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THE EFFECT OF OVERCONFIDENCE AND MANAGEMENT ABILITY ON THE ISSUANCE OF THE AUDITOR'S REPORT CONSIDERING THE ISSUANCE OF CONTINUATION REPORT[1] AND AUDITOR TENURE

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Abstract:

There is an extensive literature on the factors that determine the audit fee and the auditors' willingness to publish a report containing the company's continuity clause. However, much previous research has focused on firm-level determinants, and very little empirical evidence has been provided on the impact of owner management characteristics on payroll and auditor reporting. This study was conducted to investigate the effect of overconfidence and managerial power on the continuity of the company and the activities of the auditor. In the present study the applied in terms of purpose and according to the type of data and available analysis methods, the combined data method has been used. The method of data collection is the method of document mining and reference to databases and the method of data analysis is inferential. The research period is 2011 to 2020 and 90 companies have been selected as the final sample of the research. The results show that excessive management trust has a significant impact on business continuity. It was also observed that management ability significantly moderates the relationship between management overconfidence and continuity of activity. In addition, the results showed that management overconfidence has a significant effect on the auditor's tenure and, finally, management ability significantly moderates the relationship between management overconfidence and auditor tenure. The results of the research showed that the overconfidence of the management had a significant impact on the business continuity of the companies. The research results showed that management ability significantly moderates the relationship between management overconfidence and business continuity. The results of the research showed that overconfidence of the management had a significant effect on the tenure of the auditor. The research results showed that management ability significantly moderates the relationship between management overconfidence and auditor tenure.

Keywords: Overconfidence and management ability, auditor's decision, issue a continuation report, auditor tenure.

[1] Going Concern

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INTRODUCTION

One of the human capitals, which plays an important role in turning the company's resources into income and creating wealth for shareholders, are the managers of commercial companies. Information related to company managers, such as the overconfidence and ability of managers and their effects on the use of investment opportunities, provision of resources, optimal allocation of resources, and their knowledge and experience, and finally the effects that can be on the failure or success of the company, and are considered one of the important and valuable dimensions of intangible assets of commercial companies. In this regard, in the present research, the impact of overconfidence and management ability on the issuance of the auditor's report containing the clause of continuity of activity and tenure of the auditor has been investigated.

Auditing standards require auditors to obtain an understanding of management as part of their audit risk assessment procedures. However, despite frequent interactions between auditors and senior management (CEO and CFO) in the audit process, relatively little literature exists on whether or how auditors consider the characteristics of managers in their audit decisions. There are managerial characteristics that affect the auditor (Baik, B., Brockman, P. A., Farber, D. B., & Lee, S).

Existing research shows how management overconfidence affects corporate decisions. Overconfident managers trust their ability to control events and therefore systematically overestimate (underestimate) the probability of favorable (negative) events affecting firm performance. Previous studies show that managerial overconfidence leads to more aggressive investment and financing decisions (Ben-David, Graham, & Harvey, Huang, Tan, & Faff).

As this stream of research expands, the question that arises is whether managerial overconfidence affects audit decisions or not. During an audit period, the auditor is required to identify conditions or events that cast substantial doubt about the client's company's ability to continue. When this occurs, auditing standards direct the auditor to obtain management plans to mitigate these concerns and to assess the likelihood of the plans being successful. Overconfident managers tend to underestimate the uncertainty of outcomes and have an overly optimistic view of the future. Therefore, it is likely that overconfident managers will present risky plans with more uncertain outcomes or plans that are overly optimistic and therefore insufficient to resolve the crisis. In addition, independent of risk-taking and excessive optimism of reform plans, the auditor may consider management overconfidence as one of the factors of increasing uncertainty in the company's future. (Demarjian et al., 2020).

On the other hand, there is also a possibility that there is no significant or negative relationship between managerial overconfidence and the possibility of continuing opinions. First, if firm characteristics already reflect aggressive decisions made by overconfident management leading to higher firm risk, there may be no incremental effect of managerial overconfidence on the firm's likelihood of continuation. Second, research shows that an overconfident individual tends to appear highly competent to others, and auditors' judgments can be biased toward the initial client's position. Therefore, auditors may be convinced that management's overconfidence is indicative of management's competence and conclude that management's plans are sufficient to overcome substantial doubt about the client's ability to continue as a going concern for a reasonable period of time. (Malmendier, U., Pezone, V., & Zheng, H).

Managers who appear overconfident do not always have the same abilities. Benoît and Dubra (2011) discuss how seemingly overconfident individuals can be divided into two groups. The first group are those who draw correct conclusions about their abilities using the information they have. Second are those who have an overly optimistic bias when assessing their abilities. External auditors spend considerable time evaluating their clients and develop a close working relationship with the companies' senior management. In addition, since auditors are sensitive to the reliability of audit evidence and management of clients is one of the main sources of evidence, auditors consider the competence of the manager when evaluating the information provided by the client (Kim, 2021).

Based on this, it is clear that the characteristics of company managers, including the overconfidence and ability of managers, is a factor that can have an effect on the audit processes of companies. Based on this, in the current research, the effect of overconfidence and management ability on the continuity of the company and the activity of the auditor will be investigated. In other words, in this research, we seek to find the answer to the question of whether excessive management trust has an effect on the company's continuity? Does excessive power of managers affect the continuity of the company? Does management overconfidence affect auditor continuity? Does excessive power of managers affect the continuity of the auditor's activity?

