

AN ANALYSIS OF THE BORSA ISTANBUL MANUFACTURING COMPANIES ON THE KEY AUDIT MATTERS¹



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ABSTRACT The key audit matters (KAM) have been included in the independent audit process recently and are recognized as an application to make the independent audit process more effective. Above all, the global financial crises experienced, and the complex nature of the financial transactions have revealed new quests in the audit process. In this context, the International Auditing and Assurance Standards Board (IAASB) published the "Communicating Key Audit Matters in the Independent Auditor's Report" (ISA 701) standard to make the independent audit process more efficient and meet the expectations of the stakeholders. By this article, the Public Oversight, Accounting and Auditing Standards Authority has published the independent audit standard 701, which includes the communicating of key audit matters in the independent auditor's statement. With the publication of the standart, identifying key audit matters in the audit process and specifying them in statements has also started. In this study, the audit reports (key audit matters) prepared by independent audit firms since 2017 when the mentioned standard came into force were analyzed within a three-year process, unlike previous academic studies in the BIST Manufacturing sector. In this respect, the study has addressed the development of key audit matters over three years and comparatively analyzed the change/transformation of key audit subjects in independent audit statements over the years on a company basis.

Keywords: *Audit report, key audit matters, international standards on auditing*

Jel codes: *M41, M42, M49*

Scope: *Business*

Type: *Research*

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BORSA İSTANBUL İMALAT ŞİRKETLERİNİN KİLİT DENETİM KONULARINA İLİŞKİN ANALİZİ



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ÖZ

Kilit denetim konuları bağımsız denetim sürecine yakın zamanda dahil olan konulardan biri olup bağımsız denetim sürecini daha etkili kılmaya yönelik bir uygulama olarak kabul edilmektedir. Özellikle dünya genelinde yaşanan finansal krizler ve finansal işlemlerin doğası gereği karmaşık yapısı denetim sürecinde yeni arayışları ortaya çıkarmıştır. Bu kapsamda bağımsız denetim sürecinin daha verimli olması ve tarafların beklentilerini karşılayabilmesi için Uluslararası Denetim ve Güvence Standartları Kurulu (IAASB), “Kilit Denetim Konularının Bağımsız Denetçi Raporunda Bildirilmesi” (ISA 701) standardını yayınlamıştır. Bu standarda paralel olarak Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu tarafından kilit denetim konularının bağımsız denetçi raporunda bildirilmesi içeren bağımsız denetim standardı 701’i yayınlamıştır. Standardın yayınlanması ile denetim sürecinde kilit denetim konularının belirlenmesi ve raporlarda belirtilmesi süreci de başlamıştır. Söz konusu standardın yürürlüğe girdiği 2017 yılından itibaren bağımsız denetim firmalarınca oluşturulan denetim raporları (kilit denetim konuları) Borsa İstanbul İmalat sektörü özelinde daha önce yapılan akademik çalışmalardan farklı olarak üç yıllık bir süreç dahilinde analiz edilmiştir. Bu yönüyle çalışma hem kilit denetim konularının üç yıllık periyotta gelişim durumunu ele almış hem de firma bazında üç yıllık süreçte kilit denetim konularının bağımsız denetim raporlarındaki yıllar içerisindeki değişimini/dönüşümünü karşılaştırmalı olarak analiz etmiştir.

Anahtar Kelimeler: Bağımsız denetim, yeni denetim raporları, kilit denetim konuları

JEL Kodu: M41, M42, M49

Alan: İşletme

Türü: Araştırma

1. INTRODUCTION

The independent auditor's main goal is to collect sufficient and appropriate evidence to provide a reasonable assurance in order to establish an opinion and to provide information to stakeholders. (PCAOB, 1972) Audit reports prepared in this context is a process output, and its structure and format have not changed in Turkey for many years. (Doğan, 2018, p. 66) Global crises, frauds, scandals, and other financial developments have made it inevitable that the audit matter changes in content and form. This change was initiated by the International Auditing and Assurance Standards Board and has been adopted in many countries. Turkey has also been one of the countries to adapt to these changes.

The efficiency and reliability of the independent audit will enhance the reliability of the financial information/reports provided by the management of the company. Only accuracy and effectiveness of the audit reports will meet the assurance expected from the stakeholders on this knowledge provided by the business administration (Karaca and Uygun 2016, p. 33) The International Auditing and Assurance Standards Board has published the standard on the key audit matters to increase the reliability of audit reports and make them more transparent and explanatory. This standard requires the auditor to disclose the most significant issues in the auditing process in the audit report (İşseveroğlu, 2019, p. 50)

The change experienced by the audit process at both international and national levels has been discussed with this study and the key audit matters for companies operating in the Borsa Istanbul manufacturing industry have been examined comparatively over a three-year period since 2017 when key audit matters began to be included in independent audit reports.

