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IMPACT OF CORPORATE GOVERNANCE & AUDIT QUALITY ON FIRMS FINANCIAL INFORMANTIONS

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Abstract
The aim of this research paper is to find how and when Corporate Governance and Audit Quality may control the impact of Financial Market Crises Risk on firms Financial Information through the mediator Financial Leverage. Three fundamental theories were used for the research i.e. Financial Market Theory, Corporate Governance Theory and Audit Quality Theory. The impact was tested through the Mediation Model# 4 of SPSS Hayes Process Regression Analysis. The Sample Size of 363 observations was taken from the Karachi Stock Exchange enlisted companies for the period of 2005 to 2015. The companies were rankedfor quantification after studying and analyzing the performance of the companies in their published Financial Statements. The outcome of the testing model showed that both the Independent Variables i.e. Corporate Governance and Audit Quality have normal effect on the Firms Financial Information jointly. It was found that Mediation effect exists between the relationship of Corporate Governance, Audit Quality and Financial Information as the p-value is significant which means that Corporate Governance and Audit Quality can minimize or control the effect of Financial Market Crises Risk on the dependent variable Financial Information through the mediator Financial Leverage. The practical application of the research will equip all the stakeholders about the significance of the Audit Quality and Corporate Governance impact on firm Financial Information.The stakeholders can utilize this mechanism of both Independent Variables Corporate Governance and Audit Quality separately for minimizingFinancialMarket Crises Risk.
Key Words: Corporate Governance, Stakeholder, Audit Quality, Financial information, Stock Exchange.

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Introduction

The Science of Corporate Governance, Audit Quality, and Financial Information have been worked out tremendously but understood poorly. Corporate wrongdoings waive off the interest of investors, increase instability in financial market and wrongly allocate capital (Khanna et al, 2015). Corporate Governance is the mechanisms through which the corporate affairs of a firm are managed and controlled(Sajid Gul et al, 2013). Much debate have been made on the term Corporate Governance and still considered a contemporary issue among the investors and businessmen (Saparovna, & Sayatovna, 2015). It is one of the latest issues incorporated into the academic world and gained much more considerable importance due to the multiple financial crises in the world(Schwarcz, 2008; Ullah, Afghan, Afridi, 2019). For example, the financial crises in Asia, Brazil and Russia touched very badly their financial position in 1997

The basic function of Corporate Governance is to bring transparency and accountability so that the agency problem may not arise between the mangers and shareholders, between the insiders and outsiders (Reddy, & Locke, 2010).Many researchers have worked on the term Corporate Governance i.e. Rashid (2008), Rashid and Islam (2013), Kumar and Sing (2013), Sajid Gul et al (2013). Prior researches have been conducted on Corporate Governance and its impact on firm performance. But here the researcher tried to examine the co-relationship impact of Audit and Corporate Governance on a firm financial Information performance through the mediator Financial Leverage.

The Financial Information disclosed in the annual financial statements are not trusted hundred percent and considered these information generally unreliable (Stanwick& Stanwick, 2010).To get large fund there must be transparency and reliability in disclosing the information of financial statementDurnev and Kim, 2005).This transparency depends upon the external Audit role (Hoepe et al, 2009; Ullah, Malik, Zeb, Rehman, 2019).

Corporate Governance is trend used for to face the financial challenges and to null the negative impact of Financial Crises on the Financial Information so far**.** Secondly, several technical mechanisms have been used for the reliability and transparency of financial information. In 2002, SECP have issued code for the enhancement of corporate Governance in Pakistan. But in spite of these mechanisms still capital market is frequently facing scandal and fraud like the scandal of Mehran Bank.

In order to control such scandal and illegal activities in the capital market and to null and avoid the negative impact of Financial Crises on the Financial Information the researcher tried to diagnose and improve the mechanism through the variable Corporate Governance and Audit Quality.

Several countries adopted some curable steps to prevent and control financial crises because some inside significant figures generate these scandals and crises intentionally. USA passed the act of Sarbanes-Oxley in the year of 2002. The aim of these steps is to bring transparency in the Financial Reporting Information world Sáenz et al (2014).For this purpose, the researcher wants

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to see the link of Corporate Governance and Audit and its impact on the Financial Information of Financial Listed Companies in Pakistan Stock Exchange for the period of 2005 to 2015.
Like Corporate Governance Audit Quality variable is also concerned with the power of Regulatory Bodies, transparency and controlling of the financial loss. There are various factors which affect the effectiveness and validity of Audit Quality in Pakistan and put a question mark before it. It is due to the lack of reliable supervision and transparency. So the researcher will try to find the associative impact of Corporate Governance and Audit quality on the Financial Information of the listed companies in the Karachi Stock Exchange.

