E/B/R ECONOMIC AND BUSINESS REVIEW

Volume 27 | Issue 1 Article 1

March 2025

In the Eye of the Storm: Investor Sentiment and Audit Quality in Korean Financial Reporting

Antonios Persakis
University of Thessaly, Department of Accounting and Finance, Larisa, Greece, apersakis@uth.gr

Georgios Kolias
University of Ioannina, Department of Accounting and Finance, Ioannina, Greece

Recommended Citation

Persakis, A., & Kolias, G. (2025). In the Eye of the Storm: Investor Sentiment and Audit Quality in Korean Financial Reporting. *Economic and Business Review, 27*(1), 1-24. https://doi.org/10.15458/2335-4216.1350

ORIGINAL ARTICLE

In the Eye of the Storm: Investor Sentiment and Audit Quality in Korean Financial Reporting

Antonios Persakis [a,*], Georgios Kolias [b]

[a] University of Thessaly, Department of Accounting and Finance, Larisa, Greece
[b] University of Ioannina, Department of Accounting and Finance, Ioannina, Greece

Abstract

Background and objective: We investigate whether financial reporting quality is associated with economic policy uncertainty and examine the moderating roles of investor sentiment and audit quality during periods of high uncertainty.

Methods: This study focuses on firms listed on the Korea Stock Exchange over the period 1998–2021. We employ a dynamic panel-data model and utilize the Arellano–Bover/Blundell–Bond system estimator, a two-step generalized method of moments estimator that leverages instrumental variables to mitigate the issue of endogeneity.

Results: The empirical result provides support for the hypothesis suggesting that Korean economic policy uncertainty is positively associated with financial reporting quality, indicating that managers have an incentive to reduce earnings management when economic policy uncertainty increases. In addition, the statistical analyses indicate that financial reporting quality is higher during periods of low investor sentiment, suggesting that managers have incentives to provide high-quality financial reporting when investors are in a bearish sentiment so as to reverse this pessimistic mood.

Conclusion: This research may have implications for regulatory authorities and financial market participants who are working on improving financial reporting quality in their countries during periods of high uncertainty.

Contribution: The major contribution of our research is its exploration of how economic policy uncertainty in South Korea influences financial reporting quality, revealing that increased uncertainty motivates firms to enhance disclosure practices for greater transparency and information accuracy, especially in contexts of bearish investor sentiment and high audit quality.

Keywords: Financial reporting quality, Investor sentiment, Audit quality, Economic policy uncertainty

JEL classification: M41, G32

1 Introduction

In recent years, there has been growing empirical interest in the impact of economic policy uncertainty on economic activities, particularly in relation to financial reporting quality. This study contributes to this body of literature by examining the moderating effect of economic policy uncertainty on the relationship between investor sentiment, audit quality, and the financial reporting quality in South Korea. The motivations behind this study stem from the unique political and economic characteristics of South Korea, characterized by significant policy fluctuations and external vulnerabilities, which are expected to influence corporate financial behavior.

The significance of policy uncertainty in economic analysis is well-documented, with Baker et al. (2016) providing an economic policy uncertainty index that has become a cornerstone in subsequent research. This index, based on the frequency of policy-related terms in major newspapers, captures the uncertainty stemming from economic policies. Building on this framework, Cho and Kim (2023) developed an uncertain economic policy framework specific to South Korea, focusing on various policy domains such as

Received 24 February 2024; accepted 31 October 2024.
Available online 10 March 2025

* Corresponding author.
E-mail address: apersakis@uth.gr (A. Persakis).

https://doi.org/10.15458/2335-4216.1350

monetary, fiscal, trade, and debt policies. This framework is particularly pertinent given South Korea's political structure, where significant executive power resides with the president, often leading to substantial policy shifts during political transitions (Croissant, 2003; Horiuchi & Lee, 2018).

The Korean economy's exposure to global markets and geopolitical tensions, including North Korea's nuclear activities, exacerbates the impact of economic policy uncertainty on financial markets (Kim et al., 2019; Pyo, 2021). The country's export-oriented nature further amplifies the effect of global economic conditions on domestic policy uncertainty, making it a critical factor in financial reporting and investor behavior (Lee, 2018).

While extensive research has explored the macroeconomic implications of economic policy uncertainty, its direct impact on financial reporting quality remains underexplored (Bermpei et al., 2022; Nguyen et al., 2020; Ozili, 2021; Shabir et al., 2022). Previous studies have primarily focused on earnings management as a measure of financial reporting quality, revealing mixed results concerning the influence of economic policy uncertainty (Chui & Wei, 2021; Hesarzadeh, 2019). This study hypothesizes that increasing economic policy uncertainty in South Korea may incentivize firms to enhance their financial reporting quality to mitigate the negative effects of uncertainty.

The relationship between investor sentiment and financial reporting quality is another focal point of this research. Yin and Tian (2017) identified a correlation between high investor sentiment and reduced financial reporting quality, while Ge et al. (2019) suggested that firms tend to adopt conservative reporting strategies during periods of heightened sentiment. This study extends these findings to the South Korean context, examining whether firms improve financial reporting quality in response to negative investor sentiment as a trust-building mechanism.

Additionally, the role of audit quality in financial reporting is examined, with prior studies offering varying conclusions. Some research, such as Abbott et al. (2016) and Kaawaase et al. (2021), suggests a positive relationship between internal audit quality and reporting accuracy, while others, such as Carrera et al. (2017), indicate a potential negative impact of audit committee expertise on reporting quality. This study seeks to clarify these mixed findings by analyzing the specific context of South Korean firms.

In summary, this study addresses a significant gap in the literature by investigating how economic policy uncertainty, investor sentiment, and audit quality collectively influence the financial reporting quality in South Korea. The unique economic and political landscape of South Korea offers a compelling case for examining these dynamics, with potential implications for both domestic and international stakeholders. Therefore, using a sample of 18,651 firm-year observations in South Korea and incorporating a two-step generalized method of moments estimator in order to address potential endogeneity issues, our findings align with prior research, revealing a positive association between audit quality and financial reporting quality. Specifically, our results indicate that as the likelihood of restatement and going-concern opinions decreases, financial reporting quality strengthens, reflecting the influence of expected audit quality on managerial decision making and its subsequent impact on pre-audit financial reporting.

Many scholars assert that heightened uncertainty is associated with increased corporate governance deficiencies (Johnson et al., 2000; Mishra & Bhattacharya, 2011; Ongsakul et al., 2021), declining audit quality (Kyriakou, 2022; Persakis & Iatridis, 2016), and a bearish investor sentiment (Ugurlu-Yildirim et al., 2021). However, an unexplored question remains: Does policy uncertainty moderate the influence of investor sentiment and audit quality on financial reporting quality in South Korea? Our study addresses this gap by proposing that the effects of investor sentiment and audit quality on financial reporting quality are more pronounced in periods of heightened uncertainty. Our findings substantiate our hypothesis, revealing that bearish investor sentiment is linked to enhanced information quality when firms maintain higher audit quality (with a lower likelihood of restatement and going-concern opinions) during uncertain periods.

Our paper offers several contributions to the existing literature. Firstly, it contributes to the understanding of economic policy uncertainty by investigating its association with financial reporting quality. Notably, this study explores the uncharted territory of how investor sentiment and audit quality (measured by restatement likelihood and going-concern opinions) influence financial reporting integrity. To the best of our knowledge, no prior research has delved into this specific aspect.

Secondly, our research enriches the literature on financial reporting quality in South Korea, building upon the works of Yoo et al. (2013), Lim and Lee (2015), and Key and Kim (2020). Our findings suggest that increased economic policy uncertainty can lead to heightened government scrutiny and regulation, motivating Korean firms to enhance financial reporting quality to meet regulatory demands and reassure investors.

Thirdly, we enhance the rigor and credibility of our research by incorporating additional measures

for both dependent and independent variables. This approach ensures that our conclusions are robust and not overly dependent on specific decisions made during uncertain times.

Fourthly, our study breaks new ground by comprehensively analyzing the subtypes of uncertainty indices developed by Cho and Kim (2023) related to fiscal, exchange rate, trade, and monetary uncertainties in South Korea. Therefore, we also examine the geopolitical risk index proposed by Seungho et al. (2021), which offers a more global perspective and considers factors such as political stability, conflict risk, international relations, and geopolitical events. This additional metric could provide valuable insights for businesses and investors operating in a global context.

Lastly, our research contributes to the broader conversation by focusing on an emerging market, South Korea, which has established robust regulatory bodies and made efforts to harmonize accounting standards with the International Financial Reporting Standards (IFRS). South Korea's experience in this regard can serve as a valuable example for other emerging nations seeking to strengthen their financial reporting framework. Additionally, South Korea's measures to enhance auditor autonomy and supervision, including regulations related to audit committees, auditor rotation, and transparency, can provide a blueprint for improving financial reporting quality in other countries.

The remainder of the paper is organized as follows: Section 2 briefly reviews the literature on financial reporting quality, investor sentiment, and audit quality, and the hypotheses for their development are provided. The research design is discussed in Section 3. Section 4 reports the data and the empirical findings. Section 5 focuses on additional analysis and sensitivity tests related to financial reporting quality. We conclude in Section 6.

2 Literature review and hypotheses development

2.1 Economic policy uncertainty in South Korea

The economic policy uncertainty index for South Korea, as developed by Cho and Kim (2023), possesses distinct characteristics. Firstly, South Korea's political system generates higher uncertainty levels compared to established democracies (Croissant, 2003). Moreover, the influence of the Korean president on distributive policy, impacting government spending and corporate investment, accentuates this uncertainty (Horiuchi & Lee, 2018). Secondly, South Korea's economic policy uncertainty index is notably responsive to global economic policy uncertainty due to its strong interconnectedness with international economies (Cho & Kim, 2023; Fontaine et al., 2018; Ozcelebi & Izgi, 2022). Thirdly, South Korea's economic policy uncertainty index is vulnerable to various external shocks, including North Korea's nuclear weapons testing, which directly affects the South Korean capital market and corporate performance (Ducret & Isakov, 2020; Huh & Pyun, 2018; Kim et al., 2019; Pyo, 2021). In general, we posit that South Korea's economic policy uncertainty escalates during significant political, economic, and geopolitical events, as indicated by Cho and Kim (2023).

2.2 Legal and regulatory environment of financial reporting in South Korea

According to the International Federation of Accountants' 2020 report, South Korea's financial reporting framework is governed by the Korean Commercial Act. This legislation mandates the maintenance of company accounts and stipulates that companies meeting specific criteria must undergo financial statement audits.

The Korean Commercial Act mandates that listed companies on the Korea Stock Exchange, financial institutions, and state-owned companies adhere to accounting standards established by the Korean Accounting Standards Board. This board has issued the Korea International Financial Reporting Standards, aligning them completely with the International Financial Reporting Standards without alterations. Additionally, the Korean Accounting Standards Board formulates the Korean Generally Accepted Accounting Principles, which serve as local accounting standards applicable to all other companies.

The existing literature on financial reporting quality in South Korea is limited. However, some studies offer insights. Yoo et al. (2013) and Lim and Lee (2015) suggest that firms with high-quality financial reporting tend to make more profitable acquisitions. Kang et al. (2014) uncover a negative correlation between comparability and audit hours, with this impact being less pronounced for firms attracting significant financial analyst attention. Kim and Yang (2014) find a negative relationship between directors' tenure and discretionary accruals. Lee et al. (2016) report a negative link between the level of related-party transactions and financial statement comparability. Moreover, Key and Kim (2020) predict and observe an improvement in accounting quality following the adoption of the International Financial Reporting Standards. Given these insights, further investigations are essential to explore variables that may influence financial reporting quality in the South Korean context.

2.3 *Financial reporting quality under uncertainty*

Financial reporting quality serves a crucial role in enhancing the effectiveness of economic decision making by investors. As defined in the 2010 Conceptual Framework for Financial Reporting by the IASB, the primary objective of financial reporting is to provide users with information that aids in decisions related to allocating resources to the entity. This information is guided by fundamental qualitative characteristics, namely relevance and faithful representation, which, in turn, promote comparability, verifiability, timeliness, and understandability.

Within the framework of these qualitative characteristics, prior literature has predominantly focused on the utility of financial reporting quality in reducing information asymmetry (Brown & Hillegeist, 2007; Emawati & Budiasih, 2020) and mitigating the effects of uncertainty on the global economy. Chang and Sun (2010) assert that effective investor relations programs can lead to high disclosure quality, yielding benefits such as increased market exposure, expanded analyst coverage, and institutional following. Bhattacharya et al. (2013) and Cerqueira and Pereira (2013) discover a positive correlation between financial reporting quality and information asymmetry.

Similarly, Nagar et al. (2019), Ng et al. (2020), Dai and Ngo (2021), and El Ghoul et al. (2021) argue that reporting quality improves in response to heightened economic policy uncertainty, as managers are incentivized to provide more cautious and voluntary information to mitigate information asymmetry under such conditions. El Ghoul et al. (2021) specifically find that managers are less likely to engage in discretionary accrual manipulation during periods of rising economic policy uncertainty. Moreover, Nagar et al. (2019), Ng et al. (2020), and Ongsakul et al. (2021) suggest that firms are more inclined to make voluntary disclosures during uncertain times. Recently, Dai and Ngo (2021) demonstrate that firms tend to bolster their accounting conservatism as a response to the adverse impacts of policy uncertainty surrounding political elections.

Conversely, several studies propose that an escalation in economic policy uncertainty might actually diminish reporting quality due to the augmented information asymmetry during uncertain periods, leading to the undervaluation of firm performance (Bermpei et al., 2022; Cui et al., 2021; Yung & Root, 2019). Notably, Yung and Root (2019) illustrate that economic policy uncertainty can prompt firms to engage in earnings management. Additionally, Bermpei et al. (2022) find a positive association between increased economic policy uncertainty and discretionary accruals.

In light of the preceding discussion, the presence of information asymmetry is associated with a decline in financial reporting quality (Emawati & Budiasih, 2020; Suharsono et al., 2020). Additionally, economic policy uncertainty exacerbates information asymmetry (Wang et al., 2022). However, there remains ambiguity regarding how uncertainty influences earnings management, a key indicator of financial reporting quality. Ng et al. (2020) posit a positive relationship between uncertainty and earnings management, while Bu et al. (2020) suggest that managers may curtail earnings manipulation in response to heightened economic policy uncertainty, seeking to mitigate the adverse consequences of uncertainty spikes.

Overall, prior literature presents mixed empirical evidence. El Ghoul et al. (2021) report an increase in financial reporting quality when economic policy uncertainty rises, whereas Yung and Root (2019) document the opposite trend. Given these divergent findings and the contentious nature of the relationship between financial reporting quality and uncertainty, it is reasonable to hypothesize that managers would be inclined to enhance the quality of financial reporting to minimize information asymmetry and mitigate uncertainty, ultimately fostering greater trust in the firm. This hypothesis is further supported by agency theory, developed by Meckling and Jensen (1976), which suggests that during periods of economic policy uncertainty, managers face heightened scrutiny from investors, regulators, and other stakeholders. To avoid potential penalties and maintain their reputation, managers are incentivized to align their reporting practices with the interests of shareholders, leading to higher-quality financial statements (Tarighi et al., 2022). Additionally, the increased risk aversion that often accompanies uncertain economic environments encourages managers to adopt more conservative accounting practices, further improving financial reporting quality (Gigler & Hemmer, 2001; Hu & Jiang, 2019). Stronger governance mechanisms implemented during uncertain times also serve to limit managerial discretion, ensuring greater transparency and accuracy in financial reporting (Bushman, 2016). Therefore, we formulate our main empirical hypothesis (H1) as follows:

H1. *An increase in economic policy uncertainty leads to an improvement in the quality of financial reporting.*

2.4 *Financial reporting quality and investor sentiment under uncertainty*

Although extensive literature exists on the relationship between financial reporting quality and investment, no prior evidence addresses how investor

sentiment impacts financial reporting quality amid uncertainty. In uncertain environments, financial markets experience abrupt price fluctuations. Zhang (2019) delves into the connection between economic policy uncertainty and investor sentiment, revealing the pronounced influence of economic policy uncertainty on sentiment. This phenomenon can be explained by real option and financial constraint theories. Nartea et al. (2020) examine the hypothesis that the economic policy uncertainty premium is more significant (or weaker) in periods of low (or high) investor sentiment. Their findings suggest that investors may be willing to pay elevated prices for stocks with positive uncertainty beta while demanding additional compensation to hold stocks with negative beta, but only during low sentiment periods. Kim et al. (2021) explore the intricate dynamics between information uncertainty, sentiment, analyst recommendations, and stock returns. Their study concludes that investor sentiment significantly explains stock market reactions when information uncertainty is high. Qi et al. (2022) investigate the dynamic relationship between economic policy uncertainty, investor sentiment, and financial stability across various periods and time points. Their empirical results highlight the evident negative impact of economic policy uncertainty on investor sentiment.

