fees.

### مستخلص الدراسة:

هدف هذا البحث إلى قياس تأثير مداخل إعداد المعايير المحاسبية المعايير المحاسبية القائمة على المبادئ IFRS والمعايير المحاسبية القائمة على القواعد GAAP على أتعاب عملية المراجعة. حيث أن المعايير الدولية لإعداد التقارير المالية هي معايير قائمة على المبادئ وضعها مجلس معايير المحاسبة الدولية (IASB) لتعزيز اتساق مبادئ المحاسبة وتعكس مبادئ المحاسبة العالمية الواضحة التي تهدف إلى تحسين جودة التقارير المالية، وتشجيع الاستثمار الدولي وتعزيز النمو الاقتصادي العالمي وقد تم الإعتماد على الدراسة الميدانية حيث قامت الباحثة بتصميم قائمة إستقصاء وتوزيعها على عينة البحث الذي بلغ عدده (132) وقد كان المبدأ الأساسي عند تصميم قائمة الإستقصاء هو أن تكون مركزة و ذلك بهدف الحصول على استجابات واضحة وكافية. وبعد ذلك تم تجميع وتفرغ وتحليل البيانات التي تم جمعها من خلال إستمارة الإستقصاء بعد تفرغها بإستخدام البرنامج الإحصائي للعلوم الاجتماعية (SPSS V26). وأظهرت النتائج أن المعايير المحاسبية القائمة على المبادئ IFRS والمعايير المحاسبية القائمة على القواعد GAAP تؤثر على أتعاب المراجعة بمعامل تحديد 50٪، 39٪ على التوالي. وأشارت نتائج البحث النظرية أن المعايير المحاسبية القائمة على المبادئ IFRS أكثر اتساعاً وتعقيداً من المعايير المحاسبية القائمة على القواعد GAAP لذلك تدعم نتائج البحث التطبيقي بأن يكون لاعتماد المعايير الدولية لإعداد التقارير المالية تأثير على أتعاب عملية المراجعة، حيث يحتاج المراجعون إلى جهود متزايدة لتقديم خدماتهم للشركات التي تستخدم المعايير الدولية لإعداد التقارير المالية وللحد من مخاطر التفاضل. وفقاً لذلك، سينعكس ذلك على زياده أتعاب عملية المراجعة حيث من المرجح أن يفرض المراجعون علاوة على عملائهم كمكافأة للجهود والمخاطر التكميلية.

**الكلمات المفتاحية:** المعايير المحاسبية القائمة على المبادئ IFRS , المعايير المحاسبية القائمة على القواعد GAAP , أتعاب عملية المراجعة .

## 1. Introduction:

Different accounting standards may drive to differences in financial reporting also its quality even with same group of accounting data. so, when accounting regimes change it significantly influences the financial position and performance being recorded and reported. Now , the countries around the globe have adopted the International Financial Reporting Standards (IFRS) in an increasing way. because it is commonly believed that they progress and improve financial reporting quality and comparability (Nijam et al., 2016).

There is now a large global effort to adopt International Financial Reporting Standards (IFRS), which are more principles-based than many of the more rules-based national accounting standards they superseded. The majority of the globe has chosen to employ International Financial Reporting Standards (IFRS), which are typically considered to be principles-based, rather than the more rules-based approach associated with national accounting standards(CAO, 2018) In 1973, the International Financial Reporting Standards (IFRS) were formed as international accounting standards with the goal of becoming a universally recognised financial reporting language. (Dvorak et al., 2015) Principles-based accounting standards (IFRS) are a type of financial reporting that is based primarily on accounting basics (e.g., decision usefulness, truthful and fair view, and substance over form) and allows for a lot of expert discretion. Because a principles-based accounting standard reflects the economic essence of transactions, expert judgement becomes more crucial. Rules-based accounting standards, on the other hand, are viewed as a financial reporting system that is based on specific instruction. (Abbasian et al., 2015).

IFRS implementations often improve accounting quality and result in more useful accounting information. (Nijam and colleagues, 2016) This has greatly boosted audit fees paid to auditors as a result of this drive to IFRS adoption, which may have increased additional risks, works, time, and efforts of auditors, resulting in higher audit costs. (Abu Risheha and colleagues, 2014). Based on the foregoing, it is clear that the adoption of International Financial Reporting Standards (IFRS), which are more principles-based accounting standards, can have a significant impact on auditing functions in general and audit costs in particular. Accordingly, the researcher will investigate the impact of IFRS and GAAP on audit fees in this study.

## 2. Research Problem:

Countries around the world are progressively adopting International Financial Reporting Standards (IFRS) and they moving from the using of GAAP toward using IFRS. where it is widely considered that they improve the quality of financial reports. , in order to gain a better understanding of the research topic, the following main problem has been formulated: To what extent can the approaches for preparing accounting standards (principles vs. rules) and the moving toward IFRS affect the audit process cost?