As we know that the competency trend in Corporate Governance and Audit Quality play a professional and strategic role in a Financial Organization development. The competency in an Audit Profession depends upon many trends i.e. education, training and experience. Graver & and Paterson (2007) considered only Audit Independence and Audit Quality are the tools of competence. Other researchers proclaim that Corporate Governance is the competitive tool and the legitimate way of goal achievements (Aguilera et al 2008; Ullah, and Hamdard, 2019).

The disclosed Financial Information of the financial statement is considered not so valid and reliable for the investors who can trust it because of the earning management tool exploitation. Due to this lack of trust of the investors on the Financial Statement, the firms cannot achieve the planned targets (Stanwick & Stanwick, 2010). It is a common trend that Shareholders and Investors often examine the previous Financial Information of the expected firms and then compare it with the current Financial Information for making future investment decision. Commonly, investors search and check the market stability of the firms where they want to invest. A firm is said to stable when it have the capability to fulfill the obligations of the shareholders and can maximize the profitability (Zaharia, & Zaharia, 2012).

Lee and Jang (2007) found that debt leverage have positive relationship with risk and firm size. Similarly, Alaghi (2011) researched on Financial Leverage and Systematic Risk have resulted the same as Lee and Jang(2007). According to Alaghi (2011) when Financial Leverage increases the Beta value of the firm's equity will also increase. It is the debt of fund risk which is burden for the firms. Hamada (1972) and Mandelker and Rhee (1984) tested the Financial Leverage impact on Beta. Decomposed systematic Risk into Systematic Risk and Financing Risk and then analytically compare the Beta between level firms and Non-level firms.

LITERATURE REVIEW

Corporate Governance mechanism used for the solution of biased Financial Information Problem between the Financial Investors and Management Control Authority (Barley and Means, 1932).It has legally protected the investors and shareholders from the biased Financial Information of Managers. Agency Cost awoke the sense of External Audit control mechanism (De Anglo1981;

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Dye 1993).The risk associated with Financial Information possess greater agency cost among the stakeholders, shareholders and managers (Jensen and Meckling, 1976). The basic function of Corporate Governance is to guide and show the streamlines to the board of directors to avoid the Financial Market Risk (Shaheen and Nishat, 2004)..
The trust of shareholders can be built up by bringing transparency in the firm performance (Pandya, 2011; Rahim & Alam, 2014). Good corporate governance is called effective corporate governance because it satisfies their shareholders and investors at first (Bhaghat et al 2008). Shareholders confidence can be enhanced and improved when effective Corporate Governance guidance and policies are exercised (Ghani and Ashraf (2005; Javid and Iqbal, 2009; Ullah, and Hamdard, 2019) to defend Financial Information from the Financial Market Crises Risk. Mohammad Saleh Darweesh (2015) investigated the relationship among the Corporate Governance, Financial Performance and Market Risk Value and found a significant relationship among them.The effectiveness of Corporate Governance has strategic relationship with Financial Leverage and Financial Market Risk (Logan and Gooden, 2014).

Corporate Governance is the proxy of Audit Quality functions (Ghazali, 2010; Meesiri, 2014). Corporate Governance operates in well specified framework and follows some typical audit attributes (Jinarrat and Qaung, 2003).

The financial problem of a company is the problem of share holders (Carcello et al 2002). The outside directors have less conflict for to bias the audit report that is why they have positive relationship with the board (Lee et al, 1992). Researchers viewed that non-executive directors as a member of board improve the audit quality up to the mark (Beasley and Petroni (2001). High audit quality is essential for the credibility of reporting and this can be done through external independent auditors (Lennox, 2005).Audit Committee has the discretionary power which manipulates the financial reporting process (DeAngelo, 1986; Sloan, 1995). A good Corporate Governance depends on the high standard of financial reporting due to the economical importance (Ball, 2008)

CEO Duality shows poor performance and decision making is always biased (Daily and Dalton, 1993). CEO Duality case is different in different countries (Abdullah, Ismail, & Jamaluddin, 2008). Ramdani & Wittelootuijn (2010) found CEO Duality can improve the performance of small enterprises nothing else.The double role of Chief Executive throws negative impact on the stock market value (Ullah, and Hamdard, 2019; Worrell et al, 1997). Economic alternatives are followed which are fruitful to them rather than following those IFRS which does not suit their economic conditions (Islam et al, 2011). Similarly, Corporate Governance play an defensive role against the discretionary accruals (Jiang et al, 2008).