Ramalingegowda et al. (2013) demonstrate that the negative impact of dividends on investment can be alleviated by the quality of financial reporting. Notably, this mitigation effect is more pronounced in firms that reduce dividends rather than those that increase them. Yin and Tian (2017) establish a positive relationship between investor sentiment and future stock price cash risk, particularly in cases of weaker financial reporting quality. Houcine (2017) underscores that financial reporting quality plays a positive role in enhancing investment efficiency by mitigating both underinvestment and overinvestment. Additionally, Yin and Tian (2017) observe a positive association between investor sentiment, future stock price crash risk, and poorer financial reporting quality, with short-sale constraints strengthening this relationship. Hales (2018) and Chen et al. (2018) provide evidence that countries with higher financial reporting quality and more extensive disclosure practices exhibit less pronounced effects in the face of political uncertainty.

Furthermore, prior research has delved into the influence of market sentiment on investment efficiency. For instance, Gallimore and Gray (2002) assert that investor sentiment plays a pivotal role in property investment decisions. Grundy and Li (2010) empirically demonstrate a significant and positive relationship between optimism and investment levels. Alimov and Mikkelson (2012) note that firms going public during favorable sentiment periods tend to allocate substantially more resources to investments, particularly acquisitions, than those going public in different periods. Arif and Lee (2014) align with the business cycle literature, highlighting that corporate investments reach their peak during periods characterized by positive sentiment. Additionally, McLean and Zhao (2014) reveal that investment behavior exhibits lower sensitivity to Tobin's q and heightened sensitivity to cash flow during economic recessions and periods of subdued investor sentiment.

In light of the previously mentioned studies, it is evident that economic uncertainty has a significant impact on investor sentiment, affecting companies' investment decisions and financial constraints, thereby influencing investor psychology and stock market outcomes (Zhang, 2019). Rao et al. (2017) emphasize that investors with negative future outlooks can lead businesses to postpone or reduce their investments, thereby diminishing the effectiveness of policies. Consequently, economic uncertainty tends to exert a negative influence on investor sentiment (Kim et al., 2021; Qi et al., 2022).

Moreover, existing literature provides evidence of the direct influence of investor sentiment and financial reporting quality on investment efficiency. Grundy and Li (2010) and Alimov and Mikkelson (2012) demonstrate a significant and positive relationship between optimism and investment levels. Chen et al. (2011), Yin and Tian (2017), and Houcine (2017) underscore the positive relationship between financial reporting quality and enhanced investment efficiency, achieved by mitigating both underinvestment and overinvestment.

Despite the growing body of literature exploring the impact of financial reporting quality and investor sentiment on investment, as well as how uncertainty affects financial reporting quality and investor sentiment, there remains a gap in understanding how investor sentiment may influence financial reporting quality during periods of uncertainty. Thus, we posit that financial reporting quality will be higher during periods of low investor sentiment, and the effect of investor sentiment on financial reporting quality will be more pronounced for firms facing higher uncertainty. In essence, we anticipate that managers will be incentivized to provide high-quality financial reporting when investors exhibit bearish sentiment in order to counteract this pessimistic mood. This expectation aligns with agency theory, which suggests that increased monitoring and scrutiny by investors in bearish markets lead to enhanced financial reporting as managers strive to reduce information asymmetry and avoid the heightened risks of opportunistic behavior (Armstrong et al., 2010; Arnold & De Lange,

2004). Additionally, even in the context of economic policy uncertainty, the demand for reliable information is amplified, prompting managers to prioritize accuracy and transparency in their reporting to maintain investor confidence and protect their reputations. Building on these arguments, we extend our main hypothesis as follows:

H2. *Financial reporting quality is higher when investor sentiment is bearish, even if economic policy uncertainty is greater.*

2.5 Financial reporting quality and audit quality under uncertainty

The literature extensively examines the impact of audit quality on financial reporting quality, but these findings remain subject to debate. Specifically, previous evidence suggests a significant association between internal audit quality and financial reporting quality (Bananuka et al., 2018; Kaawaase et al., 2021). Johl et al. (2013) and Abbott et al. (2016) assert that internal audit quality, comprising competence and independence, is a crucial factor in effective internal audit function monitoring of financial reporting, ultimately leading to improved financial reporting quality, as indicated by abnormal accruals.

Additionally, research by Burrowes and Hendricks (2005), Badolato et al. (2014), and He and Yang (2014) highlights that audit committees with financial expertise are considered advantageous, leading to reduced earnings management and higher-quality earnings reporting. However, in contrast, Carrera et al. (2017) demonstrate that increasing the proportion of audit committee members with financial accounting expertise is associated with decreased financial reporting quality.

Arnedo et al. (2008) and Omid (2015) establish a strong positive relationship between the total value of discretionary accruals and the likelihood of receiving a qualified audit opinion. Similarly, Etemadi et al. (2013) propose that distressed companies, compelled by the audit opinion, resort to conservative profit reporting methods, leading to qualified audit opinions that place greater emphasis on managerial caution in earnings decisions. Contrastingly, Gajevszky (2014) and Taktak and Mbarki (2014) present findings indicating that the likelihood of profit manipulation decreases when qualified audit reports are issued. In contrast, despite uncovering a negative relationship between accruals and audit opinion modifications tied to going-concern opinions, Herbohn and Ragunathan (2008) and Tsipouridou and Spathis (2014) do not find evidence supporting managers' exploitation of uncertainty regarding asset benefits or provisions for liabilities to manipulate results in order to meet short-term earnings benchmarks.

A related area of research explores how companies respond to diminished credibility following restatements (Blankley et al., 2012; Francis et al., 2013). Previous studies consistently reveal that restating firms experience a decline in earnings quality during the restatement years, with restatements carrying significant adverse repercussions for a firm's financial reporting (Dechow et al., 2011; Desai et al., 2006). Desai et al. (2006) identify extreme accruals in restatement years, underscoring the poor accrual quality in such periods. Dechow et al. (2011) further emphasize that earnings quality is lower during years of misstatement compared to non-misstatement years. In contrast, Wiedman and Hendricks (2013) contend that firms strive to demonstrate progress, and they observe a significant enhancement in accrual quality after a restatement.

Limited prior research explores the implications of uncertain periods on audit quality, with only two studies directly addressing the impact of economic policy uncertainty on audit quality (Cui et al., 2021; Zhang et al., 2018). Zhang et al. (2018) suggest that as economic policy uncertainty escalates, audit quality improves. Conversely, Cui et al. (2021) present evidence that greater exposure of Chinese companies to economic policy uncertainty leads to heightened earnings management, indicating lower-quality audit services during times of heightened uncertainty. This degradation in audit quality suggests reduced audit effort, possibly linked to companies' strategies of engaging less qualified auditors when facing increased risk (Cui et al., 2021).

Additionally, previous literature examines specific adverse events that amplify uncertainty, such as the Global Financial Crisis of 2008, and their influence on audit quality. Sikka (2009) and Xu et al. (2011, 2013) report a significant rise in firms receiving audit reports modified due to going-concern assumptions during the Global Financial Crisis compared to the pre-crisis period. Iatridis and Dimitras (2013) find that Greek companies audited by Big Four auditors tended to produce higher-quality financial statements prior to the 2008–2011 economic crisis. Persakis and Iatridis (2016) note a decline in audit quality during the Global Financial Crisis. Shahzad et al. (2018) provide robust evidence of increased perceived audit quality for U.S. firms, both financial and nonfinancial, during the Global Financial Crisis. Moreover, Chen et al. (2019) report decreased audit fees during the crisis due to auditor pressure on clients, possibly affecting audit quality. Similarly, Kyriakou (2022) observes that auditors were inclined to deliver higher

audit quality to nonfinancial firms during the Global Financial Crisis.

In light of the prior literature gaps regarding the influence of audit quality on financial reporting quality during uncertain periods and the effects of specific adverse events on audit quality, this study aims to address these questions. Building on insights from Kamolsakulchai (2015), it is anticipated that firms will take measures to enhance the perceived quality of audits in an effort to elevate the overall quality of financial reporting. This expectation aligns with agency theory, which posits that high audit quality plays a critical role in mitigating information asymmetry, reducing moral hazard, and enhancing the monitoring and accountability of management (Bacha et al., 2021; Tessema, 2020). These mechanisms are particularly vital during periods of economic policy uncertainty, when the risks of financial misreporting are heightened. High audit quality, by providing rigorous scrutiny and ensuring accurate financial statements, helps align the interests of agents and principals, thereby maintaining trust and reducing agency costs. Thus, considering the potential interplay between audit quality and financial reporting quality, we propose a third hypothesis as follows:

H3. *Financial reporting quality is higher when audit quality is higher, even if economic policy uncertainty is greater.*

Overall, the aforementioned analysis indicates that economic policy uncertainty significantly impacts financial reporting quality, suggesting that heightened uncertainty incentivizes firms to enhance the financial reporting quality. This finding aligns with the agency theory, which posits that during periods of uncertainty, managers face increased scrutiny from investors and regulators, prompting them to adopt more conservative and transparent reporting practices to maintain credibility and trust (Meckling & Jensen, 1976; Tarighi et al., 2022). This has important implications for policymakers, who should consider the role of economic policy stability in fostering high financial reporting quality. By reducing economic policy uncertainty, governments can create an environment where firms are less pressured to engage in earnings management, thereby improving the overall transparency and reliability of financial statements (Bu et al., 2020; El Ghoul et al., 2021).

Furthermore, the relationship between investor sentiment and audit quality under conditions of economic policy uncertainty highlights the importance of maintaining high audit standards, especially during periods of market pessimism. Previous empirical research suggests that bearish investor sentiment is associated with improved financial reporting quality, as managers are motivated to counteract negative market perceptions through more diligent and transparent reporting (Qi et al., 2022; Yin & Tian, 2017). Additionally, higher audit quality appears to amplify this effect, underscoring the critical role of external audits in safeguarding financial integrity during uncertain times (Kamolsakulchai, 2015; Tessema, 2020). For regulatory bodies and auditing firms, this implies a need to reinforce audit practices and ensure robust oversight mechanisms are in place to support firms in delivering accurate and reliable financial information, particularly when market conditions are unfavorable.

3 Sample selection and empirical methods

3.1 Sample and data

This study focuses on firms listed on the Korea Stock Exchange (KRX)[1] for the period spanning 1998–2021, as documented in the Thomson Reuters Datastream. Following established research conventions, financial institutions such as banks, insurance companies, and stock trading agencies are excluded from the sample due to their distinct liability and capital structures compared to nonfinancial firms. Moreover, observations featuring negative book values and missing data are also removed, resulting in a final sample size of 25,427 firm-year observations encompassing 2,412 firms listed on the KRX. Additionally, to mitigate the impact of outliers, a winsorizing process is applied, trimming 1 percent from each tail of the distribution for continuous variables in the dataset.

3.2 Measure of financial reporting quality as dependent variable

To ensure the relevance and accuracy of financial information in aiding investors and creditors in their decision-making processes, it is imperative that financial reporting quality is appropriately assessed. However, the absence of a universally accepted metric for financial reporting quality has led to the utilization of various alternative measures in previous studies, including accruals quality, abnormal accruals, earnings management, discretionary accruals, accounting conservatism, real earnings management, likelihood of misstatements, likelihood of material weaknesses

[1] The KRX has three market divisions: the Korea Composite Stock Price Index (KOSPI), the Korean Securities Dealers Automated Quotations (KOSDAQ), and the Korea New Exchange (KONEX).

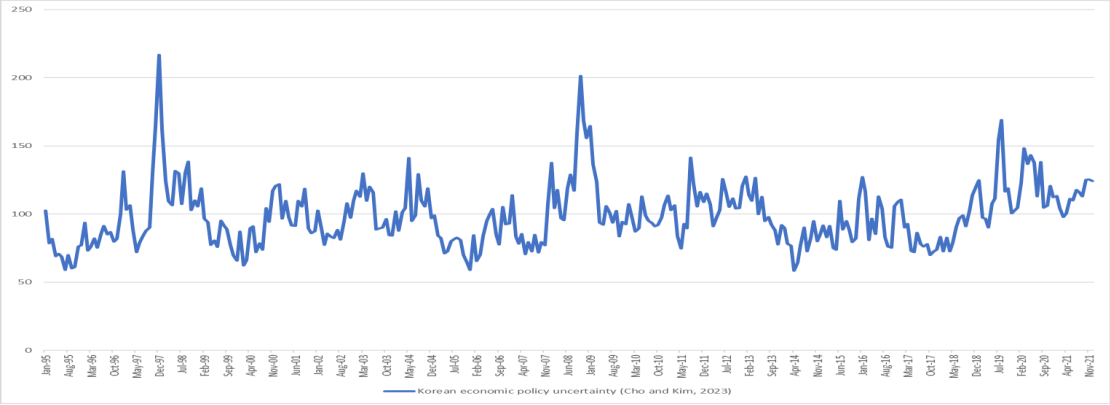

Fig. 1. Economic policy uncertainty index of South Korea calculated by Cho and Kim (2023).

in internal control, and audit fees, among others (Dechow et al., 2010; Hairston & Brooks, 2019).

In this research, we gauge financial reporting quality using the earnings quality indicator provided by the StarMine database, a choice consistent with the approach taken by Abdelsalam et al. (2021). There are several compelling reasons for adopting this measure. Firstly, StarMine's earnings quality model comprises components that encompass cash flows, accruals, operating efficiency, and exclusions, which are adjusted for beta, as identified by Mathuva and Nyangu (2022). Secondly, according to Abdelsalam et al. (2021), StarMine's earnings quality model assigns percentile ratings ranging from 1 to 100, assessing the reliability and consistency of a company's past earnings. Notably, it compares a company's earnings quality with others trading on the same exchange and subject to the same regulatory authority. This feature is particularly valuable as it facilitates the direct evaluation of a firm's earnings quality relative to its peers (Abdelsalam et al., 2021). Thirdly, the composition of this multi-factor earnings quality model is designed to assign higher scores to companies whose earnings are supported by sustainable sources such as cash flows, while penalizing those reliant on less sustainable sources such as accruals (Abdelsalam et al., 2021). Consequently, higher values of StarMine's earnings quality correspond to greater financial reporting quality (FRQ_{it}).

3.3 Measures of policy uncertainty, investor sentiment, and audit quality as independent variables

Concerning policy uncertainty, we employ the economic policy uncertainty index established by Baker et al. (2016). However, for economic policy uncertainty specific to South Korea, we utilize an index crafted by Cho and Kim (2023), drawing inspiration from Baker et al. (2016) and relying on prominent Korean newspapers as data sources. Fig. 1 illustrates the trajectory of the Korean economic policy uncertainty index.

Fig. 1 illustrates noteworthy spikes in Korean economic policy uncertainty, each corresponding to specific events. The 1998 spike coincides with the Asian Financial Crisis, while elevated uncertainty in 2003 and 2004 results from Gulf War II concerns and a constitutional-court-overturned impeachment, respectively. The index surges again during the Global Financial Crisis in 2008. Subsequent spikes in 2011, 2016, 2019, and 2020 are linked to Eurozone anxieties, Chinese stock market turbulence, North Korea's nuclear test, the Korea–Japan trade dispute, and the COVID-19 pandemic, respectively. Additionally, domestic political events, such as presidential elections and impeachments, trigger fluctuations in Korean economic policy uncertainty. These include the elections of Presidents Roh Moo-hyun (2002), Lee Myung-bak (2007), Park Geun-hye (2012), and Moon Jae-in (2017), as well as the impeachments of Presidents Roh Moo-hyun (2004) and Park Geun-hye (2016), often amid political scandals.