## 3. Literature Review:

There have been some studies and researches that have been exposed to this subject in brief which Are illustrated as following :

(**Musah** et al. , 2018 ) aimed to look into the impact of IFRS adoption on audit and non-audit fees. The findings reveal that IFRS adoption has a positive and substantial link with audit and non-audit fees after IFRS adoption, based on a sample of financial and non-financial enterprises in Ghana. The findings also demonstrated a favourable relationship between audit and non-audit fees and the year of IFRS introduction (transition period). According to the findings of this study, the implementation of IFRS raised the complexities of financial reporting and audit risk, resulting in higher audit and non-audit costs incurred during the transition period and after IFRS adoption.

(**Lin** et al., 2016) discovered that in the early years of IFRS adoption, accountants with IFRS experience paid much higher audit premiums. In addition, audit clients with IFRS experience paid much lower incremental fees, according to the authors. The authors also discover that the higher costs charged by audit companies with IFRS experience are unrelated to the degree of change in their clients' financial reporting complexity. Audit clients with IFRS experience, on the other hand, only paid lower incremental rates when their financial reporting complexity increased significantly.

(**Backof** et al., 2016) Accounting standards, as a guideline, have a crucial impact in auditors' assessments, according to this study. This is because auditors must be able to determine whether or not the transactions of their clients are compliant with accounting rules. Principles-based accounting standards are broader, ambiguous, and less precise, and are more likely to result in increased justification of clients' transaction decision process and appropriateness of treatment, which leads to increased auditor process accountability and effort, resulting in higher audit costs. The expectation of

having to justify the decision process utilised and, as a result, their professional judgments to others is known as process accountability.

#### **4. Research objectives:**

The main objective of this study is to identify and examine the Effect of accounting standards preparation approaches on audit fees .

#### **5. Research Hypotheses:**

The following hypotheses were developed in the study to determine and examine the impact of the accounting standards preparation approaches on audit fees. Based on this, the hypotheses were as follows:

**The first hypothesis:** There is no statistically significant effect of the (IFRS) principles of international financial reporting on the audit process fees.

**The second hypothesis:** There is no statistically significant effect of (GAAP) rules for international financial reports on the audit process fees.

#### **6. Research Important:**

Because of their substantial impact on the profession of accounting and auditing in the creation of financial reports is one of the most important issues that occupy accounting thought. There are a lot of studies that have examined the impact of International Financial Reporting Standards IFRS adoption in financial reports separately but There have been limited studies principles approach IFRS on audit fees and how auditors respond to this type of change, therefore The importance of this study comes from the importance of the Examination of how the approaches of accounting standards preparation can affect audit cost.

#### **7. Research Plan**

7.1 : The content of Accounting standards and its changes .

7.2 : Factors influencing the determination of audit fees .

7.3 : The concepts and theories of the rules and principles approaches .

7.4 : The impact of Rules – Based and Principles – Based Accounting Standards on audit fees.

7.5 : applied study - Results , Summary and future research .

### **7.1 : The content of Accounting standards and its changes:**

One of the key role that Accounting standards are planning as a guideline, is that it's role and it's effect in auditors' judgments (Carpenter et al., 2016). the reason for this is that , auditors must have the qualifications that able them to give their opinion and their judgments that the organization's transactions respond to the guidelines of accounting standards.

There are two types of accounting standards : rules-based accounting standards and principles – based accounting standards . principles – based accounting standards differ from rules-based accounting standards in that , they are wider, obscure, less accurate, and cause more justification in the process of organizations' transactions decision and suitability of treatment, Which puts more responsibility on the auditors. There has been an important global movement to move toward the adoption of International Financial Reporting Standards (IFRS), which is based on more principles than rule-based accounting standards (CAO, 2018).

### **7.2 : Factors influencing the determination of audit fees:**

Auditing plays an important role in serving the community in all respects. the success of this depends on the attributes that the audit team have which help them to achieve the ultimate goals in efficient and effective way, this because the performing of audit process in a successful way involves that the auditors do their best in order to prepare the final report.

The factors influencing the fees of audit process may be limited as previously identified by (Abu samhadana, 2015 ) as following :

#### **First : The size of the audit office**

The size of the audit office affects the cost structure of the audit process, and affects the auditor's fees, as his reputation, independence and other technological advantages which he have will increase the cost of the audit process and thus the fees. One study showed a positive relationship between the auditor 's fees and the size of the audit office, because the technical capacity of large audit firms increases the efficiency of the auditor which resulting from the level of his education and his work experience .

Large audit offices have the ability to disclose the audit process because it is more straightforward and they can disclose more important

information about investors and stakeholders compared to small offices. also Large audit offices are highly competitive, which lead to high audit fees as a result.

### **Second : Customer Size:**

There is a direct relationship between the value of audit fees and the size of the client. Because any increase in audit effort is accompanied by an increase in the value of audit fees, this means that the amount of audit work is expected to increase as the client size increases, and hence increase in audit fees.

This was supported by (Vermeer et al., 2009 ) , he view that the size of the client is one of the main determinants of the audit process fees in the non-profit organizations as well as the large size of the client makes the audit process more complex, and accompanied by more work and more effort and therefore positively associated with audit fees.