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Audit confirms the reliability of financial statement which results in the minimization of information risk (Klein, 1998). The relationship between Audit and Corporate Governance may be linear or nonlinear (Coles, Daniel and Naveen, 2008; Ullah, Malik, Zeb, Rehman, 2019). Carcello et al (2002), proved that due to the Corporate Governance managers must give extra attention to perform the duty efficiently. Some Audit Firms demand high Audit fee because of their reputation asset value in the market (Lindgerg,2001). The report of those Audit Firms who have strong reputation background and big in size are considered accurate (Teoh and Wong, 1993). Agency problems can be minimized by the Auditor's recommendations on firm financial reports(Francis & Wilson, 1998). The Reputation of Auditors is directly related to sifting the report errors of significance (DeAngelo, 1981).

The primary shareholders who contribute in form of capital and services are closely linked with Firm Financial Information (Poudel and Hovey (2013). When they do not perform in fair way then conflict will arise between them which will lead to the collapse of the firm Klapper (2004). Poudel and Hovey (2013) researched on the Impact Corporate Governance on the Bank Performance in Nepales and said that small size of Directors, Board composition and Audit committee impact positively the Bank Financial Information.Strong Corporate Governance exists in the developed countries and weak Corporate Governance established in the developing countries due to lack of rules and regulation and weak Audit function. These weaknesses put not only financial burden on the companies but also deviate them from the right track which result the poor Financial Information reliability of the firms (Zaharia & Zaharia, 2012).

Beta (β) here represents the relative stock price volatility to the market. Beta is commonly used for a firm-specific risk in finance literature. The systematic and unsystematic risk due to the financial debt, and the equity risk became lower without the increase in financial leverage (Lewis, Rogalski, & Seward, 2002). Huffman (1983) used financial leverage and said that outstanding debt increased the equity risk.Financial leverage according to Bradly (1984) has negative relationship with the earning volatility of firms.

So far Financial Crises and Agency problem are found to be the two fundamental problems in the Capital Market. For to tackle these fundamental problems, researchers have focused on Audit Quality and Corporate Governance for the above solutions (Barley and Means, 1932).Later the sense of the external audit committee mechanism of controlling emerged (De Anglo,1981). Financial Crises problem closely linked with the Corporate Governance Performance (Mohammad Saleh Darwesh, 2015). But Corporate Governance showed its effectiveness in strict implementation of rule and regulation (Logan and Gooden, 2014). To a great extent the Corporate Governance role can be enhanced through by controlling financial market risk (Spanos, 2005)

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Size of Board is considered one of best proxy of Corporate Governance Variable (Lipton and Lorch, 1992) and favours the small size of board but the large size of is more fruitful (Klien, 1998; Coles ,2008).The size of board have tremendous influence on decision making process (Baysinger and Hoskisson,1990). Board Independence is another proxy of Corporate Governance. The independent directors can do biased decision without taking interest (Beasley and Petroni, 2001).

Similarly, Audit Quality report is considered credible when conducted by external Independent Auditors (Lennox, 2005; Carcello et al., 1992; Dumontier et al., 2006; and Manita, 2008)). Some time Audit Committee exploit their discretionary power and use the tool earning management (DeAngelo, 1986; Sloan, 1995). The Audit Quality becomes unauthentic when they charge high fee(Anwarul Haq ,2015; Hoitash ,2007) and cripple the report when follow guided instructions (DeAngelo, 1981). But a well-known Auditors demand high fee (Lindgerg, 2001). Misuse of fee compensation is linked with corporate scandal (Barth et al, 2012). External Audit Report is some time doubtful because they have internal links with Managers reputation (DeFond et al, 2002)

Financial Information is subject to so many factors and trends. Size and composition of Audit committee impact the financial information of Bank sector positively (Hovey, 2013).The proxy used for the Dependent Variable are Percentage Change in Sale , Percentage Change in Profit and Percentage Change in Assets. Corporate Governance dictated Firm Financial Information to withstand the financial crises (Pandiya, 2011).Financial Information badly affected by poor Policies of Auditors and Finance Professionals (Adegbite, 2012).In order to protect the reliability of Financial Information preventive steps are needed (Mangunvi, 2011). Sarbanes-Oxley act in 2002 was incorporated to bring transparency in the

Financial Reporting Information (Sáenz et al, 2014).Future Research can use the Variables Proxies of Audit Quality such as Audit Fee and Industry Expert Auditor (Aladin Qwekati, 2018).