2. KEY AUDIT MATTERS

The audit aims to increase confidence in financial statements (Şen, 2003, p. 2) with the realization of the audit, stakeholders will reach transparent and reliable reports. Although there is no debate about the necessity and usefulness of auditing at all levels, there is always a need and expectation for innovation regarding the implementation process and communicating.

This need has increased even more with the developments in recent years. As a result of the studies conducted in this context, the International Auditing and Assurance Standards Board has published the standard for key audit matters. The standard aims to raise the value of the inspection report by ensuring the transparency of the audit process.

Key audit matters can be defined as the communicating of important issues that the auditors pay attention to in the audit process according to their

professional judgment (Bedard et al., 2014, p. 6) While determining these issues, the following items are taken into consideration (BDS 701, p. 9);

- *Areas considered to be at higher risk of "material misstatement" or identified as being at serious risk by ISA 315 (section A19 - A22)*
- *Significant auditor judgments regarding areas of financial statements that involve significant management judgments, including accounting estimates determined to have high estimation uncertainty (section A23 - A24)*
- *The effects on the audit of significant events or transactions occurring during the period (section A25 - A26)*

Key audit matters cover the significant issues that the independent auditor presents to the company's top management according to her/his professional experience and within the scope of the topics determined in the standards. These issues/findings may differ from business to business (Sayar and Ergüden, 2016, p. 95) The inclusion of key audit matters in the auditor's report will provide more specific information about potential risk issues to especially non-professional investors (Teraman and Çelik, 2019, p. 52)

Before the key audit standard implementation in Turkey, the auditor's inspections did not contain explanatory information on significant matters. With the inclusion of the key audit matters in the reports, key issues specific to the business began to be included in the statements under separate headings. In this way, users benefiting from financial statements have the opportunity to make more accurate investment decisions.

The International Audit and Assurance Standards Board listed the benefits of including key audit matters in independent audit reports as follows (Biçer and Erol, 2017, p. 75);

- Increasing the value of the report in the eye of the users by providing more transparency regarding the audit process,
- Revealing the points that investors and other information users focus on by including key audit matters to the report,
- Ability to establish a closer relationship with the users of the audit report findings and with the company management through key audit matters,
- Improving the relationship between the auditor and the audit commission,
- Occupational skepticism of the independent auditor may affect the audit quality by including key audit matters in the report.

The risk that the key audit matters' inclusion in the auditor's reports can create pressure on the auditor should not be overlooked (Dow, 2014; as cited in

Teraman, and Çelik, 2019) Besides, the disclosure risk of company information that may be inconvenient to divulgence should also be considered.

Key audit matters should be under a separate heading in the reports, and the explanation related to each KAM should be prepared in such a way to refer to the explanations in the financial statements (Uzay and Köylü, 2018, p. 50) A key audit matter notification sample included in the audit reports and evaluated in this study is shown in Table 1.

Table 1. A Sample Key Audit Matter Statement

<i>Key Audit Matter</i>	<i>The way this issue was addressed in the audit</i>
<p><i>Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives</i></p> <p><i>Anadolu Efes Biracılık ve Malt Sanayii A.Ş. ("Anadolu Efes") and its subsidiary, Coca-Cola İçecek A.Ş. ("Coca-Cola"), has expanded their operations with business mergers. As a result of the business combinations, the share of goodwill and intangible assets of Anadolu Efes in its total assets has reached 42% in the consolidated financial statements. The Group management performs annual impairment testing of its cash-generating units to which goodwill has been allocated and its intangible assets with indefinite lives by its accounting policies. The recoverable amount of cash-generating sections and intangible assets with infinite lives is determined based on the value in use. Recoverable amount is determined based on discounted projected cash flows using significant management estimates, such as revenue increase, the weighted average cost of capital, discount rate, long-term growth rate, and inflation rate. There are substantial estimates and assumptions used in the impairment tests performed by the Group management and these assets have material magnitude on the consolidated financial statements, so the impairment testing of goodwill and intangible assets with infinite lives is determined as a key audit matter. The related disclosures containing the accounting policies for impairment testing of goodwill and intangible assets with indefinite lives are disclosed in Notes 2 and 17.</i></p>	<p><i>The audit procedures performed include but are not limited to the followings:</i></p> <ul style="list-style-type: none"> • <i>Evaluating the appropriateness of cash-generating units determined by Group management,</i> • <i>Evaluating the Group's budget processes in details (the basis of estimations) and testing of principle and arithmetical accuracy of models used for discounted projected cash flows,</i> • <i>Evaluating forecasted cash flows for each cash-generating unit comparing with its prior year's financial performances,</i> • <i>Through the involvement of our internal valuation specialists, assessing the reasonableness of key assumptions used in each cash-generating unit, including earnings before interest, tax, depreciation and amortization ("EBITDA"), long term growth rates and discount rates,</i> • <i>Comparative analysis of actual results with the initial estimations to verify the accuracy of historical assumptions,</i> • <i>Evaluating the sensitivity of the results to the changes that may occur in the basic assumptions in the impairment tests carried out by the management,</i> • <i>Evaluating the appropriateness of related disclosures regarding Intangible Assets with Indefinite Lives and Goodwill in Notes 17 per TFRS.</i>