### **Third: Competition:**

Competition significantly affects the effort in the audit process in order to have a competitive advantage among audit firms. Therefore, there is a negative correlation between audit fees and competition in the audit environment. In order to maintain a correct and error-free audit process, new systems and IT techniques should be introduced into the audit practice, resulting in an increase in the number of work hours that may be spent on the actual audit process, and therefore an increase in the audit fees as a result.

### **Fourth : advisory services**

The provision of advisory services by the auditor leads to large profits, which leads to the auditor's dependence on the client as a result of this financial increase and therefore there is a risk on the auditor's independence because he becomes reluctant to raise issues that may manger the client when preparing financial reports due to his fearing of abandoning profitable fees , Where the fees paid to the auditor are one of the fundamental reasons for the auditor's dependence on the client. There is a positive relationship between advisory services and high audit fees, as auditors with low audit fees have a greater tendency to provide advisory services.



**Fifth: industrial specialization of the auditor Fifth :**

The industrial specialization of the auditor is one of the modern trends in the development of the audit profession and one of the main entry points of continuity in the audit market to face increased competition in the view of globalization and the openness of markets . However, there is no standard explicitly indicating the necessity of the industrial specialization of the auditor but there are standards which indicated that The auditor's understanding of the nature of the industry in which the company operates and which performs the audit is a primary necessity in order to perform his work in the right way , and this helps him to know where there are an errors in those industries and enables him to plan the audit process in a better way. Industrial specialization is fundamental to the future of the audit office. Large audit firms have recently restructured themselves on an industrial basis to address the growing importance of industry specialization in the audit market. These changes have affected the pricing of audit services and lead to higher audit fees within these offices.

**Sixth : Lawsuits**

The prosecution of the Audit Office may affect the reputation of the Office and the service it provides. It may lead the office to leave the profession permanently or reduce its size or declare bankruptcy and It is noted that the investors who litigate express their right to recover the losses achieved through litigation with the auditor as a result this makes the auditor subject to continuous evaluation of his service for fear of being subjected to litigation and to include such evaluation in the planning and pricing of audit services and it can be said that The exposure of the auditor to litigation risks motivates him to:

- Take the necessary precautions in order to make sure not to be sued.
- Reserve a premium required to cover the possibility of future litigation losses. and In both cases, this lead to higher audit fees as a result.

**7.3:The concepts and theories of the rules and principles approaches :**

There are multiple definitions of the rules and principles approaches However, there are some basic feature and characteristics that distinguish each approaches which have been agreed upon by these definitions. The rules-based approach has been defined as the process in which standards are set in a way that depends on a number of strict rules which give a full

and detailed explanation of how they are applied in events and transactions without allowing the personal judgment to interfere. (Dain et al.,2014), believes that the essential and basic features that distinguish the rules – based accounting standard approach are existence in Huge explanations, exaggerated details , examples , illustrative lines , the application of guidance. There are some characteristics and features of the rule –based accounting standards as explained by (Azim, 2015) which are :

### **1. Detailed instruction and guidance:**

The rule-based accounting standards contain a wide range of details that are used as a way to face and respond to the urgent events which may be occur. (Shortridge and Myring, 2004 ). Also the standards which based on the rules distinguish in that it give and supply a detailed explanation of the application method and also provide standards for illustrative lines.( Christopher et al., 2011).

### **2. Substance over form**

Rule-based accounting standards are based on form more than substance, Which means that its primary goal is to ensure that financial statement provide a complete , precise form of events and transactions. (SEC, 2003).

### **3. Abandon professional judgment**

Under this approach, CPAs relinquish their responsibilities to exercise their professional judgment(Azim, 2015).

### **4. Comparability and Consistency**

(SEC, 2003 ) show that , The rules - based accounting standards are better in terms of stability and comparability than principles based accounting standards, where the explanation of principles differ and multiply over time and between companies.

The principles-based approach has been defined as a process in which standards are set in a way that depends on a number of economic concepts that make the user heavily dependent on the using of his personal judgment to confront these events. There are a number of characteristics and features that distinguish this approach, namely(Azim, 2015) :

#### **1. Less precise**

There is a shortage of detailed guidance, SEC (2003) believes that principles-based accounting standards may face implementation difficulties because they give less guidance or framework for practicing

professional judgment by accountants and auditors .

## **2. conceptual basis**

(Shortridge and Mark, 2004) believes that principles-based accounting standards are characterized by giving a conceptual basis that becomes and acts as a guide for accountants to rely on rather than relying on a set of exhaustive rules.

## **3. Blocking information versus transparency:**

It is preferable to adopt a rule-based accounting standards approach with the aim of avoiding accountability in the case of disclosing information in a way that is more than it should and that in countries where non-accounting disclosure prevails in an expansionary manner or placing controls and restrictions on the disclosed accounting information, While it is preferable to follow a principle-based approach in societies where clarity and transparency prevail.