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RESEARCH BACKGROUND

Managers Overconfidence

Overconfidence is a personality trait that can be defined as biased behavior and having unrealistic (positive) beliefs regarding any aspect of an event in conditions of uncertainty. Managers who have high self-confidence are mostly very optimistic about their decisions and their results, especially in the field of investment decisions. Due to excessive optimism, these managers may wrongly predict the cash flows from the projects and therefore value many projects higher than their real value. On the other hand, these managers believe that the company's market It values them less than the real value and makes foreign financing expensive. For this reason, if the company has internal resources, overconfident managers may show a greater desire to invest more. But if the financing of the projects requires external resources, there may be underinvestment. The researches of Heaton and Lin et al also showed that the sensitivity of cash flow investment is more severe in companies whose managers have overconfidence (Carmer and Liao, 2021).

Ability of managers

In today's commercial and economic environments where the wheel of competition has accelerated, effective investment can cause sustainable economic growth and development. Managers with an optimal level of investment can create maximum returns and provide the interests of shareholders by covering profitable opportunities. The category of investment is directly related to the characteristics of management. Management characteristics is a multidimensional category that is manifested in management ability. Management ability is one of the dimensions of human capital of companies, which is classified as an intangible asset (Moradzadeh Fard, 2019).

Demarjian et al. (2012) define management ability as the efficiency of managers compared to competitors in converting company resources into income. These resources in companies include the price of inventories, sales, administrative and general expenses, tangible fixed assets, operating rents, research and development costs and intangible assets of the company (Habib et al., 2015).

Based on the argument of optimal investment proposed according to neo-classical theories, managers should continue investing until the profit margin of the investment is equal to its final cost. The essence hypothesis of managers and the overconfidence hypothesis of management put forward mutual views regarding the ability of managers and investment efficiency. The belief of the essence of managers is that managers with more ability have more power to understand and analyze the current and future conditions of the company and industry and make investment decisions more efficiently. While the overconfidence view of management believes, managers by emphasizing their position and advantages, can make decisions less than the optimal level, which appears in the majority of investment more (less) than the limit (Habib et al., 2015).

AUDITING

The concept of auditing

Auditing is a process in the form of collecting and impartially evaluating evidence about claims related to economic activities and events to determine the degree of compliance of these claims with predetermined criteria and reporting the results to interested parties (Beigzadeh, 2016).

This definition is presented in a general and comprehensive way to include different types of audits. Some terms in this definition need further explanation. The term "regular process" means that the audit is carried out according to proper planning. Proper planning involves the collection and unbiased evaluation of evidence. Auditors must maintain impartiality in gathering and evaluating the relevance and validity of evidence. Although the type, amount and reliability of evidence can be different in different auditing tasks, but the collection and evaluation of evidence constitutes the majority of auditors' activities. The evidence that auditors gather should be about assertions about economic activities and events. In auditing, the term claim has a special meaning and refers to implicit or explicit management statements that are embodied in financial statements, documents and systems. For example, basic financial statements prepared by managers contain several assertions. Among the amount that is shown in the balance sheet under the heading of property, machinery and equipment, it indicates that the managers claim: the company owns these assets and uses these assets in the normal process of its production or service operations, and this amount the historical cost after deducting the accumulated depreciation of these assets is (same source).

The purpose of the auditors is to compare the collected evidence with claims related to economic activities and events, to determine the degree of compliance of said claims with predetermined criteria. Although there are various criteria to determine the degree of compliance, but in the preparation of basic

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financial statements, the main and accepted criterion is usually accounting principles or accounting standards. In paragraph 2 of Section 200 of the country's auditing standards (2007), it is emphasized that the purpose of auditing financial statements is to comment on whether the financial statements have been prepared based on accounting standards or not.
The last important phrase, that is, reporting results to interested parties, indicates the type of report that auditors prepare for interested parties. Stakeholders can include shareholders, creditors, employees, suppliers of materials and goods, government agencies, stock exchanges and other groups.
An auditor is a person or an institution that has the ultimate responsibility for auditing financial statements or providing related services. The auditor must be an independent person from the organization that is being audited.