In this study, we utilize the annual economic policy uncertainty index as per the methodology employed by Gulen and Ion (2016), El Ghoul et al. (2021), and Kim and Yasuda (2021). To be precise, we define Korean economic policy uncertainty ($KEPU_{It}$) in accordance with Cho and Kim's (2023) approach, which involves taking the natural logarithm of the average value of the policy uncertainty index throughout a fiscal year's 12-month period.

Black (1986) characterizes investor sentiment as the "noise" present in financial markets, while Baker and Wurgler (2006) define it as the inclination of investors to speculate or their optimism (or pessimism) regarding stocks. These definitions emphasize sentiment as the prevailing attitude among investors towards specific securities or the overall market (Chau et al.,

2016). To align with these conceptualizations, we employ firm- and market-level investor sentiment, following the approach of Anusakumar et al. (2017). Specifically, we use trading volume as a proxy for sentiment, a method supported by Liao et al. (2011), Baker and Wurgler (2006), and Chen et al. (2013). Baker and Stein (2004) argue that an increase in trading volume signifies a heightened level of investor sentiment.

Following Liao et al. (2011) and Anusakumar et al. (2017), firm- ($FSentiment_{it}$) and market-level investor sentiments ($MSentiment_{It}$) are computed as follows:

$$FSentiment_{it} = \log(FV_{it}) - \log(FV_{it-1}) \quad (1)$$

$$MSentiment_{It} = \log(MV_{It}) - \log(MV_{It-1}) \quad (2)$$

FV_{it} is the firm trading volume; MV_{It} is the market trading volume.

Higher values of equations Eqs. (1) and (2) mean higher investor sentiment (bullish attitude).

In line with prior research, we employ two distinct metrics to assess audit quality: the probability of a financial statement restatement ($PrFSR_{it}$) and the probability of a going-concern opinion ($PrGCO_{it}$). We opt for restatements as a proxy for audit quality, consistent with their widespread use in the literature (Heo et al., 2021; Jiang et al., 2015; Notbohm & Valencia, 2021). Moreover, restatements are chosen over other audit quality indicators (such as abnormal and discretionary accruals) due to their clear association with audit quality, which makes them a straightforward measure of poor audit quality (Notbohm & Valencia, 2021). Conversely, the use of discretionary accruals as an audit quality gauge has faced criticism due to its dependence on the quality of the accruals model employed (Paterson & Valencia, 2011). For these reasons, our first proxy for audit quality is the probability of a financial statement restatement ($PrFSR_{it}$), represented as a binary variable with a value of one (1) indicating a restatement and zero (0) otherwise.

Rajgopal et al. (2021) emphasize the importance of employing multiple audit quality metrics to examine various aspects of audit quality. Consequently, we utilize the issuance of going-concern opinions as a second measure of audit quality. This choice is substantiated by its frequent use as an audit quality proxy in numerous studies (Chen et al., 2018; Notbohm & Valencia, 2021). Additionally, as noted by Chen et al. (2018), the decision to issue a going-concern opinion is primarily driven by the auditor, rendering it a reasonable indicator of audit quality. In a similar vein, Notbohm and Valencia (2021) argue that the probability of a going-concern opinion captures a distinct set of audit quality attributes compared to the probability of restatement. Hence, our second proxy for audit quality is the probability of a going-concern opinion ($PrGCO_{it}$), operationalized as a binary variable with a value of one (1) denoting the receipt of a going-concern modified audit opinion and zero (0) otherwise.

3.4 Control variables

Drawing from prior research, we incorporate several firm-level control variables in our analysis, including firm size, firm leverage, firm liquidity, firm profitability, board size, board independence, board duality, firm age, firm growth, asset tangibility, and ownership structure.

Firm leverage ($FLEV_{it}$) is measured by the debt-to-equity ratio, calculated as total liabilities divided by total shareholders' equity. The literature presents divergent views on the relationship between firm leverage and financial reporting quality. One perspective suggests that firms with higher debt levels tend to disclose more information to meet creditor demands (Bimo et al., 2019; Echobu et al., 2017; Mahbound, 2017). Conversely, another body of research provides substantial evidence of a negative association between financial leverage and financial reporting quality (Kwanbo, 2020; Tang et al., 2016). These findings challenge the agency cost theory and suggest that heavily leveraged firms may disclose less public information. Furthermore, a few prior studies report an insignificant link between financial leverage and financial reporting quality (Hassan et al., 2022; Rajab & Schachler, 2009).

Firm liquidity ($FLIQ_{it}$) is assessed using the current ratio, computed as current assets divided by current liabilities. Existing research presents differing views on the relationship between firm liquidity and financial reporting quality. Some studies, including Hassan and Farouk (2014), Echobu et al. (2017), and Hassan et al. (2022), suggest that firms with higher liquidity are more motivated to provide high-quality earnings information. Conversely, Shehu and Ahmad (2013), Shehata et al. (2014), and Hassan et al. (2022) argue that firms with low liquidity may also disclose more information to demonstrate management's awareness of the firm's position and to mitigate shareholder claims. Furthermore, Kwanbo (2020) and Aljifri et al. (2014) find no significant relationship between firm liquidity and financial reporting quality.

Firm profitability (FP_{it}) is measured by return on equity, calculated as net income divided by the book value of equity. The relationship between firm profitability and financial reporting quality is vague. Several studies, including Uyar et al. (2013), Fathi (2013), Takhtaei et al. (2014), Soyemi and Olawale (2019), and Kwanbo (2020), suggest that higher firm performance

is associated with higher-quality financial information. This implies that profitable firms, with growth prospects, are motivated to provide more reliable information to demonstrate the credibility of their earnings and future projects. In contrast, Prencipe (2004), Monday and Nancy (2016), Ebrahimabadi and Asadi (2016), and Hassan et al. (2022) find a negative relationship between firm profitability and the quality of disclosed information. In other words, profitable firms may refrain from leveraging their advantage against competitors, potentially leading to a decrease in the quality of disclosed information. Furthermore, some studies report an insignificant relationship between firm profitability and financial reporting quality (Agyei-Mensah, 2013; Haji & Ghazali, 2013; Hosseinzadeh et al., 2014; Tang et al., 2016).

Board size (BS_{it}) is determined by the natural logarithm of the number of directors on the board. The findings of Echobu et al. (2017) and Hassan et al. (2022) suggest that a larger board size can contribute more expertise and knowledge to the firm, potentially leading to higher-quality financial reporting. Conversely, Byard et al. (2006) and Ostadhashemi et al. (2017) argue that smaller boards can facilitate improved communication and coordination, resulting in better disclosure quality of accounting information. Additionally, several studies indicate an insignificant correlation between financial reporting quality and board size (Gerayli et al., 2021; Liu & Sun, 2010; Soheilyfar et al., 2014).

Board independence (BI_{it}) is defined as the proportion of independent non-executive directors on the board. Booth et al. (2002) emphasize the important monitoring role played by executive directors. Most prior research indicates a positive relationship between the presence of outside directors and financial reporting quality (Abed et al., 2012; Alves, 2011; Siagian & Tresnaningsih, 2011; Waweru & Riro, 2013). In contrast, Dimitropoulos and Asteriou (2010) and Alzoubi (2014) report a negative association between the fraction of outside directors and the informativeness of annual accounting earnings. On the other hand, Park and Shin (2004) and Bradbury et al. (2006) do not find a significant correlation between board independence and financial reporting quality.

Board duality (BD_{it}) is represented as a dummy variable, taking the value of one (1) when the chair of the board also serves as the CEO of the firm, and zero (0) otherwise. Saleh et al. (2005) argue that separating the roles of chair and CEO enhances board oversight, positively impacting financial reporting quality. Similarly, Nugroho (2012), Alzoubi (2014), and Taktak and Mbarki (2014) predict a positive association between board duality and financial reporting quality. In contrast, Klein (2002) suggests a significant negative relationship between board duality and financial reporting quality, while Rahman and Ali (2006) and Abed et al. (2012) find no significant relationship.

Firm growth (FG_{it}) is measured as the market value of equity divided by the book value of equity. While Doyle et al. (2007), Ashbaugh-Skaife et al. (2007), and Hassan et al. (2022) find that young, growing firms tend to disclose more internal control weaknesses, Tang et al. (2016) and Soyemi and Olawale (2019) report a negative association between firm growth and financial reporting quality. In contrast, Seiyaibo and Okoye (2020) reveal no significant relationship between firm growth and financial reporting quality.

Asset tangibility (AT_{it}) is assessed as the proportion of tangible assets to total assets in the firm's asset structure. Soyemi and Olawale (2019) and Bao et al. (2021) discover that asset tangibility exerts a negative, significant influence on financial reporting quality, suggesting that an excessive focus on tangible assets such as plant, property, and equipment (PPE) can lower the quality of disclosure. In contrast, Gerayli et al. (2021) do not find any significant association between asset tangibility and financial reporting quality.

Proxy measures for the dependent, independent, and control variables are defined in Table 1.

3.5 *Model specification—econometric issues*

In this study, we employ a dynamic panel-data model and utilize the Arellano–Bover/Blundell–Bond system estimator, a two-step generalized method of moments estimator that leverages instrumental variables to mitigate the issue of endogeneity. Endogeneity, characterized by a correlation between explanatory variables and the error term in a regression model, can introduce bias to parameter estimates of interest. This correlation may stem from omitted variables, simultaneity, measurement error, or other factors. When endogeneity is present, the ordinary least squares (OLS) estimator loses consistency and becomes biased.

The general model used is the following:

$$Y_{it} = \alpha_{it} + \varphi Y_{it-1} + \beta X_{it} + u_{it} \quad (3)$$

where Y_{it} is the dependent variable for firm i in year t; α_{it} is firm-specific effects; X_{it} is the vector of independent variables that contains exogenous and endogenous variables; u_{it} is the error term, and φ and β the parameters to be estimated.

With this specification the outline of the Bover/Blundell–Bond system estimator is as follows:

We assume that there is no autocorrelation in the error term u_{it}, hence, Δu_{it} is correlated with

Table 1. Variable definitions.

Variable	Definition
Dependent variable	
FRQ_{it}	Financial reporting quality proxied by StarMine's earnings quality. Data source: StarMine database
Independent variables	
$KEPU_{It}$	Korean economic policy uncertainty. Data source: Cho and Kim (2023)
$FSentiment_{it}$	Firm-level investor sentiment as measured by Liao et al. (2011)
$MSentiment_{It}$	Market-level investor sentiment as measured by Anusakumar et al. (2017)
$PrFSR_{it}$	Probability of a financial statement restatement measured as a dummy variable that takes the value of one (1) if the firm restated and zero (0) otherwise. Data source: Eikon Datastream
$PrGCO_{it}$	Probability of a going-concern opinion measured as a dummy variable that takes the value of one (1) if the firm received a going-concern modified audit opinion and zero (0) otherwise. Data source: Eikon Datastream
Control variables	
AT_{it}	Asset tangibility measured as the proportion of tangible asset to total asset in the firm asset structure. Data source: Eikon Datastream
BD_{it}	Board duality measured as a dummy variable that takes the value of one (1) when the chair of the board is also the CEO of the firm and zero (0) otherwise. Data source: Eikon Datastream
BI_{it}	Board independence measured as the proportion of independent nonexecutive directors on the board. Data source: Eikon Datastream
BS_{it}	Board size measured by the natural log of number of directors on the board. Data source: Eikon Datastream
FG_{it}	Firm growth measured as market value of equity divided by book value of equity. Data source: Eikon Datastream
$FLEV_{it}$	Firm leverage proxied by debt-to-equity ratio measured as total liabilities divided by total shareholders' equity. Data source: Eikon Datastream
$FLIQ_{it}$	Firm liquidity proxied by current ratio measured as current assets divided by current liabilities. Data source: Eikon Datastream
FP_{it}	Firm profitability proxied by return on equity measured as net income divided by the book value of equity. Data source: Eikon Datastream

Δu_{it-1} but uncorrelated with Δu_{it-k} for $k > 2$. This assumption can be tested by the Arellano–Bond test (see, e.g., Arellano & Bond, 1991).

In model (3) the dependent variable with one lag is also a regressor. In this case fixed effects need to be eliminated by first differencing instead of fixed effects transformation (mean differencing), so, under the above assumption, lags Y_{it-2}, Y_{it-3} ... can be used as instruments in the first-differenced model.

To improve the precision of the estimates, Arellano and Bover (1995) and Blundell and Bond (1998) imposed the additional condition $E(\Delta Y_{it-1} u_{it}) = 0$, so as to incorporate, along with the first-differenced equation, the level equation model instrumented by ΔY_{it-1}.

The model includes, as regressors, variables that are supposed to be exogenous as well as endogenous. Therefore, similar model conditions can be added for these variables so that first differences can be used as instruments.

Since a generalized method of moments estimator is used, the validity of model instruments can be evaluated performing Sargan's test of overidentifying instruments (Cameron & Trivedi, 2010).

Using model (3) and adopting the underlying assumptions, the following econometric framework is proposed to test the hypotheses developed in previous sections. First, to test H1, we run the following equation in order to investigate the effect of Korean economic policy uncertainty ($KEPU_{It}$) on financial reporting quality proxied by StarMine's earnings quality (FRQ_{it}).

$$\begin{aligned} FRQ_{it} = {} & \alpha_i + \alpha_1 FRQ_{it} + \alpha_2 KEPU_{It} + \alpha_3 FSentiment_{it} \\ & + \alpha_5 MSentiment_{It} + \alpha_{11} FLEV_{it} + \alpha_{12} FLIQ_{it} \\ & + \alpha_{13} FP_{it} + \alpha_{14} BS_{it} + \alpha_{15} FG_{it} + \alpha_{16} AT_{it} \\ & + \alpha_{17} BD_{it} + \alpha_{18} BI_{it} + u_{it} \end{aligned} \quad (4)$$

After this relationship is explored, to test H2 and H3, we run models (5) and (6) to explore the impact of investor sentiment, measured by firm- ($FSentiment_{it}$) and country-level investor sentiment ($MSentiment_{It}$; model [5]),

$$\begin{aligned} FRQ_{it} = {} & \alpha_i + \alpha_1 FRQ_{it} + \alpha_2 KEPU_{It} + \alpha_3 FSentiment_{it} \\ & + \alpha_4 KEPU_{It} * FSentiment_{it} + \alpha_5 MSentiment_{It} \\ & + \alpha_6 KEPU_{It} * MSentiment_{It} + \alpha_{11} FLEV_{it} \\ & + \alpha_{12} FLIQ_{it} + \alpha_{13} FP_{it} + \alpha_{14} BS_{it} + \alpha_{15} FG_{it} \\ & + \alpha_{16} AT_{it} + \alpha_{17} BD_{it} + \alpha_{18} BI_{it} + u_{it} \end{aligned} \quad (5)$$

and audit quality, measured by the probability of a financial statement restatement ($PrFSR_{it}$) and the probability of a going-concern opinion ($PrGCO_{it}$),

as factors that potentially offset the impact of economic policy uncertainty on financial reporting quality (model [6]).

$$\begin{aligned} FRQ_{it} = {} & \alpha_i + \alpha_1 FRQ_{it} + \alpha_2 KEPU_{It} + \alpha_7 PrFSR_{it} \\ & + \alpha_8 KEPU_{It} * PrFSR_{it} + \alpha_9 PrGCO_{it} \\ & + \alpha_{10} KEPU_{It} * PrGCO_{it} + \alpha_{11} FLEV_{it} \\ & + \alpha_{12} FLIQ_{it} + \alpha_{13} FP_{it} + \alpha_{14} BS_{it} + \alpha_{15} FG_{it} \\ & + \alpha_{16} AT_{it} + \alpha_{17} BD_{it} + \alpha_{18} BI_{it} + u_{it} \end{aligned} \quad (6)$$

In models (4), (5), and (6), we treat the variables BD_{it}, BI_{it}, and BS_{it} as exogenous. To test the assumption of no serial correlation of the error term, as we have already noted, the Arellano–Bond test for serial correlation in the first-differenced residuals is performed while the Sargan test of overidentifying restrictions is used (Arellano & Bond, 1991).