## **7.4 :The impact of Rules–Based and Principles – Based Accounting Standards on audit fees :**

The controversy around the rules and principles approach began after one of the major international companies declared its bankruptcy as a result of the fraud and the manipulation of the value of assets and profits by exploiting the gaps in the standards , especially the rules -based accounting standards Which led to the issuance of Sarbanes-Oxley Act and the US Securities Exchange Commission made preparations and advocated for the shifting to principles-based accounting standards. Also The SEC and FASB have undertaken many reforms, one of which is the shifting to principles -based accounting standards and activating the role of audit committees as an attempt to prevent the fraud and profit manipulation (Mohammad et al., 2015) .

Although the dealing with the principles-based approach is desirable by practitioners, but its existence increases the need for professional judgment, it doesn't depend on detailed guidelines and rules in contrast to the rules-based approach Of course the transition from a rule-based approach to principles-based approach cause many changes where the effect of the two approaches differs in terms of the knowledge motives of the auditor, the auditor's exposure to accountability, the evidence that he collects, the professional judgments and the quality of the audit process, which ultimately reflects on the audit fees. (Christopher et al ., 2011 ) , and this is what the researcher will explain in this part.

**First : The effect on Auditors' Motivations and Evidence Demands**

(Marietta et al., 2014) viewed that one of the factors that the auditor's performance may be depend on is the type of the accounting standards, so the demand for evidence in the case of principles – based accounting standards is greater due to the increased knowledge motivation of the auditors due to their increased exposure to the accountability process.

On the contrary, in the case of the rules - based accounting standards in which the auditor exposed to the accountability process and justifying his decisions less, as a result to the fact that he relies on a set of standards governed by detailed instructions and directions. (Segovia et al., 2009).

The decision-making process differs according to the cognitive motivation , When the auditor's cognitive motivation is strong, he exerts more effort , time and depends on his accurate understanding of the problem examined on the presence of detailed analysis of it . When the auditor's cognitive motivation is low, he deals with the problem by relying on simple methods of judgment. (Kruglanski et al .,2010).

**Second: the effect on the professional judgments of the auditors:**

The degree of the trust in professional judgment depends on the type of the approach applied in preparing the standards, and therefore this degree differs in the light of the rules-based approach from the principle-based approach according to the degree of certainty in the issuance of the judgment . In the principles-based approach, it is found that the economic situation is expressed by the acceptance of accounting treatments that are consistent with the objectives of each standard, because under this approach there is no adherence to certain rules, which gives the auditors more flexibility in the exercise of their judgment. While others believe that the presence of specific rules and guidelines in the rules -based accounting standards leads to a reduction in the professional judgments of the auditors, despite this, it is not possible to fully ratify this for the following reasons(SEC, 2003):

- In the rules-based approach, there is a possibility that the auditor needs to practice his professional judgment, even if it is in a small way, due to the inability to collect and define all cases that occur and that they need to apply the standards on it , while the auditor's need to exercise professional judgment is greater under the Principles-based approach.

### Third: the effect on judicial accountability:

(SEC, 2003) see that under the principles-based approach, the accountant and auditor may be exposed to the litigation more than the rules-based approach as they are heavily relied upon to issue their professional judgment, also under the Principles – based accounting standards Both the administration and the auditor have a great responsibility.

The move toward IFRS (principles – based) accounting standards may cause an extra risks for auditors which may cause an additional audit fees. For companies the moving toward new accounting standards is a large step; under these new situations the requirement for appropriate resources, practice, communication and planning by auditors and managers is needed. For auditors the complication of the transmission and a client's prospect Incomplete planning and preparations may result in risks in their audit function . Increased accounting organizing may , in turn, bring extra client risk and need more time exhaustion work for the auditor. Of course , greater client risk and work will be related to greater audit fees. (**Abu Risheh** et al., 2014).

(**Abu Risheh** et al ., 2014) , viewed that accountants also have to expend more efforts and time on analyzing events, actions and transaction after the adoption of IFRS (principles – based) accounting standards with the purpose of creating the most adequate and suitable judgments and to assure appropriate compliance.

Customs that have experience associated with IFRS paid lower fees to the audit firms in the first years of the adoption process of IFRS . On the other side , The audit company that has experience regarding to IFRS take high audit fees in the first years from the adoption process of IFRS . also , the complication of the financial reporting of some companies which associated with IFRS adoption has a significant impact on the audit fees paid to the auditors. (**Coffie** et al., 2019).

Moving from GAAP to IFRS demand incremental risks , time and efforts from the auditors. There are many important differences between both GAAP and IFRS . Some of them are , IFRS seek a fundamental and essential increase in disclosures, “local” GAAP not require this degree of disclosures , which demand from the auditors to spend more time and effort to get the assurance tasks. Also , IFRS requirements are more comprehensive than local GAAP. Therefore, such comprehensive requirements can become a reason that the audit process seeks more effort from the auditors .also , company using IFRS require high degree of

judgments than firms using “local” GAAP which lead to increase in audit fees as a result of high degree of expected audit risks . (El Guindy et al., 2020. According to all the above and from the view of the researcher it can be said that:

All the above indicated that The introduction of IFRS increases the efforts of the auditors in carrying out the audit process , which is likely to be transformed into fees paid by the auditors.