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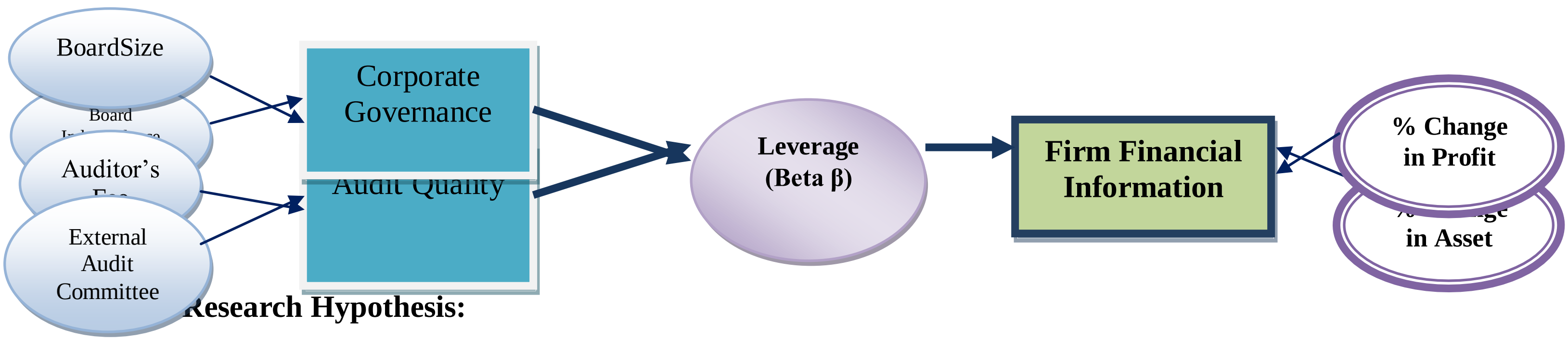
Model:



Research Hypothesis:

H1.The Linear impact of Corporate Governance on Financial Information is positive.
H2. The Mediator Financial Leverage mediates the relationship between independent variable Corporate Governance and Dependent variable Financial Information.
H3.The Linear impact of Audit quality on Financial Information is positive.

H4. The Mediator Financial Leverage mediates the relationship between Independent Variable Audit Quality and Dependent Variable Financial Information.

Methodology

The researcher utilized the Theory of Corporate Governance for the research paper. We derived the data from the employees' profile of CEO Duality, Board Size, and Financial Information from the Financial Statements of firms listed in Karachi Stock Exchange website. The Audit Qualityproxy variables data derived from Audit Reports of the periods 2005 to 2015. We have used Simple Method for the measurement of the Variables i.e. Correlation and Regression method to find the impact of Corporate Governance and Audit Qualityon Firms Financial Information (Laura Brad et al, 2015; Anwar ul Haq, 2014; Ullah, Malik, Zeb, Rehman, 2019).
The following table No 3.1, 3.2, 3.3 and 3.4 of Panel A shows the sector-wise sample collective distributions and Individual Sample size distributions.

Panel A Table 3.1

Descriptive Statistics: Industry-wise Population and Sample Listed in KSE (2005 to 2015)

Name of Industry	*Population*	*Sample*	*Freq.Obsrvtns*	*Avg (Listed)*	*Percentage%*
Textile Industry	*169*	*120*	*25*		*20%*
Cement	*21*	*15*	*5*		*33%*
Oil,Gas & Refinry	*37*	*26*	*10*		*38%*
Food & Sugar	*60*	*42*	*12*		*29%*

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Engineering	*17*	*12*	*06*	*50%*
Financial, Banks	*132*	*94*	*15*	*16%*
Transprt & Comm	*27*	*19*	*03*	*16%*
Pharma	*11*	*7*	*01*	*14%*
Power Generation	*19*	*13*	*01*	*7%*

Panel A Table 3.2:
Frequency of Observations with respect toAudit Fee, Audit Committe ;

Sector'Name	*AudComt Log Avg*	*Aud Exp Log Avg.Val*	*Aud FeeLog Ave.Val*
Textile	*32*	*21*	*32*
Cement	*45*	*38*	*59*
Oil& Gas	*75*	*53*	*41*
Food& Sugar	*21*	*12*	*32*
Engineering	*45*	*32*	*44*
Fin.Inst&Banks	*56*	*75*	*49*
Trnsprt & Com	*44*	*14*	*13*
Pharma	*51*	*33*	*22*
Power Gen	*23*	*25*	*17*

Note: First used rating scale, then took the log of average rating scale value.

Panel A Table 3.3:*Frequency of Observations with respect to Corporate Board Size, Board Independence, ;*

Name of Sector	*Board Size(Log Val)*	*Brd Indep(Log Val)*
Textile	*02*	*03*
Cement	*03*	*04*
Oil& Gas	*03*	*02*
Food& Sugar	*04*	*02*
Engineering	*05*	*03*
F. Inst& Banks	*04*	*03*
Trnsprt & Com	*03*	*04*
Pharma	*02*	*03*
Power Gen	*04*	*04*

PanelA Table3.4:
Frequency of Observations with respect to Financial Information proxies ;

Name of Sector	*% change in Profit*	*% change in Assest*
Textile	*15*	*15*
Cement	*8*	*8*

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Oil& Gas	*30*	*25*
Food& Sugar	*18*	*16*
Engineering	*10*	*5*
Fin. Inst& Banks	*21*	*12*
Trnsprt & Comm	*10*	*8*
Power Gen	*15*	*10*

Panel A 3.5:

Pooling proxies' values into Main Variables:

Descriptive Statistics:-

The descriptive statistics of sample size collected data is given below. The mean, Standard deviation, minimum and max range value has also been given.