RESEARCH BACKGROUND

Lang et al. (2022) have investigated this issue in a study titled overconfidence of managers and the possibility of financial helplessness of companies: evidence from England. In this article, the relationship between the CEO's level of confidence and the probability of companies' helplessness is investigated. The main purpose of this study is the impact of managers' overconfidence, a type of behavioral bias, on the survival of companies. The main predictions are that overconfidence (moderate confidence) increases (decreases) the probability of financial helplessness of companies and the effects of CEO characteristics are moderated by managers' characteristics. Research evidence and empirical findings show that overconfident executives increase the probability of the company's helplessness.
In their research, Adam, T. A., Fernando, C. S. & Golubeva (2022) investigated "the relationship between managers' overconfidence and organizational risk management". The results of their research showed that organizational risk management methods will be affected by behavioral biases and overconfidence of managers. They showed that this bias on the part of managers can help explain the gap between theory and practice in enterprise risk management.
Elena Pikulinaa et al. (2021) have investigated this issue in a study titled "Overconfidence and Investment: An Empirical Approach". They have stated in this study that a positive relationship between overconfidence and investment is theoretically justified and practically mentioned in the literature related to this topic, but it has not been fully investigated. As a result, this relationship has been tested in the present research. Evidence and empirical findings confirm the existence of a positive relationship between managers' overconfidence criteria and choosing the level of financial investment.
Harper et al. (2020) investigated the relationship between stock price crash risk and CEO power. Analyzing data from a large sample (17,816 observed firm-years) of US firms from 2001 to 2014, the researchers concluded that stock price risk has a significant negative effect on CEO power. This shows that after the stock price declines, the power of the CEO decreases. The researchers also argued that these results were stronger for firms with female CEOs and longer tenures. Also, the results show that the negative effect of stock price risk on CEO power is reduced for companies with strong corporate governance.
Malik et al. (2020) examined the relationship between CEO characteristics and corporate social responsibility. The statistical population includes companies admitted to the Pakistan Stock Exchange in six industries. Researchers analyzed 1,790 firm-year observations from 2009 to 2018 and concluded that CEO ownership has a negative effect, CEO tenure, CEO education, age, and CEO compensation have a positive effect on corporate social responsibility disclosure. . Also, the results showed that the duality of the CEO and the CEO's gender have little effect on the corporate social responsibility disclosure.
Shahab et al. (2020) examined the effect of adjustment of female managers and ownership structure on the relationship between the power of the CEO and the risk of falling stock prices. The researchers found that the CEO's power to increase the probability of a stock price crash decreases when: (a) the proportion of women and (b) the number of principal and legal owners in the firm are high. Researchers have argued that female directors and ownership structure have a moderating effect on the relationship between CEO power and stock price downside risk.
In their research, Chen, H. & Chen, C, (2019) confirmed the "effect of managers' overconfidence on risk" in financial institutions. They concluded that banks with overconfident managers will face the risk of default and credit risk during periods of economic recession.
Lee et al. (2018) have investigated this issue in a study titled the relationship between managerial abilities and investment opportunities of companies. In this study, they examine whether companies managed by top managers can obtain more favorable

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investment opportunities. For this purpose, the data related to American industrial companies during the years 1988 to 2015 have been used. Empirical results show that there is a positive relationship between managerial ability and investment opportunities, which is more prominent for companies that are in a strong financial position. In general, the findings of this research indicate that companies that have managers with higher ability can earn more profits through better investment opportunities.

Lari and Mohammadi (2018) have investigated this issue in a study titled "Effects of managers' overconfidence on investment". They have stated in this study that overconfidence theory or experience-based learning theory in financing behavior is a function of self-confidence. One of the determining factors of biased behavior in the field of financing governance is that investors do not have a correct understanding of the risk related to losses and damages related to successive transactions in order to find a profitable stock. One of the consequences related to the biases related to managers' overconfidence is the lack of real predictions in this field. Therefore, in this regard, it is necessary to protect investors against the overconfidence of managers and financial advisors to help them in this field. Overconfidence leads investors to overestimate their skills and believe they can time the market. Recognizing and reducing overconfidence is an essential step in laying the foundations of a good financial plan. In the same direction and according to the stated contents, in this article, the risk caused by overconfidence of the management and its effect on investment in securities have been investigated.

Lari Dashtbayaz and Mohammadi (2017) have investigated this issue in a study titled "Effects of overconfidence of managers on the value of companies". They have stated in this study that false self-confidence is one of the most important and modern concepts of financing behaviors, which is important for both financial and psychological theories. The effects of managers' overconfidence corporate practices include accounting policies, so it is important to understand that management overconfidence can lead to the adoption of incorrect and inappropriate policies on investment decisions, financial affairs, or accounting outcomes, and as a result impose heavy costs on companies. In this regard, the present article examines the effects of overconfidence of company managers on the value of companies. In the present study, the value of companies is considered as a dependent variable, and Tobin's Q ratio is used to measure it. Also, the overconfidence variable of management and their impact on the performance of 50 companies during the period between 2011-2015 have been investigated using the regression analysis method. The results of this study have shown that management overconfidence in both methods has significant effects on the value of companies.

Kim, Hyo Jung (2016) has investigated this issue in a study titled "Effects of managers' overconfidence and their ability on auditors' decision-making concerns and auditors' transfers". In this study, he investigated the effects of managerial overconfidence and their ability on 1) the decision of auditors to publish new concerns and 2) the rate of dismissal of auditors after publishing these concerns. When significant doubt about the entity's ability to dispose of a going concern persists for a reasonable period of time, auditing standards prescribe that auditor should obtain information about the client's management plan. The empirical findings of this research show that customers with overconfident managers are more likely to receive such concerns. Also, other findings of this research show that managerial abilities can reduce the positive relationship between managerial overconfidence and the possibility of spreading concerns. In addition, this study examines how these managerial characteristics influence auditor retention decisions, and observes that auditors are more likely to be fired after disclosing a concern. Finally, other findings of this research show that the relationship between management overconfidence and auditor dismissal is more prominent and significant, especially when the management is much stronger than the audit committee in the company.

Kim, Wang and Zhang (2015) in research entitled "Management overconfidence and the risk of stock price crash" showed that after controlling for earnings management derived from agency issues, the characteristic of overconfidence in management increases the probability of stock price crash.

RESEARCH HYPOTHESES

H1: Management's overconfidence has a significant impact on business continuity.

H2: Management ability significantly moderates the relationship between management overconfidence and business continuity.

H3: Overconfidence of the management has a significant effect on the tenure of the auditor.