### **7.5 :An applied study- Results, Summary and future research:**

#### **7/5/1 Research Methodology:**

After completing the review of the theoretical part (IFRS) principles and (GAAP), rules we will address in this part the design of the applied study, where the researcher presents the research methodology, the research community and sample, and then the standards used in the research Statistical analysis of the data and finally testing the research hypotheses, as follows:

**Type and sources of data:** The research method is based on a combination of a desk study and a field study.

- Library study: the scientific material was collected based on Arab and foreign books, references, periodicals and research.
- Field study: The validity of the research hypotheses was confirmed through the field study, where the researcher designed a survey list and distributed it to the research sample. The basic principle when designing the survey list was that it be focused in order to obtain clear and adequate responses. After that, the data collected through the survey form were collected, unloaded and analyzed using the statistical program for social sciences (SPSS V26).

**Study community:** The research community consists of faculty members in the Egyptian faculties of commerce from various disciplines.

**Research sample:** The research sample was determined based on the random sampling method, where a random sample of faculty members in the Egyptian faculties of commerce was selected from various disciplines, and the correct questionnaires that were collected were valid for statistical analysis (132) forms.

### 7/5/2 Search variables

- The independent variables are the following:
  - principles (IFRS)
  - rules (GAAP)
- Dependent variable: audit fees

### 7/5/3 Survey design and measurement methods:

The main principle when designing the survey list was to be focused in order to obtain clear and sufficient responses, and then the data that was collected, unpacked and analyzed collected.

#### **The survey forms for study consist of the following:**

- ❖ The first section contains the demographic data of the sample individuals (personal characteristics): gender, Age, Specialization, Number of years of experience)
- ❖ Section Two: This section is concerned with measuring (the dimensions of Entries to prepare standards (principles/rules), which are as follows:
  - **The first dimension:** includes the reasons for going to the Principles Entries (IFRS) for the preparation of accounting standards, and the dimension consists of (8) questions.

**The second dimension:** includes the reasons for going to the entrance to the rules (GAAP) for the preparation of accounting standards, and the dimension consists of (10) questions. A five-dimensional Likert scale was used to measure the relative weight of the dimensions of the study axes.

### 7/5/4 Statistical analysis of data:

The researcher has unloaded the data from the survey forms, and assembled them in a manner consistent with their entry on the computer, to be run by the Statistical Package For Social Sciences (SPSS) version No. (26), and the researcher have used the following statistical methods in data analysis and access to results:

- Using the Cronbachs Test Alpha.
- Testing the validity of the internal consistency through the use of the Pearson correlation coefficient.
- Arithmetic mean and standard deviation of the study variables Using simple and multiple regression analysis,
- Using the T-test to identify the presence of the effect between each dimension of the survey list individually with the dependent variable.

### 7/5/5 Descriptive statistics for the characteristics of the research community

This section presents descriptive statistics about the characteristics of the study participants (personal information). This descriptive statistical analysis was conducted using the data available in the first section of the study questionnaire. The number of faculty members reached (132) from the target sample in the Egyptian faculties of commerce. The following table shows the characteristics of the sample as follows:

Table No. (1): Frequencies and percentages Distribution of sample members

| Variables                     | Valid                        | Frequency    | Percent      | Cumulative Percent |
|-------------------------------|------------------------------|--------------|--------------|--------------------|
| Gender                        | Male                         | 115.00       | 87.12        | 87.12              |
|                               | female                       | 17.00        | 12.88        | 100.00             |
|                               | <b>Total</b>                 | <b>132</b>   | <b>100%</b>  |                    |
| Age                           | under 30 years old           | 22.00        | 16.67        | 16.67              |
|                               | 30 to 40 years old           | 39.00        | 29.55        | 46.21              |
|                               | 41 to under 50 years old     | 62.00        | 46.97        | 93.18              |
|                               | 50 years and over            | 9.00         | 6.82         | 100.00             |
|                               | <b>Total</b>                 | <b>132</b>   | <b>100%</b>  |                    |
| Specialization                | Economies                    | 8.00         | 6.06         | 6.06               |
|                               | Financial sciences           | 41.00        | 31.06        | 37.12              |
|                               | accounting                   | 70.00        | 53.03        | 90.15              |
|                               | Business Management          | 13.00        | 9.85         | 100.00             |
|                               | <b>Total</b>                 | <b>132</b>   | <b>100%</b>  |                    |
| Number of years of experience | less than 5 years            | 6.00         | 4.55         | 4.55               |
|                               | 5 to 10 years                | 42.00        | 31.82        | 36.36              |
|                               | 10 to less than 15 years old | 62.00        | 46.97        | 83.33              |
|                               | 15 years and over            | <b>22.00</b> | <b>16.67</b> | <b>100.00</b>      |
|                               | <b>Total</b>                 | <b>132</b>   | <b>100%</b>  |                    |

Source: Prepared by the researcher based on the results of the statistical program