Source: Anadolu Efes Biracılık ve Malt Sanayii A.Ş. Independent Audit Report for year 2019.

There is no standard pattern to follow when drafting key audit matters by the auditor. As in the example above, the auditor includes issues he appreciates as significant in this report under the content of the independent audit standard.

In exceptional cases where the legislation does not allow the matter to be disclosed to the public or it is reasonably expected that the adverse consequences of the public disclosure will exceed the public interest of the disclosure, the auditor may decide not to communicate the matter in the auditor's report (ISA 701, par. 37)

3. LITERATURE SUMMARY

Researcher	Release Date	Headline	Publication Type	Content/Conclusion
Biçer, A. A. Erol, S.	2017	Communicating Key Audit Matters Identified During Audit Process to Financial Information Users in Accordance With ISA 701	Article	This study aims to define the auditors' professional judgment process from determining the key audit matters up to the communicating of appropriate information that needs to be explained in the context of ISA 701.
Doğan, A.	2018	A New Approach In Auditing: Key Audit Matters	Article	The article examines how to determine key audit matters in accordance with the new audit standard ISA/BDS 701 and how these issues will be communicated in the independent audit report.
Gökgöz, A.	2018	Communicating Key Audit Matters within the Independent Audit's Report and A Study on The Companies Listed in Borsa İstanbul	Article	The study examined the audit reports of 140 companies registered in BIST for the fiscal year 2017 and made qualitative and quantitative analyzes within the scope of key audit matters. It has been determined that the key audit matters primarily include revenue, trade receivables, inventories, tangible assets, and investment properties, respectively.
Kavut, F. L. Güngör, N.	2018	Key audit matters in Independent Auditing: 2017 Analysis of BIST-100 Companies	Article	In the study, content analysis of key audit matters included in the independent audit reports of BIST-100 companies in 2017 was conducted. As a result, the study determined that companies operating in the same sector attach importance to particular subjects and the auditors find similar issues significant in the sectoral field.
Çağırın Kalıpçı, F. Varıcı, İ.	2018	Key audit matters within the Framework of Independent Auditing Standard (ISA) 701: An Analysis on Audit	Article	This study aims to conduct the content analysis of the enterprises registered in the manufacturing sector of the BIST per 2017 audit reports data.

		Reports of Enterprises in Borsa Istanbul Manufacturing Industry Sector		
Karacan, S. Uygun, R.	2018	Communicating Key Audit Matters in the Independent Auditor's Report - ISA 701	Article	The research intends to evaluate the auditing reports of 62 companies operating in the real sector and traded in BIST. In the study, financial statement users demand the auditors not only to express their opinions, but also prepare business-specific reports without adhering to standard patterns and provide more explanatory and specific information on the company.
Oktay, S. Bozkurt, S. Şahin, B. Ş.	2018	Investigation of Studies in the Field of Key Audit Matters by Content Analysis	Article	This study carried out the content analysis to define the direction of the research performed on the field of the key audit matters and to raise awareness for further studies. For this purpose, the articles published in Ebsco, Wiley, Jstor, and Google Scholar databases were examined. The study evaluated the papers in the relevant databases in terms of the author, journal name, year, research methodology, data collection tools and techniques, sample, and related topics.
Uzay, Ş. Köylü, Ç.	2018	Key Audit Matters: A Study on Borsa Istanbul	Article	The study, aiming to determine the key audit matters the auditors attach importance to during the audit process using the content analysis method, was conducted on 181 businesses registered in the BIST manufacturing sector. Independent audit reports of 170 companies were examined in the study, and 354 key audit subjects were declared.
Velte, P.	2018	Does Gender Diversity in the Audit Committee Influence Key Audit Matters' Readability in the Audit Report? UK Evidence.	Article	This paper investigates the relationship between the percentage of women on audit committees (WOAC) in UK firms and the auditors' disclosures on key audit matters (KAM) from 2014 to 2015. The results show that firms with a higher percentage of WOAC have higher readability of KAM disclosures
Altawalbeh	2019	The Investors	Article	The purpose of this article is to explore