Panel B Table 3.5.1 Descriptive Statistics:

	Minimum	*Maximum*	*Mean*	*Std. Deviation*
AudFee	*13.00*	*59.00*	*32.2000*	*15.94992*
AudtCommittee	*12.00*	*82.00*	*32.2000*	*21.23310*
BoardSize	*5.00*	*32.00*	*16.0000*	*7.88811*
BoardIndpendc	*12.00*	*24.00*	*16.4000*	*5.05964*
PercntgChangInAsset	*5.00*	*25.00*	*12.2000*	*6.35610*
PerntgChangeInProft	*2.00*	*22.00*	*9.5000*	*6.32895*
Valid N (listwise)				

Measurement of Audit Quality:

Audit Quality measurement can be done through the indirect approach of ex-ante factors of Audit quality (Kilgore, 2007, DeAngelo, 1981; Colbert & Murray, 1999;Sori et al, 2006; Choi et al., 2010. Auditor tenure; Arel et al., 2005; Jackson et al., 2008; Chi et al., 2009).Frequently used proxies for Audit Quality measurement are Audit Fee, Audit Size, Audit Reputation (Mani et al, 2012; Al_Ajmi, 2009).The above Audit Quality attributes have been used for Index set up in the Four big Auditors (i.e. Ernst & Young, KPMG, Deloitee Touhee Toumastu and PWC). Rating Scale can be used for the Audit Quality quantification (Curt et al,1997). Rabah and Lajmi Krichen (2013).

Audit {Aud Quality proxies} = b0 + b1 Audindex +ei .... (Eq 1)

3.5.2 Corporate Governance:

Formeasuring Corporate Governance we have used the proxies i.e. Board Independence, Board Size (Board composition), CEO Duality (means playing the role of CEO and Chairman of the Board at the same time (Lipton et al, 1992); Pearce and Zahra, 1992; Jensen, 1993; Vallelado, 2008; and Pahuja , 2011). For the the Corporate Governance quantification used the process of

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CGindex tool. Composite Scoring mechanism is used in order to frame Corporate-Score Index (Brown and Caylor (2004); JCR-VIS Credit Rating Company (March,2005).

CGindex{CG proxies} = b0+ b1 ROEi + ei... (Eq-2)

3.5.3 Measurement of Financial Information:

Financial Information is measured with the proxies of Profit size and Asset size percentage change according to the Financial Statements yearly. It is the dependent variable and checked the combine impact of Independent Variables Corporate Governance and Audit Quality.

For this the followinglevel- level logit regression is estimated.

Prob {FinINFi} = f (β1CGi + β2 Audit + ei }

Where β denotes the relationship tested.

Corporate Governance, Mediator Financial Leverage and Financial Information:

Andrew Hayes Process regression analysis tool of Bootstrapping Method (Hayes, 2013; Preacher & Hayes, 2004) has been used to find the mediation impact on the relationship between Independent Variable (i.e. Corporate Governance) and Dependent Variable (i.e. Financial Information) as we see in table 3.6. The table 3.6 result supported the hypothesis H2 which states that the mediator Financial Leverage meditates the relationship between Independent Variable Corporate Governance and Dependent Variable Financial Information. In the first model of simple regression, the OUTCOME VARIABLE is FINLEV (i.e. path a) the value of R-Square is significant (R-sq =.25, P < 0.00).There is no zero in the upper and lower range of confidence interval (.419__ .599). In the Second model of Table 3.6 is path b of multiple regression analysis, the OUTCOME VARIABLE is FINInf. Here, Zero is absent among their confidence ranges (.150_ .326 and .437_ .611), the value of R-sq is significant (R-sq= 46and p< 0.000) means that the relationship between the Corporate Governance, Financial Leverage and Dependent Variable i.e. Financial Information exists. Similarly in the third model of Table 3.6 of Total Effect result, the mediator Financial Leverage mediated the relationship between Independent Variable Corporate Governance and Dependent Variable Financial Information(H2) the value of Direct Effect is significant (Index effect = .238, p < 0.000) zero is not present among the Confidence ranges intervals (.150__.326). The Indirect Effect on the dependent variable Financial Information is too significant because the index value of Indirect Effect is .267 and zero is absent between the confidence range level (.202__.333). The relationship is partially mediated (c=.164 and C`=.238).