### 7/5/6 Measuring the reliability of the questionnaire

The validity of the questionnaire, consisting of 4 axes, was measured using a scale (Cranach's alpha coefficient). This method is used to measure the reliability of the questionnaire between each field and the average of the complete fields of the questionnaire. The normal range for the Crunch



alpha value is between (0.0) and (+1.0). Higher values reflect a higher degree of internal consistency, where the reliability of the questionnaire represents the degree of consistency, as it measures the level of agreement of the questionnaire results if they are distributed several times in the same conditions. This means that the questionnaire is reliable if it gives the same results when distributed several times under the same conditions. For most purposes, a reliability coefficient higher than (0.60) is considered satisfactory. The researcher used techniques to check the reliability of the questionnaire using the Cronbach's alpha coefficient through the SPSS program, and the results were as follows:

Table No. (2): Cronbach's alpha test to check the credibility of the questionnaire

|   | Dimension                   | N of Items | Cronbach's Alpha | Reliability      |
|---|-----------------------------|------------|------------------|------------------|
| 2 | principles (IFRS)           | 8          | 0.857            | very good        |
| 3 | Rules (GAAP)                | 10         | 0.878            | very good        |
| 4 | <b>Audit fees</b>           | <b>7</b>   | <b>0.897</b>     | <b>very good</b> |
|   | <b>Total Of Reliability</b> | <b>36</b>  | <b>0.963</b>     | <b>very good</b> |

Source: Prepared by the researcher based on the results of the statistical program

Cronbach's alpha coefficient was calculated as shown in Table No. (2) and the results were in the range (0.857 - 0.897), and the overall reliability of the total paragraphs of the dimensions of governance rules was equal to (0.952), and the general reliability of the total paragraphs of the dimensions of the internal control system was (0.963), This range is very high, and the values of the reliability coefficients indicate the validity of the questionnaire for application and the reliability and reliability of its results.

### **7/5/7 Descriptive statistics and internal consistency of research variables**

The arithmetic mean and standard deviation of the axes constituting each variable of the study were calculated, and the internal consistency of the research tool was calculated by finding the correlation coefficient (Pearson) between each of the paragraphs of the research axes and the total degree of the axis to which it belongs, and the results were as follows:

#### **7/5/7/1: Descriptive Statistics and Principles Internal Consistency (IFRS)**

**Table No. (4): Descriptive Statistics and Principles Consistency Coefficient (IFRS)**

| The second dimension: Principles (IFRS) |   | Mean | Std. Deviation | Correlations | item |
|---|---|------|----------------|--------------|------|
| 1                                       | The use of Principles Entries (IFRS) for the preparation of accounting standards in the field of audit enables the auditor to accurately plan the audit process   | 3.87 | 0.703          | 0.902        | X21  |
| 2                                       | The automated processing system provides techniques that help detect errors during processing according to (IFRS) entries for the preparation of accounting standards.  | 3.86 | 0.696          | 0.907        | X22  |
| 3                                       | The greatest winner of the use of the principles (IFRS) for the preparation of accounting standards in the audit process is the ease of obtaining information and thus speed in making decisions, which saves time and effort.  | 3.79 | 0.688          | 0.496        | X23  |
| 4                                       | The use of the principles of (IFRS) for the preparation of accounting standards increases the degree of confidence, impartiality and objectivity in obtaining information and, consequently, the validity of the audit process.   | 3.87 | 0.703          | 0.902        | X24  |
| 5                                       | IFRS principles enable accounting standards preparation to provide an audit trail that enables the auditor to track financial operations and thus prove their validity and quality.   | 3.77 | 0.726          | 0.547        | X25  |
| 6                                       | The use of IFRS principles for the preparation of accounting standards in the audit process will lead the auditor to obtain more evidence related to the item to be audited than if this technology was not used.   | 3.89 | 0.702          | 0.848        | X26  |
| 7                                       | The use of the principles of (IFRS) for the preparation of accounting standards in the audit process leads to the ability to examine the largest number of items of financial operations; Thus, increasing the sufficiency of the evidence that supports the final auditor's opinion about the fairness and honesty of the financial statements | 4.17 | 0.679          | 0.536        | X27  |
| 8                                       | The IFRS principles for the preparation of accounting standards facilitated the arrangement of documents of previous audits that would assist auditors in searching for audit risks and determining the possibility of risks.   | 3.67 | 0.746          | 0.537        | X28  |

Source: Prepared by the researcher based on the results of the statistical program

Table No. (4) Shows that the arithmetic averages range between (3.67, 4.17), where the highest percentage is paragraph No. (7), and the lowest is paragraph no. (8), and the standard deviation percentage of the degree of dispersion of the respondents' answers ranged between (0.679, 0.746).

It is clear that the values of the internal consistency coefficients of the correlation coefficient between each of the paragraphs of the research axes and the total score of the axis range between (0.496, 0.907) for all paragraphs are statistically significant values, and these values of consistency coefficients indicate the possibility of relying on all statements without deleting any phrase.