4 Empirical results

4.1 Descriptive statistics

Table 2 presents descriptive statistics for the dependent, independent, control, and additional variables, including mean, standard deviation, minimum, and maximum values. On average, the firms in our sample display relatively low earnings quality, with a median FRQ_{it} of 11.235, which aligns with the findings made by An (2015). Further, consistent with Hyo-Jeong's (2023) findings, Korean firms, on average, exhibit high levels of firm- and market-level sentiment throughout the study period. Contrary to the conclusions of Heo et al. (2021), approximately 65% of the sample firms experienced restatements. Additionally, 3% of the firms received modified audit opinions with a going-concern emphasis, in line with Kim et al. (2015). The descriptive statistics for the $KEPU_{It}$ variable indicate that most sample firms encountered high economic policy uncertainty.

Regarding the descriptive statistics of control variables, Table 2 indicates that the AT_{it} values range from 0.000 to 9.607, indicating a diverse asset structure among Korean firms. The variable for BD_{it} shows that 25% of firms had the same individual serving as both CEO and chair of the board, potentially compromising the independence of board oversight. BI_{it} is relatively high, with a mean value of 55.441, suggesting a significant presence of nonexecutive directors. FG_{it} and FP_{it} also show considerable variation, with mean values of 3.831 and 10.045, respectively. $FLEV_{it}$ and $FLIQ_{it}$ of firms, indicated by a mean debt-to-equity ratio of 1.111 and a current ratio of 2.890, provide insights into their financial health and operational stability.

Table 2. Descriptive statistics.

	Obs	Mean	*SD*	Min	Max
AT_{it}	18,651	0.039	0.060	0.000	9.607
BD_{it}	18,651	0.250	0.433	0.000	1.000
BI_{it}	18,651	55.441	14.064	0.000	100.000
BS_{it}	18,651	9.102	3.586	1.000	41.000
FG_{it}	18,651	3.831	0.679	0.089	8.387
$FLEV_{it}$	18,651	1.111	20.423	0.000	1,981.409
$FLIQ_{it}$	18,651	2.890	7.911	0.037	553.666
FP_{it}	18,651	10.045	0.826	5.882	13.647
FRQ_{it}	18,651	11.495	0.821	7.176	14.594
$FSentiment_{it}$	18,651	11.089	0.699	6.505	14.472
$KEPU_{It}$	18,651	102.301	14.911	79.217	133.606
$KERPU_{It}$	18,651	83.415	35.631	40.823	250.910
$KFPU_{It}$	18,651	109.975	21.569	62.527	140.123
$KGPU_{It}$	18,651	122.519	47.977	52.667	238.917
$KMPU_{It}$	18,651	108.163	20.432	80.990	163.020
KPU_{It}	18,651	0.375	0.484	0.000	1.000
$KTPU_{It}$	18,651	97.208	58.023	41.868	252.192
$MSentiment_{It}$	18,651	11.026	0.085	10.485	11.397
$PrFSR_{it}$	18,651	0.657	0.475	0.000	1.000
$PrGCO_{it}$	18,651	0.003	0.058	0.000	1.000

Note. The sample covers the period 1998–2021. The variables are defined in Table 1.

4.2 Bivariate analysis

Table 3 presents both the Pearson (vertical columns) and Spearman (horizontal rows) correlation matrices for the variables, thereby revealing the linear and monotonic interrelationships and associations with the dependent variable. Notably, the univariate statistics indicate that $KEPU_{It}$ is positively correlated with FRQ_{it}, implying that heightened economic policy uncertainty corresponds to higher financial reporting quality. This suggests that firms, during uncertain times, opt for greater caution and adopt more conservative accounting practices, providing a more accurate portrayal of their financial position.

$FSentiment_{it}$ and $MSentiment_{It}$ display a significant negative correlation with FRQ_{it}. This implies that negative investor sentiment incentivizes firms to enhance the comprehensiveness and transparency of their financial disclosures, aiming to rebuild investor confidence and attract new investments.

The correlation analysis reveals that $PrFSR_{it}$ is significantly and negatively correlated with FRQ_{it} at a 1% significance level. This finding hints at a potential positive impact of audit quality on financial reporting quality, indicating that by reducing restatements, firms exhibit a commitment to transparency, diminishing perceptions of financial irregularities and bolstering trust among stakeholders.

Similarly, $PrGCO_{it}$, our second proxy of audit quality, exhibits a negative correlation with FRQ_{it} at a 1% significance level. This suggests that a lower probability of receiving a going-concern opinion indicates that a firm's financial statements are more likely to

Table 3. Pearson and Spearman correlation matrix.

	FRQ_{it}	$KEPU_{It}$	$FSentiment_{it}$	$MSentiment_{It}$	$PrFSR_{it}$	$PrGCO_{it}$	$FLEV_{it}$	$FLIQ_{it}$	FP_{it}	BS_{it}	FG_{it}	AT_{it}	BD_{it}	BI_{it}
FRQ_{it}	1	.0250***	−.9485***	−.1643***	−.0498***	−.0070***	.0369***	−.2319***	.8076***	.0173	.6525***	.2431***	.027***	.0002
$KEPU_{It}$	.0720***	1	.0199***	−.0193***	−.0029	−.0021	.0026	.0253***	.0141	−.0300***	.0070	−.0271***	.016***	.0118
$FSentiment_{it}$	−.9332***	.0077	1	.2021***	.0767***	−.0108	−.0205	−.1009***	.8376***	.0104	.6899***	.2580***	.036***	−.0094
$MSentiment_{It}$	−.1673***	−.1347***	.2116***	1	.1321***	.0038	−.0065	.0148	.1184***	.0159	.0966***	.1069***	−.169***	−.0092
$PrFSR_{it}$	−.2403***	−.0071	.3021***	.1181***	1	−.0055	−.0186	.0106	.0502***	.0166	.1352***	−.224***	−.09***	.0201
$PrGCO_{it}$	−.0043**	−.0020	−.0101	.0006	−.0055	1	−.0006	−.0042	−.0057	.0018	−.0109	−.0080	.0016	.0104
$FLEV_{it}$	.3130***	.0030	.0523***	−.0118	−.0766***	−.0055	1	−.0130	.0089	.0117	−.0211***	.0767***	−.04***	.0226***
$FLIQ_{it}$	−.3484***	.0018	−.1091***	.0238***	.0389***	−.0021	−.7635***	1	−.0802***	−.0163***	−.0080	−.0658***	.029***	−.0203***
FP_{it}	.7653***	.0045	.8010***	.1137***	.1597***	−.0060	.0326***	−.0900***	1	.0255***	.6151***	.1544***	.0071	−.0068
BS_{it}	.0136	−.0114	.0063	−.0071	.0120	.0063	.0127	−.0091	.0082	1	−.0046	−.0070	.0160	.0138
FG_{it}	.6713***	−.0217***	.7343***	.1115***	.1879***	−.0140	−.0334***	−.0389***	.6110***	.0186***	1	.1271***	.0064	−.0182***
AT_{it}	.1609***	−.0051	.1664***	.1339***	−.1107***	−.0123	.0023	−.0538***	.2209***	−.0208	.1205***	1	−.13***	−.0165
BD_{it}	−.0001	.0316***	.0018	−.1249***	−.0919***	.0016	.0076	.0104	.0632***	.0066	.0466***	−.6171***	1	−.0081
BI_{it}	−.0085	.0051	−.0162***	−.0057	.0185***	.0095	−.0017	−.0280***	.0171	.0061	.0045	.0121	−.0141	1

Note. The variables are defined in Table 1. ***, **, * Significant at $p < .01$, $p < .05$, and $p < .10$, respectively. Number of observations: 18,651.

reflect stability and sustainability, potentially leading to increased transparency in financial reporting and higher-quality information for financial statement users.

4.3 Multivariate analysis

Table 4 displays the results of multiple regression analysis for three specifications of Eq. (4), denoted as Models 1, 2, and 3. Model 1 examines the influence of Korean economic policy uncertainty ($KEPU_{It}$) on financial reporting quality (FRQ_{it}). Models 2 and 3 investigate the potential mitigating effects of investor sentiment, measured by firm-level ($FSentiment_{it}$) and market-level ($MSentiment_{It}$) sentiment, as well as audit quality, quantified by the probability of a financial statement restatement ($PrFSR_{it}$) and the probability of a going concern opinion ($PrGCO_{it}$), on the relationship between Korean economic policy uncertainty ($KEPU_{It}$) and financial reporting quality (FQR_{it}).

Table 4 reveals a positive association between Korean economic policy uncertainty ($KEPU_{It}$) and financial reporting quality (FRQ_{it}). This relationship remains consistently significant across all models (.002, $p = .029$ in Model 1; .038, $p = .000$ in Model 2; .000, $p = .033$ in Model 3), thus confirming H1. When economic policy uncertainty rises, managers are incentivized to reduce earnings management, aiming to mitigate the adverse effects of heightened uncertainty. These findings align with prior research conducted by Bu et al. (2020), Kim and Yasuda (2021), El Ghoul et al. (2021), Chui and Wei (2021), and Bermpei et al. (2022), while diverging from the results of Yung and Root (2019), Ng et al. (2020), and Dai and Ngo (2021). Specifically, our results suggest that increased economic policy uncertainty may drive firms to enhance their disclosure practices, providing more transparency and information to investors and stakeholders, ultimately leading to improved financial reporting quality. This positive relationship between economic policy uncertainty and financial reporting quality can be further interpreted within the agency theory framework. According to agency theory, managers act as agents for shareholders (principals) and are expected to act in the best interests of the principals. However, during periods of high economic policy uncertainty, the risk of opportunistic behavior by managers increases, as they may attempt to manipulate financial reports to protect their own interests. This potential for opportunism heightens the demand for higher financial reporting quality to mitigate information asymmetry and ensure that managers' actions align with shareholders' interests. Consequently, firms are more likely to enhance their financial reporting quality in response to rising economic policy uncertainty, as a mechanism to maintain investor trust and avoid potential agency costs.

Table 4 also reveals notable insights in Model 2, where we observe a significant relationship between investor sentiment, both at the firm level ($FSentiment_{it}$; −.362, $p = .000$) and market level ($MSentiment_{It}$; −.303, $p = -.000$), and financial reporting quality (FRQ_{it}), thus confirming H2. This suggests that managers are motivated to enhance the quality of financial reporting during periods of pessimistic investor sentiment, aiming to counteract this negative sentiment. In more detail, negative investor sentiment can act as a catalyst for firms to provide more comprehensive and transparent financial disclosures, with the goal of rebuilding investor confidence, fostering trust, and attracting new investments. By presenting a clearer and more informative view of their financial health and future prospects, firms aim to mitigate the adverse effects of pessimistic sentiment. In the agency theory framework, the relationship between investor sentiment and financial reporting quality highlights the role of managerial incentives in reducing information asymmetry. Specifically, during periods of pessimistic investor sentiment, managers are more

Table 4. Empirical results for Eqs. (4) to (6).

	Model 1	Model 2	Model 3
FRQ_{it}	Coef.	Coef.	Coef.
FRQ_{t-1}	0.770***	0.564***	0.742***
$KEPU_{It}$	0.002**	0.038***	0.000**
$FSentiment_{it}$		−0.362***	
$KEPU_{It}$* $FSentiment_{it}$		−0.004***	
$MSentiment_{It}$		−0.303***	
$KEPU_{It}$* $MSentiment_{It}$		−0.004	
$PrFSR_{it}$			−0.007***
$PrGCO_{it}$			−0.106***
$KEPU_{It}$* $PrFSR_{it}$			−0.002***
$KEPU_{It}$* $PrGCO_{it}$			−0.034***
BD_{it}	−0.014	−0.011***	−0.011***
AT_{it}	−0.401	−0.294***	−0.175**
BI_{it}	0.000	0.000*	0.000*
BS_{it}	0.001	0.000***	0.002**
FG_{it}	0.244***	0.036***	0.278***
$FLEV_{it}$	0.001	0.001**	0.001
$FLIQ_{it}$	−0.002	−0.003***	−0.003***
FP_{it}	0.039***	0.030***	0.038***
constant	1.279***	−2.834***	1.472***
Obs	18,651	18,651	18,651
Arellano/Bond test order 1	$z = -16.376$, prob > $z = .000$	$z = -16.410$, prob > $z = .000$	$z = -16.423$, prob > $z = .000$
Arellano/Bond test order 2	$z = -1.274$, prob > $z = .144$	$z = -1.470$, prob > $z = .142$	$z = -1.461$, prob > $z = .144$
Sargan test	$\chi^2 = 1013.828$, prob > $\chi^2 = .777$	$\chi^2 = 1022.207$, prob > $\chi^2 = .718$	$\chi^2 = 1023.578$, prob > $\chi^2 = .707$

Note. Arellano–Bond tests for zero autocorrelation in first-differenced errors are presented for the three models. The null hypothesis at order 2 is not rejected, which implies that the moment conditions are valid. The results of the Sargan test suggest that overidentifying restrictions are valid for all three models. The variables are defined in Table 1. ***, **, * Significant at $p < .01$, $p < .05$, and $p < .10$, respectively.

likely to enhance financial reporting quality to align with shareholders' interests, thereby mitigating the potential agency costs associated with negative market perceptions. This proactive approach by managers serves to restore investor confidence and aligns their actions with the long-term value creation expected by shareholders, consistent with agency theory's emphasis on reducing principal–agent conflicts.

Furthermore, Model 2 introduces interaction terms, $KEPU_{It}FSentiment_{it}$ (−.004, $p = .000$) and $KEPU_{It}MSentiment_{It}$ (−.004, $p = .000$), which exhibit a negative and significant association with financial reporting quality (FRQ_{it}). This finding supports H2 and indicates that Korean economic policy uncertainty plays a vital role in moderating firm- and market-level investor sentiment concerning financial reporting quality. It underscores the influence of economic policy fluctuations and uncertainties in South Korea on investor perceptions of firms and the way these firms report their financial information. Ultimately, this highlights the importance of stable and predictable economic policies in promoting investor confidence and maintaining high-quality financial reporting practices in the South Korean context. These results can be explained with the principles of agency theory. In this regard, it can be observed that the interaction between economic policy uncertainty and investor sentiment directly influences the financial reporting quality, as these factors heighten the agency conflicts between managers and shareholders. Specifically, during periods of increased economic policy uncertainty, the pressure on managers to maintain investor confidence through high financial reporting quality is intensified, aligning with the agency theory framework, according to which management's actions are scrutinized more closely by investors, thereby reducing information asymmetry and enhancing reporting transparency.

In Table 4, Model 3 demonstrates a significant negative association between audit quality and financial reporting quality. Specifically, the probabilities of financial statement restatement ($PrFSR_{it}$; −.007, $p = .000$) and going-concern opinions ($PrGCO_{it}$; −.002, $p = .000$) exert a detrimental impact on financial reporting quality (FRQ_{it}). This finding aligns with Kamolsakulchai's (2015) results, indicating that firms enhance audit quality to improve financial reporting

quality, thus supporting H3. A reduced likelihood of financial statement restatement enhances financial reporting quality by enhancing data comparability, facilitating informed decision making for stakeholders. Similarly, a diminished probability of a going-concern opinion enhances financial reporting quality by augmenting transparency, reliability, decision making, risk perception, and market perception. This negative association between audit quality and financial reporting quality can be explained in the framework of agency theory, which posits that higher audit quality acts as a mechanism to reduce information asymmetry between management and stakeholders. Therefore, firms are incentivized to enhance audit quality, thereby aligning managerial actions with shareholder interests, ultimately leading to an increase in financial reporting quality.