H4: Management ability significantly moderates the relationship between management overconfidence and auditor tenure.

Population and statistical sample

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The statistical population of the research includes all companies admitted to the Iraqi stock exchange between 2011 to 2020.

- Accepted companies in various industries with the following conditions form the statistical population of the current research.
- Companies must have complete information for all financial statements such as balance sheet, profit and loss statement and cash flow statement.
- Companies should not stop trading during the stock market research period.
- There should be no change in the financial year during the research period.
- The companies are not of the type of investment or financial mediation.

RESEARCH METHODS

This is considered as applied research from the objective aspect. Also, the way of inference regarding the research hypotheses is included in the descriptive-correlational research group. Because to discover the relationships between research variables, regression and correlation will be used, which is inductive reasoning. Also, since results will be obtained by testing the available data, this research is placed in the group of proof theories. In this research, the logistic model has been used to test the hypotheses and by using 9 EViews software, related results were extracted.

Research models and variables

To test the first hypothesis, the logistic model (1) is used:

model (1)

$$\mathbf{Pr(GC_{,t+1}) = F\ (B0 + B1\ OVER_{i,t} + CONTROLS_{i,t} + e_{i,t})}$$

To test the second hypothesis, the logistic model (2) is used:

model (2)

$$\mathbf{Pr\ (GC_{i,t+1}) = F\ (B0 + B1\ OVER_{i,t} + B2\ HLABILITY_{i,t} + B3\ OVER{*}HLIABILITY_{i,t} + CONTROLS_{i,t} + e_{i,t})}$$

To test the third hypothesis, the logistic model (3) is used:

model (3)

$$\mathbf{Pr(TERMINATED_{i,t+1}) = F\ (B0 + B1\ OVER_{i,t} + CONTROLS_{i,t} + e_{i,t})}$$

To test the fourth hypothesis, the logistic model (4) is used:

model (4)

$$\mathbf{Pr(TERMINATED_{i,t+1}) = F\ (B0 + B1\ OVER_{i,t} + B2\ HLABILITY_{i,t} + B3\ OVER{*}HLIABILITY_{i,t} + CONTROLS_{i,t} + e_{i,t})}$$

Management overconfidence ($OVER_{i,t}$): This is a virtual variable that if the company's capital expenditures in a certain period, divided by the total assets at the beginning of the period, are higher than the average for the industry in that year. The firm has a more reliable manager and its value is considered to be one and zero otherwise.

Going concern (GC): In the present study, the auditor's rejected opinions are used to measure the continuity of activity. If the company has received a rejected opinion from the auditor in year 1, it will have a number, otherwise it will be zero.

Management ability ($HLABILITY_{i,t}$): In the current research, the model of Demarjian and Shreik Management (2012) was used to measure the tools. In this model, management is calculated by measuring the company's performance and then entering it into a multivariate linear regression as the dependent and controlling characteristics of the company. In order to measure the efficiency of the company, Demarjian et al. (2012) used the data envelopment analysis (DEA) model. A data envelopment analysis model is a statistical model used to measure system performance using inputs and outputs.

Eq (1)

$$\max_v \theta = \frac{Sales}{v_1 CoGS + v_2 SG\&A + v_3 NetPPE + v_4 OpsLease + v_5 R\&D + v_6 Goodwill + v_7 Intan}$$

In this model, CoGS: cost of goods sold in year t, general SG&A, selling and administrative expenses in year t, NetPPE: net balance of property, plant and equipment in year t, Opslease: operating lease expense in year t, research and R&D development costs in year t, goodwill purchased in year t, Intan: net balance of intangible assets in year t, and sales: sales in year t. It should be noted that since research and development costs and lease information are not recognized by companies in financial statements, its effect is removed from the model.

In this model, a certain coefficient (v) is considered for each of the input variables, because the effect of all input variables on the output (sales) is not the same. The calculated value for the company's efficiency is in the range of zero to 1. Companies with an efficiency score of one are companies that have high efficiency, and companies with an efficiency score of less than one is below the efficiency threshold and should reach it. Threshold efficiency by reducing costs or increasing revenue. The purpose of calculating the company's performance is to measure the management's ability, and since the inherent characteristics of the company are also involved in the performance calculations, it is not possible to measure the management's ability

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correctly. Because affected by these properties, it is calculated more or less than the actual value.
Demirjan et al. in order to control the effect of inherent characteristics of the company in their model. (2012) have divided firm performance into two distinct components, i.e., performance based on intrinsic firm characteristics and management capability. They did this by controlling for five intrinsic firm characteristics (firm size, firm market share, firm cash flow, and listed firm life). Each of these five variables as inherent characteristics of the company can help management to make better decisions or act in the opposite direction and limit management's ability. In the following model presented by Demirjan et al. (2012), these five characteristics are controlled:
model (3)

$$\begin{aligned}\boldsymbol{Firm\ Efficiency_{i,t}} &= \boldsymbol{\beta_0 + \beta_1 Size_{i,t} + \beta_2 Market\ Share_{i,t}} \\ &+ \boldsymbol{\beta_3 Free\ Cash\ Flow\ Indicator_{i,t}} \\ &+ \boldsymbol{\beta_4 Age_{i,t} + \beta_5 Lev_{i,t-1}} \\ &+ \boldsymbol{\beta_6 Industry + \varepsilon_{i,t}}\end{aligned}$$

Size: the size of the company and equal to the natural logarithm of the company's total assets. Market share: the company's market share and equal to the ratio of the company's sales to the total sales of the industry. Free Cash Flow Index: This variable is considered one if operating cash flows are positive and zero if negative. Age: The age of a company listed on the stock exchange is equal to the natural logarithm of the number of years the company has been listed. Lev: financial leverage equal to the ratio of total assets to total assets at the end of the year (Demirjan et al., 2011).
Auditor's tenure ($TERMINATED_{i,t+1}$): If the auditor of the company has changed in year t+1 compared to the year under review, it is equal to one and zero otherwise.