### 7/5/7/2: Descriptive statistics and internal consistency for rules (GAAP):

Table No. (5): Descriptive Statistics and Consistency Coefficient for Rules (GAAP)

| The third dimension: rules (GAAP) |   | Mean | Std. Deviation | Correlations | Item |
|-----------------------------------|---|------|----------------|--------------|------|
| 1                                 | Egyptian commercial establishments adhere to international accounting standards when preparing financial statements.  | 3.46 | 0.686          | 0.858        | X31  |
| 2                                 | Egyptian commercial establishments are committed to accounting changes and amending errors and ways to address them in accordance with (GAAP) rules for the preparation of accounting standards       | 3.77 | 0.678          | 0.694        | X32  |
| 3                                 | The use of GAAP rules for the preparation of international accounting standards has increased the ability to separate functions that would increase the objectivity and quality of the audit process. | 3.79 | 0.688          | 0.697        | X33  |
| 4                                 | The accounting disclosure in the Egyptian establishments and institutions is in accordance with the rules of (GAAP) for the preparation of international accounting standards.                        | 3.68 | 0.726          | 0.419        | X34  |
| 5                                 | The financial statements published in accordance with the rules of (GAAP)   | 4.16 | 0.679          | 0.469        | X35  |

|    |  |      |       |       |      |
|----|--|------|-------|-------|------|
|    | for the preparation of international accounting standards in their current state enjoy a minimum level of transparency and objectivity.  |      |       |       |      |
| 6  | The user of the financial statements of the institution can determine the weaknesses and strengths in the financial position through the use of (GAAP) rules for the preparation of international accounting standards | 3.66 | 0.736 | 0.409 | X36  |
| 7  | The financial statements published by Algerian commercial banks in their current state help investors in making their investment decisions in light of the multiplicity of investment alternatives.                    | 3.86 | 0.695 | 0.897 | X37  |
| 8  | Egyptian legislation and laws related to disclosure are in line with the requirements of international accounting standards.   | 3.79 | 0.688 | 0.697 | X38  |
| 9  | The capabilities and skills of accountants working in the field of auditing and preparing financial statements are developed in parallel with international institutions.  | 3.86 | 0.696 | 0.898 | X39  |
| 10 | The accounting curricula are constantly updated in line with global trends.  | 3.90 | 0.708 | 0.854 | X310 |

Source: Prepared by the researcher based on the results of the statistical program

Table No. (5) shows that the arithmetic averages range between (3.66, 4.16), where the highest percentage is Paragraph No. (5), and the lowest is Paragraph No. (6), and the standard deviation of the degree of dispersion of respondents' answers ranged between (0.678, 0.736. (

It is clear that the values of the internal consistency coefficients of the correlation coefficient between each of the paragraphs of the research axes and the total score of the axis range between (0.409, 0.898) for all the paragraphs are statistically significant values, and these values of the consistency coefficients indicate the possibility of relying on all statements without deleting any phrase.

### 7/5/7/3: Descriptive statistics and internal consistency for audit fees:

Table No. (6): Descriptive statistics and consistency coefficient for audit fees

| The fourth dimension: audit fees |   | Mean | Std. Deviation | Correlations | item |
|----------------------------------|---|------|----------------|--------------|------|
| 1                                | Establishments are subject to many legislations that require a high degree of quality and transparency in the disclosure process, which requires the accuracy of the external audit process to ensure compliance with these legislation, which increases the cost of the audit. | 3.69 | 0.736          | 0.916        | Y11  |
| 2                                | Increasing the interest of stakeholders in large-sized facilities, which places many tasks on the audit process and the accuracy of its conduct, which increases its cost   | 4.16 | 0.674          | 0.692        | Y12  |
| 3                                | The risk of auditing large-sized companies is high due to the increased risk of litigation costs and the reputation of the audit firm, which increases the cost of auditing.  | 3.87 | 0.736          | 0.816        | Y13  |
| 4                                | Large-sized enterprises enjoy large financial transactions and a complex accounting system, which leads to the difficulty of the audit process and increase its cost.   | 3.61 | 0.735          | 0.902        | Y14  |

Source: Prepared by the researcher based on the results of the statistical program

Table No. (6) shows that the arithmetic averages for the axis of disclosure and transparency range between (3.61, 4.18), where the highest percentage is paragraph No. (7), and the lowest is paragraph No. (4), and the standard deviation percentage ranged between (the degree of dispersion of the respondents' answers between (0.626, 0.736).

It is clear that the values of the internal consistency coefficients of the correlation coefficient between each of the paragraphs of the research axes and the total score of the axis range between (0.435, 0.916) for all the paragraphs are statistically significant values, and these values of the consistency coefficients indicate the possibility of relying on all statements without deleting any phrase.

**7/5/8 Validity test for measurements of research dimensions:**

Table No. (7) Results of the descriptive analysis of the research variables

| <b>Id</b> | <b>Dimensions Of Variables</b> | <b>Mean</b> | <b>Std. Deviation</b> | <b>N of Items</b> |
|-----------|--------------------------------|-------------|-----------------------|-------------------|
| X1        | principles (IFRS)              | 3.850       | 0.499                 | 8                 |
| X2        | Rules (GAAP)                   | 3.837       | 0.484                 | 10                |
| Y         | Audit fees                     | 3.842       | 0.562                 | 7                 |

Source: Prepared by the researcher based on the results of the statistical program

Table No. (7) shows that the arithmetic averages related to the research variables are close, as the values of those averages ranged between (3.837) and (3.861). The standard deviations of the concepts related to the variables under study also converged, as it was noted that the standard deviations ranged between (0.463), and (0.562), which indicates a relatively limited difference in the opinions of the individuals participating in the study about those concepts.