, M. A.F. Alhajaya, M. E. S.		Reaction to the Disclosure of Key Audit Matters: Empirical Evidence from Jordan		the impact of disclosure of key audit matters on investors' decisions. For this aim, the study examined the Jordanian market responses to the statements of key audit matters. The results show that the Jordanian market reacts differently.
Asbahr, K. Ruhnke, K.	2019	Real Effects of Reporting Key Audit Matters on Auditors' Judgment and Choice of Action	Article	This experimental study aims to analyze whether communicating an accounting estimate as a key audit matter (KAM) can influence auditor judgment about the accounting estimate and the corresponding action.
Çiğer, A. Vardar, G. Ç. Kınay, B.	2019	Key Audit Matters: A Research on Listed Firms in CEE Countries and Turkey	Article	This study aims to identify and analyze the most significant matters (key audit matters) in auditing highlighted in auditors' reports of companies in the manufacturing sector and to determine whether there is a divergence or convergence between the CEE countries and Turkey.
Çiğer, A. Vardar, G. Ç. Kınay, B.	2019	Analysis of Key Audit Matters in Independent Auditor Reports: Borsa İstanbul Example	Article	Based on the data in the auditor's reports between 2009 and 2017, the article obtained information on the following subjects of 500 companies in the BIST: the number of key audit subjects, the duration of work with the current audit firm, the number of different audits the companies worked with, the financial statement presentation type, types of opinions, previous working times and audit network with the current audit firm. The study aims to perform a frequency analysis of key audit matters by industry and audit firms.
Çağırın Kalıpçı, F.	2019	Analysis of Key Audit Matters in the Context of Countries under ISA 701	Article	The study aims to explain the ISA 701 key audit matters within the scope of the independent auditor standard by including examples from audit reports on key audit matters of enterprises in different countries.
Ertan, Y. Kızık, E.	2019	Key Audit Matters: Examination of 2017 Audit Reports of Enterprises Operating in the BIST	Article	The article covered 177 businesses registered in the BIST manufacturing industry to examine the key audit matters included in the audit report. The study assesses the first applications of KAM in terms of the

		Manufacturing Sector		manufacturing sector, sub-sectors of the manufacturing industry, and audit firms.
Sierra-Garcia, L. Gambetta, N. Garcia-Benau, M. A. Orta-Perez, M.	2019	Understanding the Determinants of the Magnitude of Entity-Level Risk and Account-Level Risk Key Audit Matters: The Case of the United Kingdom	Article	This study analyzed the influence of auditor and client characteristics on the magnitude and type of key audit matters (KAM) disclosed in the audit reports of the FTSE 100 companies in the UK during the period 2013–2016.
Gönen, S. Yıldırım, F.	2019	ISA 701 Key Audit Matters: An Analysis of BIST Banks and Insurance Companies	Declaration	After examining the ISA 701 key audit matters standard, it was aimed to analyze inspecting the 2017 audit reports for Banks and Private Finance Institutions and Insurance companies registered in BIST. The analysis revealed that “Impairment of Loans and Receivables” is the most significant issue for auditors in banks and private financial institutions as “estimates and assumptions used for the calculation of the technical provisions of insurance” are substantial for insurance companies.
İşseveroğlu, G.	2019	Key Audit Matters In Independent Audit Report: Analysis On Insurance Companies Listed In The BIST In 2017 And 2018	Article	The article addresses the standard and communicating of key audit matters by carrying out content analysis for insurance companies registered in BIST regarding the importance and explanations of key audit matters included in the audit reports in 2017-2018.
Uzun Kocamış, T. Yıldırım, G.	2019	Key Audit Matters in the Independent Auditor's Report: Possible Effects	Article	The article attempts to identify how key audit matters are identified within the scope of ISA 701 key audit matters, what issues the auditor should emphasize in the report, and their possible effects.
Sahyda, R.	2019	Key Audit Matters in Enhanced Auditor's Report: Tracing Malaysia in Its First Year Implementation	Article	This study examines the key audit matters included in the independent auditor's report according to the enhanced auditor reports, the latest international auditing standards rule.
Sarısoy, Ö.	2019	Including Key	Article	This research aimed to study the