Table 3.6

Model Summary FinLev

	R	R-sq	MSE	F	df1	df2	p
	.5042	.2542	.7624	123.0515	1.0000	361.0000	.0000
		coeff	se	t	p	LLCI	ULCI
constant		.0034	.0458	.0743	.9408	-.0867	.0935
CorpGOV		.5094	.0459	11.0929	.0000	.4191	.5997

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Model Summary FinInfo

	R	R-sq	MSE	F	df1	df2	p
	.6819	.4650	.5383	156.4614	2.0000	360.0000	.0000
		coeff	se	t	p	LLCI	ULCI
constant		-.0010	.0385	-.0271	.9784	-.0768	.0747
CorpGOV		.2388	.0447	5.3438	.0000	.1509	.3267
FinLev		.5249	.0442	11.8686	.0000	.4379	.6119

DIRECT AND INDIRECT EFFECTS OF X ON Y

Effect	se	t	p	LLCI	ULCI
.2388	.0447	5.3438	.0000	.1509	.3267

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
FinLev	.2674	.0339	.2023	.3338

Table 3.7: Audit Quality Mediator Financial Leverage and Financial Information

Table 3.7 showed the tested result of Independent Variable Audit Quality, mediator Financial Leverage and Dependent Variable Financial Information. Andrew Hayes Process method of Bootstrapping has been used (Hayes, 2013; Preacher & Hayes, 2004) to dig out the mediation influence on the relationship between Independent Variable (i.e. Audit Quality) and Dependent Variable (i.e. Financial Information) as we see in table 3.7. The researcher found the support of H5 Hypothesis which narrates that the mediator Financial Leverage meditates the relationship between Independent Variable Audit Quality and Dependent Variable Financial Information.

The first model of simple regression, the OUTCOME VARIABLE is FINLEV (i.e. path a) and found significant value of R-Square (R-sq =.32, P < 0.00).Another sign of significance is that there is no zero in the upper and lower range of confidence interval (.490__ .660). In the Second model of Table 3.7 is of multiple regression analysis (path b), the OUTCOME VARIABLE is FINInf. Here, Zero is absent among their confidence ranges (.3878_ .5525 and .2944_ .4582). The value of R-sq is significant (R-sq= .57 and p < 0.000) pointed out that the relationship between the Independent Variable Audit Quality, Mediator Financial Leverage and Dependent Variable Financial Information exists. Similarly in the third model of Table 3.7 of Total Effect, the mediator Financial Leverage mediated the relationship between Independent Variable Audit Quality and Dependent Variable Financial Information as hypothesized in H5. The Direct Effect value of Independent Variable Audit Quality on the Financial Information is

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significant (Index effect = .4701, p < 0.000) zero is not present among the Confidence ranges intervals (.3878__.5525). The value of Indirect Effect on the dependent variable Financial Information through mediator Financial Leverage is too significant because the index value of Indirect Effect is .2166 and zero is absent between the confidence range level (.1509__.2930). The relationship is partially mediated (c=.164 and C`=.594).

Table3.7

Model Summary FinLev

	R	R-sq	MSE	F	df1	df2	p
	.5726	.3278	.6871	176.0673	1.0000	361.0000	.0000
		coeff	se	t	p	LLCI	ULCI
constant		.0039	.0435	.0896	.9286	-.0817	.0895
AQuality		.5756	.0434	13.2690	.0000	.4903	.6609

Model Summary FinInfo

	R	R-sq	MSE	F	df1	df2	p
	.7565	.5723	.4303	240.8736	2.0000	360.0000	.0000
		coeff	se	t	p	LLCI	ULCI
constant		-.0021	.0344	-.0597	.9524	-.0698	.0657
AQuality		.4701	.0419	11.2267	.0000	.3878	.5525
FinLev		.3763	.0417	9.0348	.0000	.2944	.4582

DIRECT AND INDIRECT EFFECTS OF X ON Y Direct effect of X on Y

Effect	se	t	p	LLCI	ULCI
.4701	.0419	11.2267	.0000	.3878	.5525

Indirect effect(s) of X on Y:

	Effect	BootSE	BootLLCI	BootULCI
FinLev	.2166	.0359	.1509	.2930

Hypothesis Validation Result

H#	Statements	Result
H1	The Linear impact of Corporate Governance on Financial Information is positive.	Supported
H2	The Mediator Financial Leverage mediates the relationship between IV Corporate Governance and DV Financial Information.	Partially Mediated
H3	The Linear impact of Audit quality on Financial Information is positive.	Supported
H4	The Mediator Financial Leverage mediates the relationship b/w IV Audit Quality and DV Financial Information.	Partially Mediated

