ANNUAL REPORTS READABILITY AND AUDITOR SWITCHING

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This study examines the relationship between annual report readability and auditorswitching. The Management Obfuscation Hypothesis (MOH) assumes that managers attempt to hide unfavourable news by manipulating the complexity of annual reports. Previous research document strong relationship between the quality of disclosures and audit quality. This study extends this camp of research by examining the effect of auditor switching on the readability of annual reports. Moreover, taking further steps beyond the immediate readability-audit analysis, this study attempts to shed lights on the impact ofshort- and long-term switching effect on the readabilityof annual reports. Random-effect panel data analysis results reveal that the relationship between readability and switching is insignificant and is conditional on firm performance and audit tenure. Furthermore, additional analysis found that there is a negative relationship of short and long term switching and readability and that the relationship is stronger in the long term.

Keywords - Readability, Obfuscation, Annual Report, Auditor Switching
JEL Codes: M41, M42