TESTING RESEARCH HYPOTHESES

- H1: Management's overconfidence has a significant impact on business continuity.

The presented results showed that the overconfidence of the management had a significant effect on the business continuity of the investigated companies, so the first hypothesis of the research is not rejected.
This conclusion is in line with the findings obtained by Ben David, Graham, and Harvey (2013); Hwang, Tan, and Pfaff (2016) and Kim (2021) agree.

- H2: Management ability significantly moderates the relationship between management overconfidence and business continuity.

The presented results showed that management ability had a moderating effect on the relationship between overconfidence in management and continuity of activity, so the second hypothesis of the research is not rejected.
This conclusion is with the findings obtained by Krishnan and Wang (2015); Baik, Brockman, Farber, and Lee (2018), Demarjian, Lewis-Western, and McVey (2020), and Kim (2021) agree.

- H3: Overconfidence of the management has a significant effect on the tenure of the auditor.

The presented results showed that the overconfidence of the management had a significant effect on the tenure of the auditor, as a result, the third hypothesis of the research is not rejected.
This conclusion is consistent with the findings obtained by Anderson et al. (2012), Demarjian et al. (2020) and Kim (2021).

- H4: Management ability significantly moderates the relationship between management overconfidence and auditor tenure.

The presented results showed that management ability had a moderating effect on the relationship between management overconfidence and auditor tenure, so the fourth hypothesis of the research is not rejected.
This conclusion is consistent with the findings obtained by Malmendier et al. (2021) and Kim (2021).

RESEARCH FINDINGS

Descriptive Statistics:

The methods by which the collected data can be processed and summarized are called descriptive statistics. This type of statistics only describes the society or the sample and its purpose is to calculate the parameters of the society or the research sample (Azer and Momeni, 2019). In the descriptive statistics section, data analysis has been done using central indicators such as mean and dispersion indicators such as standard deviation. The below table shows descriptive statistics related to research variables.
As can be seen in in the table, the results related to the average, median, standard deviation, minimum and maximum related to the research variables are given.

Table: Descriptive statistics of real research variables

HLABILITY	Age	LEVERAGE	SIZE	ROA	Variable
HLABILITY	Age	LEVERAGE	SIZE	ROA	symbol

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0.13	3.25	0.59	14.41	0.11	Average
0.10	3.19	0.53	14.27	0.09	Middle
0.74	3.54	0.76	20.14	0.78	Maximum
0.02	3.03	0.01	11.04	-1.27	Minimum
0.13	0.19	0.27	1.58	0.15	standard deviation
2.21	0.38	2.77	0.71	-0.34	crookedness
10.07	-1.46	7.98	1.03	9.79	Elongation
810	810	810	810	810	Number

Source: research findings

Continued table: Descriptive statistics of research virtual variables

Going Concern	Auditor tenure	Management overconfidence	Renewal of financial statements	The dual role of the CEO	loss of the company	Variable
GC	TERMINATED	OVER	RESTATEDD	Duality	LOSS	symbol
625	520	710	465	692	320	Number 1
186	291	101	346	119	491	Number 0
77.16	64.20	87.65	57.41	85.43	39.51	1 percent
22.84	35.80	12.35	42.59	14.57	60.49	0 percent
810	810	810	810	810	810	Total observations

Source: research findings

The main central index is the average, which shows the balance point and the center of gravity of the distribution, and is a good indicator to show the centrality of the data, which is equal to 0.11 for the ROA variable. The median is another central index that shows the state of society and states that half of the data is less than this value and the other half is more than this value. Also, the same value of the mean and median indicates the normality of this variable, which is equal to 0.09 for the asset return rate variable. In general, dispersion parameters are a measure to determine the amount of dispersion from each other or the amount of dispersion compared to the average. One of the most important dispersion parameters is the standard deviation, which is equal to 0.15 for the asset return rate variable. The value of skewness indicates the asymmetry compared to the normal curve, the value of skewness for the asset return rate variable is equal to -0.34. The elongation value also shows the elongation compared to the normal curve, and this parameter is equal to 9.79 for the asset return rate variable. The interpretation of the data related to other variables is similar to the asset return rate variable that was given above.