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Discussion

The main purpose of the research thesis was how can Corporate Governance and Audit Quality be able to control or minimize the Financial Market Crises Risk impact on the Financial Information of different firms in various sectors. Prior research is related to Corporate Governance indicators in micro finance industry but the researcher worked not only on the Corporate Governance indicators but also on the Audit Quality indicators combined in Macro-Finance industry. The researcher hypothesised that the association between the Independent Variables and Dependent Variable is positive. After the empirical analysis through the Barron and Kenney (1986) mechanism and Andrew Hayes Process (2013) it proved that the Independent Variables (i.e. Corporate Governance and Audit Quality) and Dependent Variable (Financial Information) is positively associated through the moderator (Financial Market Crises Risk) and mediator (Financial Leverage).The empirical analysis proved that the control mechanism through the moderator and mediator are so closely related. There is a clear and direct relationship between among the variables meaning that Financial Market Crises Risk impact badly the Financial Information through the mediator Financial Leverage overuse and extension as Francis and Wang (2008) pointed out the gap of research about the audit quality in different settings. About the different control mechanisms association weak relationship found in advance countries (Spanos, L. J., 2005). Optimal Portfolio of Control mechanisms in Audit Quality research was suggested for with the notion of minimizing the Financial Market Crises Risk (Darus, F., & Mohamed, A., 2011).By contrast, institution with high audit quality do not focus specifically more to Corporate Governance control mechanism as Audit Quality itself was considered sufficient for strong governance structure (Hay and Davis, 2004).

Hay, D. C., Knechel, W. R., & Ling, H., (2008) found that Financial Crises have been occurred in capital markets declined the values of financial assets unexpectedly. It was linked with the overextension of financial leverage and credits (Adams, R., & Mehran, H.,2003). Financial engineers of capital markets underscore the over burden of debits and lack of proper corporate governance mechanism (Aladin Qwekat et al, 2018). Corporate Governance mechanism proved effectively to some extent and minimized the Financial Market Crises wave negative effect Ashbaugh, Collins, Lafond, (2004). But alone Corporate Governance cannot withstand to reverse heat wave of Financial Market Crises Risk as the researcher found in 2008 Mortgage Crises.

So for this purpose the researcher used the mediator Financial Leverage to detect the hidden receiver of Financial Market Crises Risk of Financial Assets. Similarly the researcher checked the Financial Market Crises Risk impact along with Audit Quality on the Financial Information. Both Corporate Governance and Audit Quality in the research found close association of the overuse of Financial Leverage and Debit with Financial Market Crises Risk. The more Audit Quality and Corporate Governance strong the more firms will avoid the overuse

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of Financial Leverage and Debits (Robina, I. et al (2009). Huffman, L. (1983) pointed out that Audit Quality decreases the risk of cash liquidity which supports the financial crises.

Corporate Governance can suppress the economic repercussions for the time being as the researcher found the dollar impact on the rupees but it does not ensure that Financial Crises Risk will not impact the Financial Information. So after since last two years research on the topic the researcher came to find that Actually Financial Information are vulnerable to Financial Market Crises Risk because of the overuse and overextension of Financial Leverage directly collapse the Cash System Durnev, A., & Kim, E. (2006). The cash system is fundamental responsibility of Corporate Governance and Audit Quality to manage it.

Barron and Kenny (1986) and Andrew Hayes Process (2013) both mechanisms have been used. The researcher took population about ten years and ten sectors from 2005 to 2015 and sample size 363. There are two independent variables (Corporate Governance and Audit Quality) and one dependent variable (Financial Information). The main purpose of the research was how the Financial Market Crises Risk can be minimized or controlled to protect the Financial Assets, Profit margin and Sale percentage. According to the theory of firm to null the impact of financial crises the level of financial leverage be kept at minimum level (Jensen, M.C. & Meckling, W. (1976). Overextension of financial leverage is one of the main cause of Financial Market Crises (Hay, D. C., Knechel, W. R., & Ling, H., 2008). It proved from the current hypothesis to save the financial information from the negative impact of Financial Market Crises Risk Financial Leverage plays key role authentically.

The H1 hypothesis is concerned with to find the logical relationship whether exists or not among the variables. The theory Corporate Governance supported the H1 hypothesis in the sense the Corporate Governance mainly focus on the Financial Assets means that Corporate Governance impact positively the Dependent Variable Financial Information. The hypothesis H2 states that the indirect effect of Independent Variable Corporate Governance on the Dependent Variable Financial Information is mediated by the mediator Financial Leverage which proved empirically through Andre Hayes Process Bootstrap method (2013). Financial Leverage is the inside risk mechanism can be avoided by diversification mechanism (Cretu, R. F., 2012). This diversification of Financial Leverage process reduces the shocks of Financial Market Crises Risk as the researcher found it see Table 4.4.