Additionally, the interaction terms $KEPU_{It}PrFSR_{it}$ (−.106, $p = .000$) and $KEPU_{It}PrGCO_{it}$ (−.034, $p = .000$; see Model 3) exhibit a significant negative relationship with financial reporting quality, reinforcing H3. These results affirm that audit quality exerts a more pronounced influence on financial reporting quality during periods of economic uncertainty. High audit quality ensures that financial statements accurately reflect the economic ramifications of policy uncertainty, facilitating well-informed decisions for investors, regulators, and other stakeholders. Our results align with the principles of agency theory, which posits that in times of heightened uncertainty, the role of audit quality becomes increasingly critical in aligning the interests of managers and shareholders. As economic policy uncertainty increases, the rigorous scrutiny provided by high audit quality mitigates information asymmetry, thereby reducing agency costs and enhancing the credibility of financial reporting.

Consistent with prior studies (e.g., Ashbaugh-Skaife et al., 2007; Bimo et al., 2019; Echobu et al., 2017; Hassan et al., 2022; Kwanbo, 2020; Mahbound, 2017; Soyemi & Olawale, 2019; Waweru & Riro, 2013), board independence (BI_{it}), board size (BS_{it}), firm growth (FG_{it}), firm leverage ($FLEV_{it}$), and firm profitability (FP_{it}) all positively influence financial reporting quality (FRQ_{it}). Larger boards, in accordance with Echobu et al. (2017) and Hassan et al. (2022), enhance financial reporting quality by offering a wider array of expertise and perspectives, augmenting oversight and accountability. Independent directors, as highlighted by Waweru and Riro (2013), ensure compliance with accounting standards and regulatory requirements by overseeing management's financial reporting activities.

Furthermore, in alignment with Ashbaugh-Skaife et al. (2007) and Hassan et al. (2022), firm growth fosters incentives for improved financial reporting due to increased resources, enabling investments in enhanced reporting systems, skilled accountants, and robust internal controls, thereby contributing to more accurate and reliable financial reporting. High firm leverage, as noted by Mahbound (2017), Echobu et al. (2017), and Bimo et al. (2019), motivates firms to enhance reporting practices to preserve credibility and withstand external scrutiny, ultimately elevating financial reporting quality. Lastly, our findings echo the conclusions of Soyemi and Olawale (2019) and Kwanbo (2020), suggesting that bolstering firm profitability positively impacts financial reporting quality by providing additional resources for reporting, fostering incentives for accuracy, and promoting enhanced disclosure practices.

Conversely, an increase in board duality (BD_{it}), asset tangibility (AT_{it}), and firm liquidity ($FLIQ_{it}$) is associated with reduced financial reporting quality (FRQ_{it}; Bao et al., 2021; Hassan et al., 2022; Klein, 2002; Shehata et al., 2014; Shehu & Ahmad, 2013; Soyemi & Olawale, 2019). Board duality diminishes board independence and objectivity, potentially compromising the integrity and quality of financial information (Klein, 2002). Moreover, as observed in Soyemi and Olawale (2019) and Bao et al. (2021), firms with a higher concentration of tangible assets tend to exhibit lower financial reporting quality compared to those with more intangible assets. This discrepancy arises from the subjectivity involved in measuring and valuing intangible assets, which introduces uncertainty and reduces reporting quality. Similarly, in accordance with Shehu and Ahmad (2013), Shehata et al. (2014), and Hassan et al. (2022), firms with low liquidity may resort to financial statement manipulation to portray a rosier financial performance. Such manipulation can involve aggressive revenue recognition, overstatement of assets, or understatement of liabilities, ultimately leading to diminished financial reporting quality.

5 Additional analysis

5.1 Sensitivity test using alternative measure of financial reporting quality

As a sensitivity test, we employ earnings management as an alternative measure of financial reporting quality. Accrual accounting offers managers the flexibility to manipulate profits (Lin & Yen, 2022). Prior research extensively investigates discretionary accruals during uncertain periods (Bermpei et al., 2022; Ghosh & Olsen, 2009; Kim & Yasuda, 2021; Yung & Root, 2019). In line with these studies, we gauge financial reporting quality using discretionary

Table 5. Additional analysis using alternative measure of financial reporting quality.

	Model 1	Model 2	Model 3
DA_{it}	Coef.	Coef.	Coef.
DA_{it-1}	0.057***	0.044***	0.063***
$KEPU_{It}$	−0.054**	−5.023***	−0.114***
$FSentiment_{it}$		25.819***	
$KEPU_{It}$ * $FSentiment_{it}$		0.086***	
$MSentiment_{It}$		37.906**	
$KEPU_{It}$* $MSentiment_{It}$		0.364**	
$PrFSR_{it}$			9.581*
$PrGCO_{it}$			23.459***
$KEPU_{It}$ * $PrFSR_{it}$			0.097*
$KEPU_{It}$ * $PrGCO_{it}$			2.262***
BD_{it}	−0.554	−0.836	2.500**
AT_{it}	26.581	10.756	11.201
BI_{it}	−0.031	−0.044***	−0.008
BS_{it}	−0.695**	−0.581***	−0.622***
FG_{it}	−9.087***	4.875***	−8.454***
$FLEV_{it}$	−0.038	0.009	−0.029
$FLIQ_{it}$	−0.066	−0.057***	−0.067**
FP_{it}	12.403***	14.128***	12.745***
constant	−32.306**	602.352***	−35.791***
Obs	18,651	18,651	18,651
Arellano/Bond test order 1	$z = -6.329$, prob > $z = .000$	$z = -6.583$, prob > $z = .000$	$z = -6.423$, prob > $z = .000$
Arellano/Bond test order 2	$z = 1.114$, prob > $z = .265$	$z = 0.961$, prob > $z = .597$	$z = 0.889$, prob > $z = .375$
Sargan test	$\chi^2 = 1016.758$, prob > $\chi^2 = .691$	$\chi^2 = 1028.160$, prob > $\chi^2 = .597$	$\chi^2 = 1012.73$, prob > $\chi^2 = .707$

Note. Arellano–Bond tests for zero autocorrelation in first-differenced errors are presented for the three models. The null hypothesis at order 2 is not rejected, which implies that the moment conditions are valid. The results of the Sargan test suggest that overidentifying restrictions are valid for all three models. The variables are defined in Table 1. ***, **, * Significant at $p < .01$, $p < .05$, and $p < .10$, respectively.

accruals, following the approach outlined by Dechow et al. (1995) and Kothari et al. (2005).

Dechow et al. (1995) assert that a modified version of the Jones (1991) model surpasses other models in detecting earnings management. Consequently, adhering to Dechow et al. (1995) and Kothari et al. (2005), we compute discretionary accruals by estimating the following model:

$$TA_{it} = \alpha_0 + \alpha_1 (1/Assets_{t-1}) + \alpha_2 (\Delta Sales_{it} - \Delta AR_{it}) + \alpha_3 PPE_{it} + \alpha_4 ROA_{t-1} + \varepsilon \quad (7)$$

where TA_{it} is total accruals measured by deducting operating cash flows from net income; $Assets_{t-1}$ is total assets at beginning year; $\Delta Sales_{it}$ is change in sales; ΔAR_{it} is change in accounts receivables; PPE_{it} is total property, plant, and equipment scaled by beginning total assets; ROA_{t-1} is the rate of return on assets at beginning year. Discretionary accruals (DA_{it}) are calculated as the residuals of the above equation. A higher DA_{it} indicates higher levels of earnings management.

Table 5 presents the additional test results, which align qualitatively with the main findings reported in Table 4. Notably, in all models, the coefficients on Korean economic policy uncertainty remain positive and significant. Furthermore, mirroring the outcomes in Table 4, the coefficients on investor sentiment at both the firm and market levels exhibit negative and significant associations. Likewise, there exists a positive and significant correlation between financial reporting quality and audit quality. These consistent results indicate the robustness of the main findings, even when employing earnings management as an alternative measure of financial reporting quality.

5.2 Sensitivity test using alternative measures of policy uncertainty

As a sensitivity test, we employ alternative uncertainty indices calculated by Cho and Kim (2023) for fiscal, exchange rate, trade, and monetary uncertainties. Additionally, we utilize the geopolitical risk index developed by Seungho et al. (2021) as another alternative measure of policy uncertainty. Seungho et al. (2021) note that this index reflects fluctuations in geopolitical risk, spiking during events such as nuclear tests, missile launches, or military confrontations, and decreasing notably during summit meetings or multilateral talks. Fig. 2 illustrates the trends for all these indices.

Fig. 2 illustrates that the subtypes of Korean uncertainty indices, as calculated by Cho and Kim (2023) and Seungho et al. (2021), exhibit a consistent trend with the Korean economic policy uncertainty index. However, aside from the periods of high economic

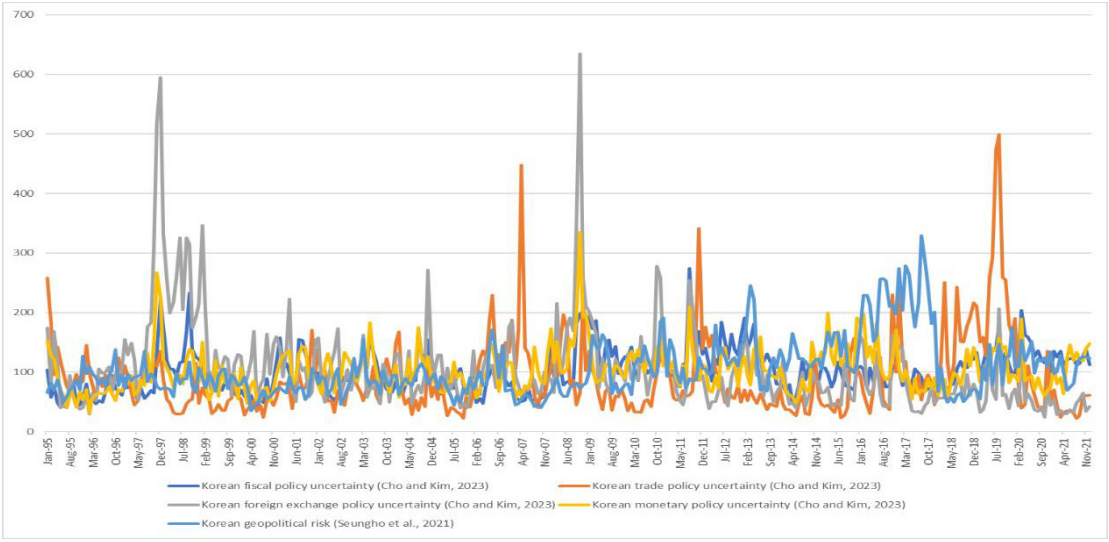

Fig. 2. Policy uncertainty indices of South Korea calculated by Cho and Kim (2023) and Seungho et al. (2021).

policy uncertainty, various events and policies have also influenced Korean fiscal, exchange rate, trade, and monetary uncertainties. These events include the official launch of the World Trade Organization in 1995, the Bank of Japan's FX intervention to stabilize the Korean won in 2001, and numerous other global economic and political occurrences such as the dot-com bubble in 2002, the election of President George W. Bush in 2004, and the U.S.–China trade war in 2018, among others. A more comprehensive comparison is available in Cho and Kim (2023).

Moreover, Korean geopolitical risk experiences significant spikes during events such as North Korea's nuclear tests, missile launches, or military confrontations. Instances include North Korea's withdrawal from the International Atomic Energy Agency agreement in 2003, the launch of Daepodong and the first North Korean nuclear test in 2006, and other confrontations such as the bombardment of Yeonpyeong Island in 2010. Conversely, the risk decreases notably during bilateral or multilateral meetings, such as the agreement for a summit between North and South Korea in 2000 and the U.S.–North Korea summit in Singapore in 2018 (Seungho et al., 2021).

Given this context, we conduct tests using alternative lag versions of policy uncertainty variables, including Korean fiscal policy uncertainty ($KFPU_{It}$), Korean exchange rate policy uncertainty ($KERPU_{It}$), Korean trade policy uncertainty ($KTPU_{It}$), and Korean monetary policy uncertainty ($KMPU_{It}$), as devised by Cho and Kim (2023). Additionally, we incorporate the Korean geopolitical risk index ($KGPU_{It}$) by Seungho et al. (2021) for our research purposes.

Instead of using the subtypes of uncertainty indices calculated by Cho and Kim (2023) for fiscal, exchange rate, trade, and monetary uncertainties as alternatives to economic policy uncertainty, we further examine Korean political uncertainty as an alternative. Baker et al. (2020) suggest that political division, polarization, and the increased role of government spending in the overall economy are major factors leading to a spike in uncertainty. Julio and Yook (2012) highlight the elevated uncertainties observed during election periods compared to nonelection years. Additionally, Pástor and Veronesi (2013) assert that political transition periods lead to delays in economic production and policy analysis across various sectors, exerting a long-term influence on a country's economic landscape.

To measure political uncertainty, we draw from the works of Mei and Guo (2004) and Julio and Yook (2012), who highlight the multifaceted nature of political uncertainty, encompassing events such as revolutions, changes in elected government, and shifts in domestic and foreign policy. However, they recommend focusing on election years as a primary proxy for political uncertainty and propose employing a dummy variable for these periods. Thus, for our research, we adopt the political uncertainty measure (KPU_{It}) developed by Mei and Guo (2004).

To construct the political uncertainty dummy, we consider the timing of political elections and transitions based on presidential elections. If an election occurs in the first half of year t, we set the political dummy to 1 for both year t and $t-1$. Conversely, if the election falls in the second half of year t, we designate the political dummy as 1 for both year t and $t+1$. It is important to note that, consistent with Mei and Guo (2004), our analysis exclusively encompasses scheduled elections determined by the Korean constitution

Table 6. Additional analysis using alternative measures of policy uncertainty.

Model	$KMPU_{It}$	$KFPU_{It}$	$KTPU_{It}$	$KERPU_{It}$	$KGPU_{It}$	KPU_{It}
FRQ_{it}	Coef.	Coef.	Coef.	Coef.	Coef.	Coef.
FRQ_{t-1}	0.758***	0.758***	0.758***	0.757***	0.758***	0.758***
BD_{it}	−0.006*	−0.006*	−0.006*	−0.005*	−0.006*	−0.006*
BS_{it}	0.000	0.000	0.000	0.000	0.000	0.000
FG_{it}	−0.001	−0.001	−0.002	−0.002	−0.001	−0.001
$FLEV_{it}$	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
$FLIQ_{it}$	−0.003***	−0.004***	−0.003***	−0.003***	−0.004***	−0.004***
FP_{it}	0.028***	0.028***	0.028***	0.028***	0.028***	0.028***
$FSentiment_{it}$	0.206***	0.218***	0.226***	0.231***	0.230***	0.227***
$MSentiment_{It}$	0.199**	0.254**	0.224***	0.070*	−0.150*	−0.063***
$KMPU_{It}$	0.024***					
$KFPU_{It}$		0.032***				
$KTPU_{It}$			0.041***			
$KERPU_{It}$				0.009*		
$KGPU_{It}$					0.009*	
KPU_{It}						0.605*
constant	−2.019**	−2.749**	−2.486***	−0.847*	1.607*	0.680***
Obs	18,651	18,651	18,651	18,651	18,651	18,651

Note. Arellano–Bond tests for zero autocorrelation in first-differenced errors are presented for the three models. The null hypothesis at order 2 is not rejected, which implies that the moment conditions are valid. The results of the Sargan test suggest that overidentifying restrictions are valid for all models. The variables are defined in Table 1. *, **, *** Significant at $p < .01$, $p < .05$, and $p < .10$, respectively.

and excludes unscheduled elections. In South Korea, elections on a national level determine the president and the national assembly. Presidents are directly elected for a single five-year term through a plurality vote. Notably, our research period spans from 1998 to 2021, during which the presidents elected via popular vote were as follows: Kim Young-sam (14th president, December 1992), Kim Dae-jung (15th president, December 1997), Roh Moo-hyun (16th president, December 2002), Lee Myung-bak (17th president, December 2007), Park Geun-hye (18th president, December 2012), and Moon Jae-in (19th president, May 2017).