Estimation of research patterns

In order to test the research hypotheses, the logit method is used. The results are presented in the following table:

Table: A: The results of the regression analysis of the first model

$$Pr(GC_{,t+1}) = F\,(B0 + B1\,OVER_{i,t} + CONTROLS_{i,t} + e_{i,t})$$

Possibility	z statistic	Coefficient	Definition	Variable
0.1867	1.326856	0.009898	width from origin	C
0.0000	14.22026	0.889286	Management overconfidence	OVER
0.0000	-14.20983	-0.211821	Company age	AGE
0.0442	2.030149	0.018246	Financial Leverage	LEVERAGE
0.0019	4.525348	0.678899	size of the company	SIZE
0.0990	-1.660399	-0.008933	Return on assets	ROA
0.3059	1.027462	0.000212	Restatement of Financial Statements	RESTATEDD
0.2605	1.129583	0.000473	The dual role of the CEO	DUALITY

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0.0003	3.733021	0.001097	loss of the company	LOSS
0/53		McFadden coefficient of determination		
0/0000	meaningful	36/05		Statistics LR

Source: research findings

The above table shows that because the LR statistic has a probability lower than the 5% significance level, the significance of the entire regression model is confirmed. In addition to the above, the value of McFadden's coefficient of determination shows that about 53% of the changes in the dependent variable are explained by the independent and control variables of the research.

In short, the estimation results of the main research model show that:

- The management overconfidence index (OVER) has had a positive effect on the dependent variable (receiving the auditor's worrying opinion for the continuation of the company's activity), so that for a one percent increase in the management's overconfidence index, the measure of receiving the auditor's worrying opinion for the continuation of the activity The company will increase by 0.88%. It can also be seen that this effect was statistically significant at the level of one percent.
- Other research findings showed that the variables of financial leverage (LEVERAGE), company size (SIZE), restatement of financial statements (RESTATED), dual role of the CEO (DUALITY) and company loss (LOSS) have a positive effect on the dependent variable (receipt the auditor's worrying opinion for the continuation of the company's activity) so that for the increase of the mentioned variables, the criterion of receiving the auditor's worrying opinion for the continuation of the company's activity will increase.
- In addition, it was observed that the variables of age of the company (AGE) and rate of return on assets (ROA) had a negative effect on the dependent variable (receiving the auditor's worrying opinion for the continuation of the company's activity), so that for the increase of the mentioned variables, The standard of receiving the auditor's alarming opinion for the continuation of the company's activity will be reduced.

Finally, it can be seen that the results of the research hypothesis test showed that with the increase of overconfidence of the management, the criterion of receiving the worrisome opinion of the auditor for the continuation of the company's activity increases significantly, as a result, the first hypothesis raised in the research is confirmed.

Table: B: Results of regression analysis of the second model

$Pr(GC_{i,t+1}) = F(B0 + B1\ OVER_{i,t} + B2\ HLABILITY_{i,t} + B3\ OVER*HLIABILITY_{i,t} + CONTROLS_{i,t} + e_{i,t})$

Possibility	z statistic	Coefficient	Definition	Variable
0.0000	6.076753	1.044247	width from origin	C
0.0098	2.613426	0.123168	Management overconfidence	OVER
0.0485	-1.989613	-1.245362	Management ability	HLABILITY
0.0098	-2.613426	-0.123168	Interactive variable	OVER*HLABILITY
0.0389	-2.084149	-0.033001	Company age	AGE
0.0874	1.720948	0.043700	Financial Leverage	LEVERAGE
0.0300	2.191886	0.047648	size of the company	SIZE
0.0013	-3.288880	-0.001948	Return on assets	ROA
0.0065	2.762285	0.002577	Restatement of Financial Statements	RESTATEDD
0.0001	4.157350	0.003901	The dual role of the CEO	DUALITY
0.3838	0.873641	0.011784	loss of the company	LOSS
0/58		McFadden coefficient of determination		
0/0000	meaningful	36/17		Statistics LR

Source: research findings

The above table shows that because the LR statistic has a probability lower than the 5% significance level, the significance of the entire regression model is confirmed. In addition to the above, the value of the McFadden coefficient of determination shows that about 58% of the changes in the dependent variable are explained by the independent and control variables of the research.

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In short, the estimation results of the main research model show that:

- The management overconfidence index (OVER) has had a positive effect on the dependent variable (receiving the auditor's worrying opinion for the continuation of the company's activity), so that for a one percent increase in the management's overconfidence index, the measure of receiving the auditor's worrying opinion for the continuation of the activity The company will increase by 0.88%. It can also be seen that this effect was statistically significant at the level of one percent.
- The management ability index (HLABILITY) has a negative effect on the dependent variable (receiving a worrying opinion from the auditor for the continuation of the company's activity), so that for a one percent increase in the management ability index, the criterion for receiving a worrying opinion from the auditor for the continuation of the company's activity is the amount will decrease by 1.24 percent. It can also be seen that this effect was statistically significant at the five percent level.
- The interactive variable index of management overconfidence with management ability (OVER*HLABILITY) has had a negative effect on the dependent variable (auditor's worrying opinion for the continuation of the company's activity), so that for one percent increase in the interactive variable of management overconfidence with ability Management, the criterion of receiving the auditor's alarming opinion for the continuation of the company's activity will be reduced by 0.12 percent. It can also be seen that this effect was statistically significant at the level of one percent.
- Other research findings showed that the variables of financial leverage (LEVERAGE), company size (SIZE), restatement of financial statements (RESTATED), dual role of the CEO (DUALITY) and company loss (LOSS) have a positive effect on the dependent variable (receipt the auditor's worrying opinion for the continuation of the company's activity) so that for the increase of the mentioned variables, the criterion of receiving the auditor's worrying opinion for the continuation of the company's activity will increase.
- In addition, it was observed that the variables of age of the company (AGE) and rate of return on assets (ROA) had a negative effect on the dependent variable (receiving the auditor's worrying opinion for the continuation of the company's activity), so that for the increase of the mentioned variables, The standard of receiving the auditor's alarming opinion for the continuation of the company's activity will be reduced.