Next, the H3 hypothesis is concerned with the moderated-mediation effect of the Independent Variable Corporate Governance on the Dependent Variable Financial Information. The indirect effect of moderated-mediation variables on the dependent variable proved significant. So when the ex ante ability of Corporate Governance is coupled with ex ante ability of Audit Quality according to the researcher then the Financial Market Crises Risk can be minimized in each sectors see the tables 4.2 and Table 4.5 as the researcher found also in the World Bank Report (2011) that Corporate Governance reduces the emerging markets' vulnerability associated to Financial Market Crises Risk.

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The hypothesis H5 is related to the mediation effect of Financial Leverage on the relationship between Independent Variable Audit Quality and Dependent Variable Financial Information which proved significant (see Table 4.4). The indirect effect of the mediator Financial Leverage in the theoretical Modal#4 is significant see Table4.4. It proved empirically that Audit Quality can play a partial role in the minimizing the Financial Market Crises Risk negative effect in order to protect the Financial Information. The more Audit Quality Strong the more it will control the over usage of Financial Leverage (Klein, A.,2002);. Kinney, W., Palmrose, Z., & S. Scholz ., 2004).

The hypothesis H6 is related to moderated-mediation effect of the theoretical Modal#5 states the mediator will mediate the relationship between the Independent Variable Audit Quality and Dependent Variable Financial Information when the moderator Financial Market Crises Risk moderates the relationship between Independent Variable Audit Quality and Mediator Financial Leverage which resulted significantly (see table 4.5)

Testing the combined impact of Corporate Governance and Audit Quality on the Financial Information was a hurdle. So the researcher made two separate modals. The First Modal is about the individual impact of Corporate Governance on the Financial Information and Second Modal is the Audit Quality on the Financial Information. Financial Leverage as a mediator first time the researcher used. There was no proper researcher article about Financial Leverage role as a mediator. It was very difficult to find how Financial Leverage supports Financial Market Crises Risk but through the Andrew Hayes Process Bootstrap method of regression analysis it proved significantly.

The results of the research confirmed the expected significant positive relationship found between Independent Variables (Corporate Governance and Audit Quality) and Dependent Variable (Financial Information) These results are similar to some extent to those found in prior studies (Kormendi and Lipe, 1987; Collins and Kothari, 1989; Dhaliwal and Reynolds, 1994; Billings, 1999; Kim, 2005; and Shangguan, 2007).

Limitations:

No doubt that this research is also subject to general limitations as well as particular limitations. These limitations are viable and can be cashed as opportunities in future research through holistic approach. One of the general limitations was how to co integrate the proxies of independent variables in order to test them statistically and find their association in the research. Secondly in some financial sectors data were missing and delisted casually. Thirdly, Financial Statements were exploited through Earning Management tool and Asset Management System. Similarly, the particular limitation was that how to check the combined impact of Corporate Governance and Audit Quality (Independent Variables) on the Financial Information (Dependent Variable). Their testing was not possible through Andrew Hays Process Method of Mediation (Modal4) and Moderation-Mediation (Modal7). This particular limitation can be considered as a gap to work out on it.

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Next, the audit reports of some listed firms and were not authentic (Stanley & DeZoort, 2007). Debt Financing are recorded more than actual for saving tax and earning distribution in terms of dividend (Sloan, 1996).

Conclusion and Recommendations:

Some firms rely on debt at higher level which exposes them to higher default risk. But the question arises why they rely on so high debt level needs further research in future. One of the most unhighlighted research gap is the lack of mutual coordination of Corporate Governance and Audit Quality to withstand combinedly the Financial Market Crises Risk before its' occurring. Recent development in the Corporate Governance field is limited to the developed countries like USA and UK. The relationship impact of the Corporate Governance and Audit Quality after the current research seems to be very important because both are supportive and co-integrated to each other. Audit variable underscore the weak point to the Corporate Governance which address the deficiency in one way or the other way.

Corporate Governance as well as Auditing are the vast fields of knowledge and can be explored further to enhances the coordination of between them. The researcher has tried to explore the relationship between these two variables and its impact on the financial information. Though the outcome is fruitful considerably but still there are gaps. One of the gaps is to do research on the comparison of Public and Private Firms Corporate Governance and Auditing with other moderators and Mediators utilization.

Next, the researcher has researched within own country Pakistan for to avoid cross- border variations of the Financial Reporting System. So, further research can be done through the cross-border comparison of Corporate Governance and Audit Quality.Similarly, in this research, the researcher has faced the limitation of specific latest methodology of the quantification of Corporate Governance and Audit Quality variables though used the usual methodology.

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