Table 6 presents the additional test results, reaffirming that all alternative policy uncertainty indices exert a positive and significant influence on financial reporting quality. These findings align with expectations and mirror the primary results reported in Table 4.

6 Conclusions

This study empirically investigates the impact of economic policy uncertainty on financial reporting quality within South Korea's publicly listed firms. Analyzing data from 1998 to 2021, our findings reveal that managers are inclined to enhance the quality of financial information, particularly during recessions or periods of heightened economic uncertainty, to address the concerns of investors, analysts, and creditors. Furthermore, we observe that financial reporting quality tends to be elevated during phases of low investor sentiment, with a more pronounced effect in firms facing higher uncertainty. This underscores managers' motivation to bolster financial reporting quality during periods of pessimistic investor sentiment.

Interestingly, we identify a negative association between investor sentiment and financial reporting quality, which is amplified during periods of elevated economic policy uncertainty. Our research also highlights the role of management incentives in shaping audit quality. Specifically, we demonstrate that firms enhance the comparability of their financial information by minimizing restatements, enabling stakeholders to make more informed decisions based on reliable and consistent data.

Additionally, our study underscores the significance of reducing the likelihood of a going-concern opinion in enhancing financial reporting quality. This improvement is manifested through increased transparency, reliability, informed decision making, improved risk perception, and enhanced market perception. Such enhancements foster confidence and trust in a company's financial statements, benefiting both the organization and its stakeholders. Notably, the positive influence of audit quality on financial

reporting quality is more pronounced during periods of economic uncertainty.

Our results remain robust when subjected to various tests, including alternative measures of financial reporting quality and policy uncertainty. Notably, the impact of economic policy uncertainty on financial reporting quality exhibits variations based on subcategories of policy uncertainty and individual firms' exposures to these categories. These findings are further substantiated through the application of additional measures of financial reporting quality.

Our study has practical implications for various stakeholders, including investors, analysts, regulators, and creditors, by elucidating the relationship between economic policy uncertainty and financial reporting quality. The moderating roles of audit quality and investor sentiment are crucial in this relationship. During periods of high economic policy uncertainty, managers may seek to reduce earnings management to bolster investor confidence. This underscores the importance of high financial reporting quality, which equips investors and analysts with the necessary tools to conduct precise risk assessments and adjust investment strategies accordingly. Furthermore, companies facing economic policy uncertainty must make strategic decisions related to capital allocation, cost management, and investments, where reliable financial reporting plays a vital role in enabling informed financial choices and mitigating potential risks.

Transparent and high financial reporting quality is essential for fostering trust among stakeholders, including shareholders, lenders, suppliers, and customers. This trust, coupled with a positive reputation, becomes particularly valuable during periods of high economic policy uncertainty. Firms that consistently provide reliable financial information are better positioned to maintain stakeholder confidence and secure ongoing support. Our findings highlight the relationship between uncertainty and financial reporting quality, emphasizing that this link can be influenced by a country's institutional framework and information environment. Our findings are particularly relevant for regulatory bodies and financial market participants, offering guidance on navigating periods of economic policy uncertainty.

Our research further explores how economic policy uncertainty shapes managerial accounting policy decisions, particularly in emerging markets such as South Korea. These markets may present unique incentives for managers to navigate country-specific economic policy fluctuations. Additionally, we investigate the moderating roles of investor sentiment and audit quality in the relationship between economic uncertainty and financial reporting quality. The findings suggest the necessity of heightened vigilance regarding financial reporting during uncertain times, as firms may be tempted to overstate their performance. Our study's implications extend beyond South Korea and are relevant to all Asian economies, given the significant comovement in business cycles documented by Kim et al. (2003). These insights are applicable to other Asian societies with shared governance structures and societal values, as highlighted by Porta et al. (1998) and Chia et al. (2007).

Our study has a limitation concerning its focus on the Korean context, particularly in the examination of business conglomerates known as chaebols. These chaebols feature a distinctive organizational structure marked by a central parent company wielding control and supervision over a diverse array of subsidiary firms, often influenced significantly by a single family (Vo et al., 2022). Chaebols stand out due to their concentrated ownership, control, and management, typically rooted in a single family dynasty, frequently tracing its lineage back to the group's founder. Consequently, there is an intriguing and relevant opportunity for future research to explore the quality of financial reporting in the context of uncertainty within chaebol corporations.

Furthermore, understanding would be enriched by investigating potential mediating factors such as investor sentiment and audit quality in the relationship between economic policy uncertainty and financial reporting quality. Lastly, an additional avenue for future exploration lies in examining the financial reporting quality within Japan's keiretsu business groups, which share similarities with chaebols. Keiretsu enterprises often operate under professional executive management, diverging from the predominantly family-governed chaebol model. Moreover, keiretsu businesses tend to feature a decentralized ownership structure in contrast to the centralized ownership characteristic of chaebol firms.

Finally, the study's reliance on data from 2020 and 2021 introduces a limitation due to the unique and unprecedented impact of the COVID-19 pandemic, which may have influenced financial reporting quality in ways not accounted for by traditional economic variables. Future research could benefit from isolating the effects of the pandemic or incorporating more granular data to better understand its impact and extend the analysis beyond this period to assess the long-term consequences on financial reporting practices.

Funding statement

No funding was received for this research project.

References

Abbott, L. J., Daugherty, B., Parker, S., & Peters, G. F. (2016). Internal audit quality and financial reporting quality: The joint importance of independence and competence. *Journal of Accounting Research*, *54*(1), 3–40. https://doi.org/10.1111/1475-679X.12099

Abdelsalam, O., Chantziaras, A., Ibrahim, M., & Omoteso, K. (2021). The impact of religiosity on earnings quality: International evidence from the banking sector. *The British Accounting Review*, *53*(6), Article 100957. https://doi.org/10.1016/j.bar.2020.100957

Abed, S., Al-Attar, A., & Suwaidan, M. (2012). Corporate governance and earnings management: Jordanian evidence. *International Business Research*, *5*(1), 216–225. https://doi.org/10.5539/ibr.v5n1p216

Agyei-Mensah, B. K. (2013). Adoption of International Financial Reporting Standards (IFRS) in Ghana and the quality of financial statement disclosures. *International Journal of Accounting and Financial Reporting*, *3*(2), 269–286. https://doi.org/10.5296/ijafr.v3i2.4489

Alimov, A., & Mikkelson, W. (2012). Does favorable investor sentiment lead to costly decisions to go public? *Journal of Corporate Finance*, *18*(3), 519–540. https://doi.org/10.1016/j.jcorpfin.2012.02.004

Aljifri K., Alzarouni A., Ng, C., & Tahir, M. I. (2014). The association between firm characteristics and corporate financial disclosures: Evidence from UAE companies. *The International Journal of Business and Finance Research*, *8*(2), 101–117.

Alves, S. M. G. (2011). The effect of the board structure on earnings management: Evidence from Portugal. *Journal of Financial Reporting and Accounting*, *15*(2), 16–32. https://doi.org/10.1108/19852511111173103

Alzoubi, E. S. S. (2014). Board characteristics and financial reporting quality: Evidence from Jordan. *Corporate Ownership and Control*, *11*(3), 8–29. https://doi.org/10.22495/cocv11i3p1

An, Y. (2015). Does foreign ownership increase financial reporting quality? *Asian Academy of Management Journal*, *20*(2), 81–101.

Anusakumar, S. V., Ali, R., & Wooi, H. C. (2017). The effect of investor sentiment on stock returns: Insight from emerging Asian markets. *Asian Academy of Management Journal of Accounting & Finance*, *13*(1), 159–178. https://doi.org/10.21315/aamjaf2017.13.1.7

Arellano, M., & Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The Review of Economic Studies*, *58*(2), 277–297. https://doi.org/10.2307/2297968

Arellano, M., & Bover, O. (1995). Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics*, *68*(1), 29–51. https://doi.org/10.1016/0304-4076(94)01642-D

Arif, S., & Lee, C. M. (2014). Aggregate investment and investor sentiment. *The Review of Financial Studies*, *27*(11), 3241–3279. https://doi.org/10.1093/rfs/hhu054

Armstrong, C. S., Guay, W. R., & Weber, J. P. (2010). The role of information and financial reporting in corporate governance and debt contracting. *Journal of Accounting and Economics*, *50*(2–3), 179–234. https://doi.org/10.1016/j.jacceco.2010.10.001

Arnedo, L., Lizarraga, F., & Sanchez, S. (2008). Discretionary accruals and auditor behavior in code-law contexts: An application to failing Spanish firms. *European Accounting Review*, *17*(4), 641–666. https://doi.org/10.1080/09638180802172479

Arnold, B., & De Lange, P. (2004). Enron: An examination of agency problems. *Critical Perspectives on Accounting*, *15*(6–7), 751–765. https://doi.org/10.1016/j.cpa.2003.08.005

Ashbaugh-Skaife, H., Collins, D. W., & Kinney, W. R., Jr. (2007). The discovery and reporting of internal control deficiencies prior to SOX-mandated audits. *Journal of Accounting and Economics*, *44*(1–2), 166–192. https://doi.org/10.1016/j.jacceco.2006.10.001

Bacha, S., Ajina, A., & Ben Saad, S. (2021). CSR performance and the cost of debt: Does audit quality matter? *Corporate Governance: The International Journal of Business in Society*, *21*(1), 137–158. https://doi.org/10.1108/CG-11-2019-0335

Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. *Journal of Accounting and Economics*, 58(2–3), 208–230. https://doi.org/10.1016/j.jacceco.2014.08.006

Baker, M., & Stein, J. C. (2004). Market liquidity as a sentiment indicator. *Journal of Financial Markets*, *7*(3), 271–299. https://doi.org/10.1016/j.finmar.2003.11.005

Baker, M., & Wurgler, J. (2006). Investor sentiment and the cross-section of stock returns. *Journal of Finance*, *61*(4), 1645–1680. https://doi.org/10.1111/j.1540-6261.2006.00885.x

Baker, S. R., Baksy, A., Bloom, N., Davis, S. J., & Rodden, J. A. (2020). *Elections, political polarization, and economic uncertainty* (Working Paper No. 27961). National Bureau of Economic Research. https://doi.org/10.3386/w27961

Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. *Quarterly Journal of Economics*, *131*(4), 1593–1636. https://doi.org/10.1093/qje/qjw024

Bananuka, J., Nkundabanyanga, S. K., Nalukenge, I., & Kaawaase, T. (2018). Internal audit function, audit committee effectiveness and accountability in the Ugandan statutory corporations. *Journal of Financial Reporting and Accounting*, *16*(1), 138–157. https://doi.org/10.1108/JFRA-07-2016-0062

Bao, M. X., Cheng, X., Smith, D., & Tanyi, P. (2021). CEO pay ratios and financial reporting quality. *Global Finance Journal*, *47*, Article 100506. https://doi.org/10.1016/j.gfj.2019.100506

Bermpei, T., Kalyvas, A. N., Neri, L., & Russo, A. (2022). Does economic policy uncertainty matter for financial reporting quality? Evidence from the United States. *Review of Quantitative Finance and Accounting*, *58*(2), 795–845. https://doi.org/10.1007/s11156-021-01010-2

Bhattacharya, N., Desai, H., & Venkataraman, K. (2013), Does earnings quality affect information asymmetry? Evidence from trading costs. *Contemporary Accounting Research*, *30*(2), 482–516. https://doi.org/10.1111/j.1911-3846.2012.01161.x

Bimo, I. D., Siregar, S. V., Hermawan, A. A., & Wardhani, R. (2019). Internal control over financial reporting, organizational complexity, and financial reporting quality. *International Journal of Economics & Management*, *13*(2), 331–342. http://www.ijem.upm.edu.my/vol13no2/5)%20Internal%20Control%20Over%20Financial%20Reporting.pdf

Black, F. (1986). Noise. *Journal of Finance*, *41*(3), 529–543. https://doi.org/10.1111/j.1540-6261.1986.tb04513.x

Blankley, A. I., Hurtt, D. N., & MacGregor, J. E. (2012). Abnormal audit fees and restatements. *Auditing: A Journal of Practice and Theory*, *31*(1), 79–96. https://doi.org/10.2308/ajpt-10210

Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, *87*(1), 115–143. https://doi.org/10.1016/S0304-4076(98)00009-8

Booth, J. R., Cornett, M. M., & Tehranian, H. (2002). Boards of directors, ownership, and regulation. *Journal of Banking & Finance*, *26*(10), 1973–1996. https://doi.org/10.1016/S0378-4266(01)00181-9

Bradbury, M., Mak, Y. T., & Tan, S. M. (2006). Board characteristics, audit committee characteristics and abnormal accruals. *Pacific Accounting Review*, *5*(5), 35–86. https://doi.org/10.1108/01140580610732813

Brown, S., & Hillegeist, S. A. (2007). How disclosure quality affects the level of information asymmetry. *Review of Accounting Studies*, *12*(2), 443–477. https://doi.org/10.1007/s11142-007-9032-5

Bu, D., Zhang, C., Lin, P. T., & Hu, F. (2020). Political uncertainty, institutions and accounting conservatism: Evidence from the provincial leader turnover in China. *Spanish Journal of Finance and Accounting/Revista Española de Financiación y Contabilidad*, *49*(4), 395–426. https://doi.org/10.1080/02102412.2019.1657551

Burrowes, A., & Hendricks, A. (2005). Independent financial experts: From wished for to wistful thinking. *Managerial Finance*, *31*(9), 52–62. https://doi.org/10.1108/03074350510769866

Bushman, R. M. (2016). Transparency, accounting discretion, and bank stability. *Economic Policy Review*, *22*(1), 129–149. https://www.newyorkfed.org/research/epr/2016/EPR_2016-transparency-accounting_bushman

Byard, D., Li, Y., & Weintrop, J. (2006). Corporate governance and the quality of financial analysts' information. *Journal of Accounting and Public Policy*, *25*(5), 609–625. https://doi.org/10.1016/j.jaccpubpol.2006.07.003

Cameron, A. C., & Trivedi, P. K. (2010). *Microeconometrics using Stata* (Vol. 2). Stata Press.