Finally, it can be seen that the results of the research hypothesis test showed that the ability of management leads to the adjustment of the effect of the management overconfidence index on the criterion of receiving the worrisome opinion of the auditor for the continuation of the company's activity, as a result, the second hypothesis proposed in the research is confirmed. take

Table 4-4: C: Results of regression analysis of the third model

$Pr(TERMINATED_{i,t+1}) = F\ (B0 + B1\ OVER_{i,t} + CONTROLS_{i,t} + e_{i,t})$

Possibility	z statistic	Coefficient	Definition	Variable
0.0000	11.66266	3.270959	width from origin	C
0.0129	2.491285	0.748080	Management overconfidence	OVER
0.0544	-1.925786	-0.104060	Company age	AGE
0.0000	6.724047	0.799401	Financial Leverage	LEVERAGE
0.0000	5.644700	0.255884	size of the company	SIZE
0.0266	-2.220403	-0.107425	Return on assets	ROA
0.0000	8.239649	0.672831	Restatement of Financial Statements	RESTATEDD
0.0000	4.702900	0.314528	The dual role of the CEO	DUALITY
0.0143	-2.454297	-0.158234	loss of the company	LOSS
0/49		McFadden coefficient of determination		
0/0000	meaningful	36/05		Statistics LR

Source: research findings

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The above table shows that because the LR statistic has a probability lower than the 5% significance level, the significance of the entire regression model is confirmed. In addition to the above, the value of McFadden's coefficient of determination shows that about 49% of the changes in the dependent variable are explained by the independent and control variables of the research.

In short, the estimation results of the main research model show that:

- The management overconfidence index (OVER) has a positive effect on the dependent variable (auditor tenure), so that for a one percent increase in the management overconfidence index, the auditor tenure criterion will increase by 0.74%. It can also be seen that this effect was statistically significant at the five percent level.
- Other findings of the research showed that the variables of financial leverage (LEVERAGE), size of the company (SIZE), restatement of financial statements (RESTATED), dual role of the CEO (DUALITY) and loss of the company (LOSS) have a positive effect on the dependent variable (period tenure of the auditor) so that for the increase of the mentioned variables, the criterion of the tenure of the auditor will increase.
- In addition, it was observed that the variables of age of the company (AGE) and rate of return on assets (ROA) had a negative effect on the dependent variable (tenure of the auditor) so that for the increase of the mentioned variables, the criterion of the tenure of the auditor will decrease. had

Finally, it can be seen that the results of the research hypothesis test showed that with the increase of overconfidence of the management, the criterion of the tenure of the auditor increases significantly, as a result, the third hypothesis proposed in the research is confirmed.

Table 4-4: D: Results of the regression analysis of the fourth model
$Pr(TERMINATED_{i,t+1}) = F(B0 + B1\ OVER_{i,t} + B2\ HLABILITY_{i,t} + B3\ OVER*HLIABILITY_{i,t} + CONTROLS_{i,t} + e_{i,t})$

Possibility	z statistic	Coefficient	Definition	Variable
0.0023	-3.072892	-0.246751	width from origin	C
0.0052	2.795600	1.006147	Management overconfidence	OVER
0.0001	-4.392220	-0.303090	Management ability	HLABILITY
0.0043	-2.870095	-0.108600	Interactive variable	OVER*HLABILITY
0.0127	-2.501292	-0.166013	Company age	AGE
0.0363	2.093626	0.241801	Financial Leverage	LEVERAGE
0.0331	2.138031	0.160828	size of the company	SIZE
0.0001	-3.873037	-0.123687	Return on assets	ROA
0.0033	2.937828	0.538158	Restatement of Financial Statements	RESTATEDD
0.0001	3.865448	0.219037	The dual role of the CEO	DUALITY
0.0006	-3.465368	-0.058258	loss of the company	LOSS
0/51		McFadden coefficient of determination		
0/0000	meaningful	36/17		Statistics LR

Source: research findings

The above table shows that because the LR statistic has a probability lower than the 5% significance level, the significance of the entire regression model is confirmed. In addition to the above, the value of the McFadden coefficient of determination shows that about 51% of the changes in the dependent variable are explained by the independent and control variables of the research.

In short, the estimation results of the main research model show that:

- The management overconfidence index (OVER) has a positive effect on the dependent variable (auditor tenure), so that for a one percent increase in the management overconfidence index, the auditor tenure criterion will increase by 1.06%. It can also be seen that this effect was statistically significant at the level of one percent.

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- The management ability index (HLABILITY) has a negative effect on the dependent variable (auditor tenure), so that for a one percent increase in the management ability index, the auditor tenure criterion will decrease by 0.30%. It can also be seen that this effect was statistically significant at the five percent level.
- The interactive variable index of management overconfidence with management ability (OVER*HLABILITY) has had a negative effect on the dependent variable (auditor tenure), so that for one percent increase in the interactive variable of management overconfidence with management ability, the criterion of auditor tenure It will decrease by 0.10%. It can also be seen that this effect was statistically significant at the level of one percent.
- Other findings of the research showed that the variables of financial leverage (LEVERAGE), size of the company (SIZE), restatement of financial statements (RESTATED), dual role of the CEO (DUALITY) and loss of the company (LOSS) have a positive effect on the dependent variable (period tenure of the auditor) so that for the increase of the mentioned variables, the criterion of the tenure of the auditor will increase.
- In addition, it was observed that the variables of age of the company (AGE) and rate of return on assets (ROA) had a negative effect on the dependent variable (tenure of the auditor) so that for the increase of the mentioned variables, the criterion of the tenure of the auditor will decrease. had

Finally, it can be seen that the results of the research hypothesis test showed that the ability of management leads to the adjustment of the effect of the management overconfidence index on the criterion of the auditor's tenure, as a result, the fourth hypothesis proposed in the research is confirmed.