**7/5/9 Testing the validity of research hypotheses:**

The researcher made use of the (SPSS) program, where a simple and multiple regression test is performed in order to know the effect or the relationship between the independent variable and the dependent variable by using the ordinary least squares method. which can be identified as follows:

- The null hypothesis: - The regression between the dependent variable and the independent variable is equal to zero, meaning that the regression is not significant and the independent variable is not related to the dependent variable.
- The alternative hypothesis: The regression between the dependent variable and the independent variable is not equal to zero, meaning that the regression is significant and the independent variable is related to and determines the dependent variable.

**The results of the tests were as follows:**

**7/5/9/1: Test of The first hypothesis:** There is no statistically significant effect of the (IFRS) principles of international financial reporting on the audit process fees.

Table No. (8): Results of the first hypothesis test

| Model Summary |                | ANOVA      |           | Coefficients         |            |            |           |
|---------------|----------------|------------|-----------|----------------------|------------|------------|-----------|
| R             | R <sup>2</sup> | F          | Sig.      |                      | B          | t          | Sig.      |
| 74.70<br>%    | 55.82<br>%     | 164.2<br>6 | 0.00<br>0 | (Constant)           | 0.600<br>5 | 12.81<br>6 | 0.00<br>0 |
|               |                |            |           | principles<br>(IFRS) | 0.841<br>8 |            |           |

Source: Prepared by the researcher based on the results of the statistical program

To explain the results of Table No. (8), we note the following:

- The simple correlation coefficient (R) between (IFRS) principles and audit fees amounted to (74.70%) and the coefficient of determination (R<sup>2</sup>) which is equal to (55.82%), which shows the success rate of the independent variable in the model for the interpretation of the dependent variable.
- The (F) test of the model was given a value of (164.26) at a level of significance (.000), which indicates the intrinsic or morality of the model, and then the null hypothesis is rejected and the alternative hypothesis is accepted.
- The fixed term of the regression equation was (0.6005), and the coefficient and the independent variable that is specific and influential in the dependent variable of the model was given a value of (0.8418), where the level of significance reached (0.00) according to the (T) test, and there is a strong direct correlation relationship.

**The second hypothesis:** There is no statistically significant effect of (GAAP) rules for international financial reports on the audit process fees.

Table No. (9): Results of the second hypothesis test

| Model Summary |                | ANOVA |       | Coefficients |        |      |       |
|---------------|----------------|-------|-------|--------------|--------|------|-------|
| R             | R <sup>2</sup> | F     | Sig.  |              | B      | t    | Sig.  |
| 62.70%        | 39.27%         | 84.09 | 0.000 | (Constant)   | 1.0497 | 9.17 | 0.000 |
|               |                |       |       | Rules (GAAP) | 0.7276 |      |       |

Source: Prepared by the researcher based on the results of the statistical program

To explain the results of Table No. (9), we note the following- :

- The simple correlation coefficient (R) between (Rules (GAAP)) and audit fees amounted to (62.70%) and the coefficient of determination (R<sup>2</sup>)

which is equal to (39.27%), which shows the success rate of the independent variable found in the model to explain the dependent variable.

- The (F) test of the model was given a value of (84.09) at a level of significance (.000), which indicates the intrinsic or morality of the model, and then the null hypothesis is rejected and the alternative hypothesis is accepted.
- The fixed term of the regression equation was (1.0497), and the coefficient of the specific and independent variable affecting the dependent variable was given a value of (0.7276), where the level of significance reached (0.00) according to the T test, and there is a strong direct correlation relationship.

## **8. Results, Summary and future research:**

### **First: The Results:**

In light of the statistical tests that were conducted on the dependent and independent research variables as shown in the previous tables referred to for the hypothesis tests and based on the conclusions of those tables, the following results were reached:

1. Rejecting the first main hypothesis and accepting the alternative hypothesis that says There is a statistically significant effect of the (IFRS) principles of international financial reporting on the audit process fees. With a determination factor that was able to explain (55.82%) of the changes that occur in the dependent variable.
2. Rejection of the second main hypothesis and acceptance of the alternative hypothesis that there is a statistically significant effect of (GAAP) rules for international financial reports on the audit process fees. With a determining factor that was able to explain (39.27%) of the changes that occur in the dependent variable.

### **Second: Summary:**

the auditors need incremental efforts to provide their services to the firms that use IFRS and to reduce the litigation risk. Accordingly, this will be reflected in higher audit fees as auditors are likely to charge a premium to their customers to reward supplementary efforts and risks .

### **Third: future research:**

- The effect of accounting standards preparation approaches on the quality of the reports .
- The effect of accounting standards preparation approaches on the



evidence required for the auditing process .

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