Carrera, N., Sohail, T., & Carmona, S. (2017). Audit committees' social capital and financial reporting quality. *Accounting and Business Research*, *47*(6), 633–672. https://doi.org/10.1080/00014788.2017.1299617

Cerqueira, A., & Pereira, C. (2013). Financial reporting quality and information asymmetry in Europe. In S. Polouček & D. Stavárek (Eds.), *Financial regulation and supervision in the after-crisis period. Proceedings of 13th International Conference on Finance and Banking* (pp. 32–51). Silesian University, School of Business Administration. http://icfb2015.cms.opf.slu.cz/sites/icfb.rs.opf.slu.cz/files/04_cerqueira.pdf

Chang, J. C., & Sun, H. L. (2010). Does the disclosure of corporate governance structures affect firms' earnings quality? *Review of Accounting and Finance*, *9*(3), 212–243. https://doi.org/10.1108/14757701011068048

Chau, F., Deesomsak, R., & Koutmos, D. (2016). Does investor sentiment really matter? *International Review of Financial Analysis*, *48*, 221–232. https://doi.org/10.1016/j.irfa.2016.10.003

Chen, F., Hope, O. K., Li, Q., & Wang, X. (2011). Financial reporting quality and investment efficiency of private firms in emerging markets. *The Accounting Review*, *86*(4), 1255–1288. https://doi.org/10.2308/accr-10040

Chen, F., Hope, O. K., Li, Q., & Wang, X. (2018). Flight to quality in international markets: Investors' demand for financial reporting quality during political uncertainty events. *Contemporary Accounting Research*, *35*(1), 117–155. https://doi.org/10.1111/1911-3846.12355

Chen, M.-P., Chen, P.-F., & Lee, C.-C. (2013). Asymmetric effects of investor sentiment on industry stock returns: Panel data evidence. *Emerging Markets Review*, *14*, 35–54. https://doi.org/10.1016/j.ememar.2012.11.001

Chen, P.-F., Lee, C. C., & Zeng, J. H. (2019). Economic policy uncertainty and firm investment: Evidence from the US market. *Applied Economics*, *51*(31), 3423–3435. https://doi.org/10.1080/00036846.2019.1581909

Chia, H. B., Egri, C. P., Ralston, D. A., Fu, P. P., Kuo, M. H. C., Lee, C. H., Li, Y., & Moon, Y. L. (2007). Four tigers and the dragon: Values differences, similarities, and consensus. *Asia Pacific Journal of Management*, 24(3), 305–320. https://doi.org/10.1007/s10490-006-9033-0

Cho, D., & Kim, H. (2023). Macroeconomic effects of uncertainty shocks: Evidence from Korea. *Journal of Asian Economics*, *84*, Article 101571. https://doi.org/10.1016/j.asieco.2022.101571

Chui, A. C., & Wei, K. C. (2021). *Is financial reporting quality affected by economic policy uncertainty? Evidence from conditional conservatism around the world*. SSRN. https://doi.org/10.2139/ssrn.3867001

Croissant, A. (2003). Legislative powers, veto players, and the emergence of delegative democracy: A comparison of presidentialism in the Philippines and South Korea. *Democratization*, *10*(3), 68–98. https://doi.org/10.1080/1351034031233193937

Cui, X., Yao, S., Fang, Z., Wang, H. (2021). Economic policy uncertainty exposure and earnings management: Evidence from China. *Accounting & Finance*, *61*(3), 3937–3976. https://doi.org/10.1111/acfi.12722

Dai, L., & Ngo, P. (2021). Political uncertainty and accounting conservatism. *European Accounting Review*, *30*(2), 277–307. https://doi.org/10.1080/09638180.2020.1760117

Dechow, P., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, *50*(2–3), 344–401. https://doi.org/10.1016/j.jacceco.2010.09.001

Dechow, P. M., Ge, W., Larson, C. R., & Sloan, R. G. (2011). Predicting material accounting misstatements. *Contemporary Accounting Research*, *28*(1), 17–82. https://doi.org/10.1111/j.1911-3846.2010.01041.x

Dechow, P. M., Sloan, R., & Sweeney, A. (1995). Detecting earnings management. *Accounting Review*, *70*(2), 193–226.

Desai, H., Krishnamurthy, S., & Venkataraman, K. (2006). Do short sellers target firms with poor earnings quality? Evidence from earnings restatements. *Review of Accounting Studies*, *11*, 71–90. https://doi.org/10.1007/s11142-006-6396-x

Dimitropoulos, P. E., & Asteriou, D., 2010. The effect of board composition on the informativeness and quality of annual earnings: Empirical evidence from Greece. *Research in International Business and Finance*, *24*(2), 190–205. https://doi.org/10.1016/j.ribaf.2009.12.001

Doyle, J., Ge, W., & McVay, S. (2007). Determinants of weaknesses in internal control over financial reporting. *Journal of Accounting and Economics*, *44*(1–2), 193–223. https://doi.org/10.1016/j.jacceco.2006.10.003

Ducret, R., & Isakov, D. (2020). The Korea discount and chaebols. *Pacific-Basin Finance Journal*, *63*, Article 101396. https://doi.org/10.1016/j.pacfin.2020.101396

Ebrahimabadi, Z., & Asadi, A. (2016). The study of relationship between corporate characteristics and voluntary disclosure in Tehran Stock Exchange. *International Business Management*, *10*(7), 1170–1176.

Echobu, J., Okika, N. P., & Mailafia, L. (2017). Determinants of financial reporting quality: Evidence from listed agriculture and natural resources firms in Nigeria. *International Journal of Accounting Research*, *3*(3), 20–31. https://doi.org/10.12816/0041759

El Ghoul, S., Guedhami, O., Kim, Y., & Yoon, H. J. (2021). Policy uncertainty and accounting quality. *The Accounting Review*, *96*(4), 233–260. https://doi.org/10.2308/TAR-2018-0057

Emawati, I. A. A., & Budiasih, I. G. A. N. (2020). Effect of financial statements quality on information asymmetry and investment efficiency as moderating variable in mining companies. *Research Journal of Finance and Accounting*, *11*(8), 25–32. https://doi.org/10.7176/RJFA/11-8-03

Etemadi, H., Dehkordi, H. F., & Amirkhani, K. (2013). Effect of auditor opinion on discretionary accruals behavior of distressed firms: Empirical evidences from Iran. *African Journal of Business Management*, *7*(20), 1956–1965.

Fathi, J. (2013). The determinants of the quality of financial information disclosed by French listed companies. *Mediterranean Journal of Social Sciences*, *4*(2), 319–336. https://doi.org/10.5901/mjss.2013.v4n2p319

Fontaine, I., Razafindravaosolonirina, J., & Didier, L. (2018). Chinese policy uncertainty shocks and the world macroeconomy: Evidence from STVAR. *China Economic Review*, *51*, 1–19. https://doi.org/10.1016/j.chieco.2018.04.008

Francis, J. R., Michas, P. N., & Yu, M. D. (2013). Office size of Big 4 auditors and client restatements. *Contemporary Accounting Research*, 30(4), 1626–1661. https://doi.org/10.1111/1911-3846.12011

Gajevszky, A. (2014). The impact of auditor's opinion on earnings management: Evidence from Romania. *Network Intelligence Studies*, *2*(3), 61–73. https://www.ceeol.com/search/article-detail?id=204746

Gallimore, P., & Gray, A. (2002). The role of investor sentiment in property investment decisions. *Journal of Property Research*, *19*(2), 111–120. https://doi.org/10.1080/09599910110110671

Ge, R., Seybert, N., & Zhang, F. (2019). Investor sentiment and accounting conservatism. *Accounting Horizons*, *33*(1), 83–102. https://doi.org/10.2308/acch-52250

Gerayli, M. S., Pitenoei, Y. R., & Abdollahi, A. (2021). Do audit committee characteristics improve financial reporting quality in emerging markets? Evidence from Iran. *Asian Review of Accounting*, *29*(2), 251–267. https://doi.org/10.1108/ARA-10-2020-0155

Ghosh, D., & Olsen, L. (2009). Environmental uncertainty and managers' use of discretionary accruals. *Accounting, Organizations and Society*, *34*(2), 188–205. https://doi.org/10.1016/j.aos.2008.07.001

Gigler, F. B., & Hemmer, T. (2001). Conservatism, optimal disclosure policy, and the timeliness of financial reports. *The Accounting Review*, *76*(4), 471–493. https://doi.org/10.2308/accr.2001.76.4.471

Grundy, B. D., & Li, H. (2010). Investor sentiment, executive compensation, and corporate investment. *Journal of Banking & Finance*, *34*(10), 2439–2449. https://doi.org/10.1016/j.jbankfin.2010.03.020

Gulen, H., & Ion, M. (2016). Policy uncertainty and corporate investment. *The Review of Financial Studies*, *29*(3), 523–564. https://doi.org/10.1093/rfs/hhv050

Hairston, S. A., & Brooks, M. R. (2019). Derivative accounting and financial reporting quality: A review of the literature. *Advances in Accounting*, *44*, 81–94. https://doi.org/10.1016/j.adiac.2018.10.003

Haji, A. A., & Ghazali, N. A. M. (2013). The quality and determinants of voluntary disclosures in annual reports of Shari'ah compliant companies in Malaysia. *Humanomics*, *29*(1), 24–42. https://doi.org/10.1108/08288661311299303

Hales, J. (2018). Discussion of 'Flight to Quality in International Markets: Investors' Demand for Financial Reporting Quality during Political Uncertainty Events.' *Contemporary Accounting Research*, *35*(1), 156–163. https://doi.org/10.1111/1911-3846.12394

Hassan, A., Aly, D., & Hussainey, K. (2022). Corporate governance and financial reporting quality: A comparative study. *Corporate Governance: The International Journal of Business in Society*, *22*(6), 1308–1326. https://doi.org/10.1108/CG-08-2021-0298

Hassan, S. U., & Farouk, M. A. (2014). Firm attributes and earnings quality of listed oil and gas companies in Nigeria. *Review of Contemporary Business Research*, *3*(1), 99–114.

He, L., & Yang, R. (2014). Does industry regulation matter? New evidence on audit committees and earnings management. *Journal of Business Ethics*, *123*(4), 573–589. https://doi.org/10.1007/s10551-013-2011-9

Heo, J. S., Kwon, S. Y., & Tan, H. T. (2021). Auditors' responses to workload imbalance and the impact on audit quality. *Contemporary Accounting Research*, *38*(1), 338–375. https://doi.org/10.1111/1911-3846.12612

Herbohn, K., & Ragunathan, V. (2008). Auditor reporting and earnings management: Some additional evidence. *Accounting and Finance*, *48*(4), 575–601. https://doi.org/10.1111/j.1467-629X.2007.00256.x

Hesarzadeh, R. (2019). Are the individual and collective roles of financial reporting quality measures the same? Evidence in the context of information uncertainty. *Spanish Journal of Finance and Accounting/Revista Española de Financiación y Contabilidad*, *48*(2), 160–202. https://doi.org/10.1080/02102412.2018.1469858

Horiuchi, Y., & Lee, S. (2018). The presidency, regionalism, and distributive politics in South Korea. *Comparative Political Studies*, *41*(6), 861–882. https://doi.org/10.1177/0010414006298900

Hosseinzadeh, G., Kangarlouei, S. J., & Morteza, M. (2014). Firms characteristic and firms' disclosure quality in firms listed in Tehran Stock Exchange. *International Journal of Marketing and Business Communication*, *3*(1), 20–28.

Houcine, A. (2017). The effect of financial reporting quality on corporate investment efficiency: Evidence from the Tunisian stock market. *Research in International Business and Finance*, *42*, 321–337. https://doi.org/10.1016/j.ribaf.2017.07.066

Hu, C., & Jiang, W. (2019). Managerial risk incentives and accounting conservatism. *Review of Quantitative Finance and Accounting*, *52*, 781–813. https://doi.org/10.1007/s11156-018-0726-5

Huh, I., & Pyun, J. H. (2018). Does nuclear uncertainty threaten financial markets? The attention paid to North Korean nuclear threats and its impact on South Korea's financial markets. *Asian Economic Journal*, *32*(1), 55–82. https://doi.org/10.1111/asej.12142

Hyo-Jeong, L. (2023). Investor sentiment, cross-sectional stock returns, and short-sales: Evidence from Korea. *Global Business & Finance Review*, *28*(3), 117–135. https://doi.org/10.17549/gbfr.2023.28.3.117

Iatridis, G., & Dimitras, A. I. (2013). Financial crisis and accounting quality: Evidence from five European countries. *Advances in Accounting*, *29*(1), 154–160. https://doi.org/10.1016/j.adiac.2013.03.001

International Federation of Accountants (2020, June 14). *2020 financial statements* [Press release].

Jiang, H., Habib, A., & Zhou, D. (2015). Accounting restatements and audit quality in China. *Advances in Accounting*, *31*(1), 125–135. https://doi.org/10.1016/j.adiac.2015.03.014

Johl, S. K., Johl, S. K., Subramaniam, N., & Cooper, B. (2013). Internal audit function, board quality and financial reporting quality: Evidence from Malaysia. *Managerial Auditing Journal*, *28*(9), 780–814. https://doi.org/10.1108/MAJ-06-2013-0886

Johnson, S., Boone, P., Breach, A., & Friedman, E. (2000). Corporate governance in the Asian financial crisis. *Journal of Financial Economics*, *58*(1–2), 141–186. https://doi.org/10.1016/S0304-405X(00)00069-6

Jones, J. (1991). Earnings management during import relief investigations. *Journal of Accounting Research*, *29*(2), 193–228. https://doi.org/10.2307/2491047

Julio, B., & Yook, Y. (2012). Political uncertainty and corporate investment cycles. *The Journal of Finance*, *67*(1), 45–83. https://doi.org/10.1111/j.1540-6261.2011.01707.x

Kaawaase, T. K., Nairuba, C., Akankunda, B., & Bananuka, J. (2021). Corporate governance, internal audit quality and financial reporting quality of financial institutions. *Asian Journal of Accounting Research*, *6*(3), 348–366. https://doi.org/10.1108/AJAR-11-2020-0117

Kamolsakulchai, M. (2015). The impact of the audit committee effectiveness and audit quality on financial reporting quality of listed company in stocks exchange of Thailand. *Review of Integrative Business and Economics Research*, *4*(2), 328–341. https://buscompress.com/uploads/3/4/9/8/34980536/riber_sh14-269__328-341_.pdf

Kang, W., Lee, K., & Ratti, R. A. (2014). Economic policy uncertainty and firm-level investment. *Journal of Macroeconomics*, *39*, 42–53. https://doi.org/10.1016/j.jmacro.2013.10.006

Key, K. G., & Kim, J. Y. (2020). IFRS and accounting quality: Additional evidence from Korea. *Journal of International Accounting, Auditing and Taxation*, *39*, Article 100306. https://doi.org/10.1016/j.intaccaudtax.2020.100306

Kim, H., Lee, H., & Lee, J. E. (2015). Mandatory audit firm rotation and audit quality. *Journal of Applied Business Research*, *31*(3), 1089–1106.

Kim, H., & Yasuda, Y. (2021). Economic policy uncertainty and earnings management: Evidence from Japan. *Journal of Financial Stability*, *56*, Article 100925. https://doi.org/10.1016/j.jfs.2021.100925

Kim, K., Ryu, D., & Yang, H. (2021). Information uncertainty, investor sentiment, and analyst reports. *International Review of Financial Analysis*, *77*, Article 101835. https://doi.org/10.1016/j.irfa.2021.101835

Kim, K., & Yang, J. S. (2014). Director tenure and financial reporting quality: Evidence from Korea. *Review of Integrative Business and Economics Research*, *3*(1), 237–256. http://buscompress.com/uploads/3/4/9/8/34980536/riber_k14-129__237-256_.pdf

Kim, S. H., Kose, M. A., & Plummer, M. G. (2003). Dynamics of business cycles in Asia: Differences and similarities. *Review of Development Economics*, *7*(3), 462–477. https://doi.org/10.1111/1467-9361.00203

Kim, Y. S., Park, K. J., & Kwon, O. B. (2019). Geopolitical risk and trading patterns of foreign and domestic investors: Evidence from Korea. *Asia-Pacific Journal of Financial Studies*, *48*(2), 269–298. https://doi.org/10.1111/ajfs.12253

Klein, A. (2002). Audit committee, board of director characteristics, and earnings management. *Journal of Accounting and Economics*, *33*(3), 375–400. https://doi.org/10.1016/S0165-4101(02)00059-9

Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, *39*(1), 163–197. https://doi.org/10.1016/j.jacceco.2004.11.002

Kwanbo, M. L. (2020). Determinants of financial reporting quality of Nigerian Stock Exchange NSE Lotus Islamic Index LII. *International Journal of Auditing and Accounting Studies*, *2*(1), 95–106. https://arfjournals.com/image/60771_4_mansur_lubabah.pdf

Kyriakou, M. I. (2022). The effect of the financial crisis on audit quality: European evidence. *International Journal of Accounting*

& Information Management, *30*(1), 143–158. https://doi.org/10.1108/IJAIM-07-2021-0135

Lee, K. H. (2018). Cross-border mergers and acquisitions amid political uncertainty: A bargaining perspective. *Strategic Management Journal*, *39*(11), 2992–3005. https://doi.org/10.1002/smj.2944

Lee, M. G., Kang, M., Lee, H. Y., & Park, J. C. (2016). Related-party transactions and financial statement comparability: Evidence from South Korea. *Asia-Pacific Journal of Accounting & Economics*, *23*(2), 224–252. https://doi.org/10.1080/16081625.2014.957706

Liao, T.-L., Huang, C.-J., & Wu, C.-Y. (2011). Do fund managers herd to counter investor sentiment? *Journal of Business Research*, *64*(2), 207–212. https://doi.org/10.1016/j.jbusres.2010.01.007

Lim, J., & Lee, J. (2015). Financial reporting quality of target companies and acquirer returns: Evidence from Korea. *International Journal of Accounting & Information Management*, *23*(1), 16–41. https://doi.org/10.1108/IJAIM-07-2014-0052

Lin, H. L., & Yen, A. R. (2022). Auditor rotation, key audit matter disclosures, and financial reporting quality. *Advances in Accounting*, *57*, Article 100594. https://doi.org/10.1016/j.adiac.2022.100594

Liu, G., & Sun, J. (2010). Ultimate ownership structure and corporate disclosure quality: Evidence from China. *Managerial Finance*, 36(5), 452–467. https://doi.org/10.1108/03074351011039409

Mahbound, R. (2017). Main determinants of financial reporting quality in the Lebanese banking sector. *European Research Studies Journal*, *20*(4B), 706–726. https://www.um.edu.mt/library/oar/handle/123456789/33051

Mathuva, D. M., & Nyangu, M. N. (2022). Revisiting earnings quality and bank efficiency among East African developing economies: Do systemic banking and financial crises matter? *Journal of Applied Accounting Research*, *23*(3), 650–685. https://doi.org/10.1108/JAAR-10-2020-0219

McLean, R. D., & Zhao, M. (2014). The business cycle, investor sentiment, and costly external finance. *The Journal of Finance*, *69*(3), 1377–1409. https://doi.org/10.1111/jofi.12047

Meckling, W. H., & Jensen, M. C. (1976). Theory of the firm. Managerial behavior, agency costs and ownership structure. In Corporate Governance (pp. 77-132). Gower. https://www.taylorfrancis.com/chapters/edit/10.4324/9781315191157-9/theory-firm-managerial-behavior-agency-costs-ownership-structure-michael-jensen-william-meckling

Mei, J., & Guo, L. (2004). Political uncertainty, financial crisis and market volatility. *European Financial Management*, *10*(4), 639–657. https://doi.org/10.1111/j.1354-7798.2004.00269.x

Mishra, A. S., & Bhattacharya, S. (2011). The linkage between financial crisis and corporate governance: A literature review. *IUP Journal of Corporate Governance*, *10*(3), 71–84.