CLASSICAL LEAST SQUARES ASSUMPTION TEST

Normality test

The results of the normality test related to the research model are presented in the following table:

Table No. 4-5: The results of the normality test of the research model

Possibility	Jarek statistics	Test	Model
0/1318	3/17	normality	First
0/1423	3/35	normality	Second
0/1311	3/11	normality	Third
0/1892	4/58	normality	Fourth

Source: research findings

In the normality test, the null hypothesis states that the remaining components of the regression model are normal. Considering that the Jarak statistic has a probability higher than 0.10, it shows that the null hypothesis that the remaining components of the regression models are normal is confirmed.

CONCLUSIONS AND SUGGESTIONS

The management of the company by directly influencing the general policies plays an important role in the quality and validity of the information provided in the financial reports, and in the case of poor performance of the management, the continuation of the company's activity may be faced with uncertainty and this itself causes the adjustment of the auditor's opinion. Auditors are required to review the management's assessment of the entity's ability to continue operating and any significant or fundamental uncertainty regarding the continuing activity of the employer that requires disclosure in the financial statements. Based on what has been said, it can be concluded that the management by directly affecting the company's performance has changed the operational risk of the company and thus affects the audit risk. One of the personality traits of managers is the overconfidence of management. Also, one of the important factors affecting risk taking is overconfidence. On the other hand, the management ability can play a significant role in the company's success by influencing the company's operations and information environment.

- The first hypothesis: management's overconfidence has a significant effect on business continuity.

The presented results showed that the overconfidence of the management had a significant effect on the business continuity of the investigated companies, so the first hypothesis of the research is not rejected.

This conclusion is in line with the findings obtained by Ben David, Graham, and Harvey (2013); Hwang, Tan, and Pfaff (2016) and Kim (2021) agree.

- Second hypothesis: management ability significantly moderates the relationship between management overconfidence and business continuity.

The presented results showed that management ability had a moderating effect on the relationship between overconfidence in management and continuity of activity, so the second hypothesis of the research is not rejected.

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This conclusion is with the findings obtained by Krishnan and Wang (2015); Baik, Brockman, Farber, and Lee (2018), Demarjian, Lewis-Western, and McVey (2020), and Kim (2021) agree.

- The third hypothesis: overconfidence of the management has a significant effect on the tenure of the auditor.

The presented results showed that the overconfidence of the management had a significant effect on the tenure of the auditor, as a result, the third hypothesis of the research is not rejected.

This conclusion is consistent with the findings obtained by Anderson et al. (2012), Demarjian et al. (2020) and Kim (2021).

- Fourth hypothesis: management ability significantly moderates the relationship between management overconfidence and auditor tenure.

The presented results showed that management ability had a moderating effect on the relationship between management overconfidence and auditor tenure, so the fourth hypothesis of the research is not rejected.

This conclusion is consistent with the findings obtained by Malemandir et al. (2021) and Kim (2021).

PRACTICAL SUGGESTIONS

- The findings of the research showed that the overconfidence of the management had a significant impact on the continuity of the business, therefore it is suggested that the analysts and investors active in the capital market, the personal characteristics of the board of directors, including overconfidence Consider management as an important and effective factor on the continuity of the companies' business.
- The findings of the research showed that management ability significantly moderates the relationship between overconfidence of management and continuity of activity, based on this, it is suggested that in order to reduce the effect of overconfidence of management in reducing the continuity of activities of companies, managers with more ability should be used.
- The findings of the research showed that the overconfidence of the management had a significant effect on the tenure of the auditor, on this basis, it is suggested that in companies with managers with higher levels of overconfidence, a longer audit period is considered. in order to reduce the audit risk of companies.
- The findings of the research showed that management ability significantly moderates the relationship between management overconfidence and auditor tenure, therefore it is suggested that managers with higher ability be used in the board of directors of companies because of Taking advantage of these abilities, the negative effect of excessive managerial trust on the auditor's tenure should be moderated.

SUGGESTIONS FOR FUTURE RESEARCH

- It is suggested to use other econometric methods (such as ARDL method) to obtain short-term and long-term effects between variables separately.
- It is suggested that through further research, the moderating effect of other management characteristics, such as expertise, education level, age, etc., on the relationship between the variables of continuity of activity and the auditor's tenure.
- Examining the characteristics of the board of directors, the amount of shares owned by the directors, the characteristics of the directors, the majority ownership of the shareholders and the beta index, the investment ratio on the issuance of the auditor's report containing the business continuity clause.
- Examining the relationship between management ability and the relationship between the weakness of internal controls and the change of auditor in the year after the auditor's report containing the going concern clause.
- Examining the effect of management ability on other quality indicators of the information environment; including profit quality characteristics
- Studying the relationship between overconfidence and management ability with other types of auditor comments

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