Monday, I. I., & Nancy, A. (2016). Determinants of voluntary disclosure quality in emerging economies: Evidence from firms listed in Nigeria Stock Exchange. *International Journal of Research in Engineering and Technology*, *4*(6), 37–50.

Nagar, V., Schoenfeld, J., & Wellman, L. (2019). The effect of economic policy uncertainty on investor information asymmetry and management disclosures. *Journal of Accounting and Economics*, *67*(1), 36–57. https://doi.org/10.1016/j.jacceco.2018.08.011

Nartea, G. V., Bai, H., & Wu, J. (2020). Investor sentiment and the economic policy uncertainty premium. *Pacific-Basin Finance Journal*, *64*, Article 101438. https://doi.org/10.1016/j.pacfin.2020.101438

Ng, J., Saffar, W., & Zhang, J. J. (2020). Policy uncertainty and loan loss provisions in the banking industry. *Review of Accounting Studies*, *25*(2), 726–777. https://doi.org/10.1007/s11142-019-09530-y

Nguyen, C. P., Le, T. H., & Su, T. D. (2020). Economic policy uncertainty and credit growth: Evidence from a global sample. *Research in International Business and Finance*, *51*, Article 101118. https://doi.org/10.1016/j.ribaf.2019.101118

Notbohm, M., & Valencia, A. (2021). Audit quality effects of the PCAOB's 2006 tax service restrictions. *Advances in Accounting*, *55*, Article 100562. https://doi.org/10.1016/j.adiac.2021.100562

Nugroho, B. Y. (2012). Board characteristics and earning management. *BISNIS & BIROKRASI: Jurnal Ilmu Administrasi Dan Organisasi*, *18*(1), 1–10.

Omid, A. M. (2015). Qualified audit opinion, accounting earnings management and real earnings management: Evidence from Iran. *Asian Economic and Financial Review*, *5*(1), 46–57. https://doi.org/10.18488/journal.aefr/2015.5.1/102.1.46.57

Ongsakul, V., Treepongkaruna, S., Jiraporn, P., & Uyar, A. (2021). Do firms adjust corporate governance in response to economic policy uncertainty? Evidence from board size. *Finance Research Letters*, *39*, Article 101613. https://doi.org/10.1016/j.frl.2020.101613

Ostadhashemi, A., Shafati, M., & Aliei, M. (2017). The effect of the corporate governance on disclosure quality in Tehran Stock Exchange. *Journal of Administrative Management, Education and Training*, *13*(2), 216–226.

Ozcelebi, O., & Izgi, M. T. (2022). Assessing the impacts of economic policy uncertainty of the US on the exchange rates and stock returns of Korea, Mexico, Poland and Russia. *Eastern European Economics*, *61*(1), 1–22. https://doi.org/10.1080/00128775.2022.2107937

Ozili, P. K. (2021). Financial reporting under economic policy uncertainty. *Journal of Financial Reporting and Accounting*, *19*(2), 325–338. https://doi.org/10.1108/JFRA-08-2020-0242

Park, Y. W., & Shin, H. H. (2004). Board composition and earnings management in Canada. *Journal of Corporate Finance*, *10*(3), 431–457. https://doi.org/10.1016/S0929-1199(03)00025-7

Pástor, Ľ., & Veronesi, P. (2013). Political uncertainty and risk premia. *Journal of Financial Economics*, *110*(3), 520–545. https://doi.org/10.1016/j.jfineco.2013.08.007

Paterson, J. S., & Valencia, A. (2011). The effects of recurring and nonrecurring tax, audit-related, and other nonaudit services on auditor independence. *Contemporary Accounting Research*, *28*(5), 1510–1536. https://doi.org/10.1111/j.1911-3846.2010.01060.x

Persakis, A., & Iatridis, G. E. (2016). Audit quality, investor protection and earnings management during the financial crisis of 2008: An international perspective. *Journal of International Financial Markets, Institutions and Money*, *41*, 73–101. https://doi.org/10.1016/j.intfin.2015.12.006

Porta, R. L., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. *Journal of Political Economy*, *106*(6), 1113–1155. https://doi.org/10.1086/250042

Prencipe, A. (2004). Proprietary costs and determinants of voluntary segment disclosure: Evidence from Italian listed companies. *European Accounting Review*, *13*(2), 319–340. https://doi.org/10.1080/0963818042000204742

Pyo, D. J. (2021). Does geopolitical risk matter? Evidence from South Korea. *Defence and Peace Economics*, *32*(1), 87–106. https://doi.org/10.1080/10242694.2020.1829937

Qi, X. Z., Ning, Z., & Qin, M. (2022). Economic policy uncertainty, investor sentiment and financial stability—An empirical study based on the time varying parameter-vector autoregression model. *Journal of Economic Interaction and Coordination*, *17*(3), 779–799. https://doi.org/10.1007/s11403-021-00342-5

Rahman, R. A., & Ali, F. H. M. (2006). Board, audit committee, culture and earnings management: Malaysian evidence. *Managerial Auditing Journal*, *15*(5), 5–39. https://doi.org/10.1108/02686900610680549

Rajab, B., & Schachler, M. H. (2009). Corporate risk disclosure by UK firms: Trends and determinants. *World Review of Entrepreneurship, Management and Sustainable Development*, *5*(3), 224–243. https://doi.org/10.1504/WREMSD.2009.026801

Rajgopal, S., Srinivasan, S., & Zheng, X. (2021). Measuring audit quality. *Review of Accounting Studies*, *26*, 559–619. https://doi.org/10.1007/s11142-020-09570-9

Ramalingegowda, S., Wang, C. S., & Yu, Y. (2013). The role of financial reporting quality in mitigating the constraining effect of dividend policy on investment decisions. *The Accounting Review*, *88*(3), 1007–1039. https://doi.org/10.2308/accr-50387

Rao, P. G., Yue, H., & Jiang, G. H. (2017). Economic policy uncertainty and firms' investment. *The Journal of World Economy*, *40*(2), 27–51. https://manu30.magtech.com.cn/sjjj/EN/Y2017/V0/I2/27#2

Saleh, N. M., Iskandar, T. M., & Rahmat, M. M. (2005). Earnings management and board characteristics: Evidence from Malaysia. *Jurnal Pengurusan*, *24*, 77–103.

Seiyaibo, C. M., & Okoye, E. I. (2020). Determinants of financial reporting quality in quoted manufacturing firms: Nigerian evidence. *Trends Economics and Management*, *14*(36), 59–72. https://doi.org/10.13164/trends.2020.36.59

Seungho, J., Jongmin, L., & Lee, S. (2021). *The impact of geopolitical risk on stock returns: Evidence from inter-Korea geopolitics* (Working Paper No. 10). Bank of Korea.

Shabir, M., Ali, M., Hashmi, S. H., & Bakhsh, S. (2022). Heterogeneous effects of economic policy uncertainty and foreign direct investment on environmental quality: Cross-country evidence. *Environmental Science and Pollution Research*, *29*(2), 2737–2752. https://doi.org/10.1007/s11356-021-15715-3

Shahzad, K., Pouw, T., Rubbaniy, G., & El-Temtamy, O. (2018). Audit quality during the global financial crisis: The investors' perspective. *Research in International Business and Finance*, *45*, 94–105. https://doi.org/10.1016/j.ribaf.2017.07.137

Shehata, N. F., Dahawy, K., & Ismail, T. (2014). The relationship between firm characteristics and mandatory disclosure level: When Egyptian accounting standards were first adopted. *Mustang Journal of Accounting and Finance*, *5*(4), 85–101.

Shehu, U. H., & Ahmad, B. (2013). Firm characteristics and financial reporting quality of listed manufacturing firms in Nigeria. *International Journal of Accounting, Banking and Management*, *1*(6), 47–63. http://www.ijabm.com/IJABM_Vol.%201,%20No.%206,%20November%202013/FIRM%20CHARACTERISTICS.pdf

Siagian, F. T., & Tresnaningsih, E. (2011). The impact of independent directors and independent audit committees on earnings quality reported by Indonesian firms. *Asian Review of Accounting*, *19*(3), 192–207. https://doi.org/10.1108/13217341111185128

Sikka, P. (2009). Financial crisis and the silence of the auditors. *Accounting, Organizations and Society*, *34*(6–7), 868–873. https://doi.org/10.1016/j.aos.2009.01.004

Soheilyfar, F., Tamimi, M., Ahmadi, M. R., & Takhtaei, N. (2014). Disclosure quality and corporate governance: Evidence from Iran. *Asian Journal and Finance and Accounting*, *6*(2), 75–86. https://doi.org/10.5296/ajfa.v6i2.6000

Soyemi, K. A., & Olawale, L. S. (2019). Firm characteristics and financial reporting quality: Evidence from non-financial firms in Nigeria. *International Journal of Economics, Management and Accounting*, *27*(2), 445–472.

Suharsono, R. S., Nirwanto, N., & Zuhroh, D. (2020). Voluntary disclosure, financial reporting quality and asymmetry information. *The Journal of Asian Finance, Economics and Business*, *7*(12), 1185–1194. https://doi.org/10.13106/jafeb.2020.vol7.no12.1185

Takhtaei, N., Mousavi, Z., Tamimi, M., & Farahbakhsh, I. (2014). Determinants of disclosure quality: Empirical evidence from Iran. *Asian Journal of Finance and Accounting*, *6*(2), 422–438. https://doi.org/10.5296/ajfa.v6i2.6693

Taktak, N. B., & Mbarki, I. (2014). Board characteristics, external auditing quality, and earnings management: Evidence from the Tunisian banks. *Journal of Accounting in Emerging Economies*, *4*(1), 79–96. https://doi.org/10.1108/JAEE-10-2011-0046

Tang, Q., Chen, H., & Lin, Z. (2016). How to measure country-level financial reporting quality? *Journal of Financial Reporting and Accounting*, *14*(2), 230–265. https://doi.org/10.1108/JFRA-09-2014-0073

Tarighi, H., Hosseiny, Z. N., Abbaszadeh, M. R., Zimon, G., & Haghighat, D. (2022). How do financial distress risk and related party transactions affect financial reporting quality? Empirical evidence from Iran. *Risks*, *10*(3), Article 46. https://doi.org/10.3390/risks10030046

Tessema, A. (2020). Audit quality, political connections and information asymmetry: Evidence from banks in Gulf Co-Operation Council countries. *International Journal of Managerial Finance*, *16*(5), 673–698. https://doi.org/10.1108/IJMF-01-2020-0027

Tsipouridou, G., & Spathis, C. (2014). Audit opinion and earnings management: Evidence from Greece. *Accounting Forum*, *38*(1), 38–54. https://doi.org/10.1016/j.accfor.2013.09.002

Ugurlu-Yildirim, E., Kocaarslan, B., & Ordu-Akkaya, B. M. (2021). Monetary policy uncertainty, investor sentiment, and US stock market performance: New evidence from nonlinear cointegration analysis. *International Journal of Finance & Economics*, *26*(2), 1724–1738. https://doi.org/10.1002/ijfe.1874

Uyar, A., Kilic, M., & Bayyurt, N. (2013). Association between firm characteristics and corporate voluntary disclosures: Evidence from Turkish non-financial listed firms. *Intangible Capital*, *9*(4), 1080–1112. https://doi.org/10.3926/ic.439

Vo, H., Phan, A., Trinh, Q. D., & Vu, L. N. (2022). Does economic policy uncertainty affect trade credit and firm value in Korea? A comparison of chaebol vs. non-chaebol firms. *Economic Analysis and Policy*, *73*, 474–491. https://doi.org/10.1016/j.eap.2021.12.011

Wang, F., Mbanyele, W., & Muchenje, L. (2022). Economic policy uncertainty and stock liquidity: The mitigating effect of information disclosure. *Research in International Business and Finance*, *59*, Article 101553. https://doi.org/10.1016/j.ribaf.2021.101553

Waweru, N. M., & Riro, G. K. (2013). Corporate governance, firm characteristics and earnings management in an emerging economy. *Journal of Applied Management Accounting Research*, *11*(1), 43–64.

Wiedman, C. I., & Hendricks, K. B. (2013). Firm accrual quality following restatements: A signaling view. *Journal of Business Finance & Accounting*, *40*(9–10), 1095–1125. https://doi.org/10.1111/jbfa.12054

Xu, Y., Carson, E., Fargher, N., & Jiang, L. (2013). Responses by Australian auditors to the global financial crisis. *Accounting & Finance*, *53*(1), 301–338. https://doi.org/10.1111/j.1467-629X.2011.00459.x

Xu, Y., Jiang, A. L., Fargher, N., & Carson, E. (2011). Audit reports in Australia during the global financial crisis. *Australian Accounting Review*, *21*(1), 22–31. https://doi.org/10.1111/j.1835-2561.2010.00118.x

Yin, Y., & Tian, R. (2017). Investor sentiment, financial report quality and stock price crash risk: Role of short-sales constraints. *Emerging Markets Finance and Trade*, *53*(3), 493–510. https://doi.org/10.1080/1540496X.2015.1093844

Yoo, Y., Lim, J., & Chang, J. (2013). Financial reporting quality and acquisition profitability: Evidence from Korea. *Journal of Applied Business Research*, *29*(6), 1737–1750. https://doi.org/10.19030/jabr.v29i6.8211

Yung, K., & Root, A. (2019). Policy uncertainty and earnings management: International evidence. *Journal of Business Research*, *100*, 255–267. https://doi.org/10.1016/j.jbusres.2019.03.058

Zhang, B. (2019). Economic policy uncertainty and investor sentiment: Linear and nonlinear causality analysis. *Applied Economics Letters*, *26*(15), 1264–1268. https://doi.org/10.1080/13504851.2018.1545073

Zhang, M., Xu, H., Tong, L., & Ye, T. (2018). International evidence on economic policy uncertainty and asymmetric adjustment of audit pricing: Big 4 versus non-big 4 auditors. *Journal of Business Finance & Accounting*, *45*(5–6), 728–756. https://doi.org/10.1111/jbfa.12299