Kepece, N.		Audit Matters in the Independent Audit Report and Differences in Expectations		opinions of the auditing report users on the “Key Audit Matters” and the independent audit statements exposed to modifications. The study conducted the Survey technique and evaluated the data using the statistical technique. The study determined a significant expectation gap among the interest groups regarding the key audit matters.
Taş, O. Mert, H. Varcan Başkaya, A.	2019	Key Audit Matters in Independent Audit Reports and a Research on Implementations	Declaration	From the data of 2017 and 2018 audit reports, key audit matters of publicly traded companies were analyzed and interpreted by comparing them in terms of scope and explanations.
Teraman, Ö. Çelik, B.	2019	Reflecting Key Audit Matters in the Independent Audit Report: A Study on the Effect of the Independent Auditors	Article	The study aimed to determine the effects of 701 independent audit standards on independent auditors within the scope of qualitative research.
Segal, M.	2019	Key Audit Matters: Insight from Audit Experts	Article	The purpose of this study is to analyze whether the latest regulation for the auditors of companies registered BIST on communicating key audit matters in the auditing reports increased the audit reports transparencies, what additional risks they are currently facing, how the risk is managed, and its impact on customer relationships.
Aktaş, R. Acar, M.	2020	Critical Audit Matters within the Perspective of Audit Materiality Threshold: Borsa İstanbul Case	Article	The study examines key audit matters, which started to be included in independent audit reports in 2017 for the first time, in the BIST 100 index for the 2017-2018 period. KAM was handled individually on a company basis, and then grouping was made between KAM and the account items they relate to it. Addressing key audit matters shaping the audit process in terms of their materiality emphasizes the study's uniqueness.
Arzova, S. B. Şahin, B. Ş.	2020	ISA 701 (BDS 701) Key Audit Matters: Analysis of	Article	The study made a content analysis of the audit reports for the companies operating in the financial services field

		Financial Institutions in BIST 30, BIST 50 and BIST 100 Indices		in BIST 30, BIST 50, and BIST 100. It aimed to determine the significance level between the relationship between the KAM and the elements related to the audit in these companies, and the auditor's opinion, the audit firm, and the number of pages.
Aytaç, A. Gücenme Gençoğlu, Ü.	2020	Key Audit Matters: A Perspective Based on Bibliometric Analysis	Article	This study aims to identify the strategic scheme of key audit matters and to see the longitudinal evolution of key audit matters after the draft published in 2013.
Gold, A. Heilmann, M. Pott, C. Rematzki, J.	2020	Do Key Audit Matters Impact Financial Reporting Behavior?	Article	This study empirically examines whether the application of key audit matters in auditor reports affects the communicating behavior of managers.
Keskin, D. A. Tutar, S. Öktem, B. Akçay, B.	2020	The Effect of Gender on The Readability of Key Audit Matters According to ARI Readability Index: A Sectoral Review	Article	The study aimed to examine the readability of key audit subjects under the ARI readability index according to gender differences. The study evaluated key audit matters in the independent auditor reports published in 2018 according to the readability index of businesses operating in the banking, manufacturing, and telecommunications sectors.
Köhler, A. Ratzinger-Sakel, N. Theis, J.	2020	The Effects of Key Audit Matters on the Auditor's Report's Communicative Value: Experimental Evidence from Investment Professionals and Non-professional Investors	Article	They investigate the impact of key audit matters (KAM) in the auditor's report as required by the new ISA 701. They consider investment professionals and non-professional investors in the experiments, in which they test the communicative value of a KAM section relating to goodwill impairment. Their main results show that if the KAM section suggests that <i>already small</i> changes in the key assumptions could eventually lead to a goodwill impairment (KAM negative condition), investment professionals assess the economic situation of the company to be significantly better in comparison.
Shao, X.	2020	Research on Disclosure Status and Influencing Factors of Key	Article	This article mainly examines the factors that influence key audit matters in China. It quantifies the characteristics of KAM and researches

		Audit Matters		the impact on the disclosure of key audit matters at two levels of the firm and the auditor.
In, C. Kim, T. Park, S.	2020	Key Audit Matters for Production-To-Order Industry and Conservatism	Article	In this study, the effects of key audit matters (KAMs), one of the measures recently introduced to improve accounting transparency in the production-to-order industry in terms of corporate sustainability, are examined.

4. RESEARCH METHODOLOGY

4.1. Purpose

In an environment where even small and medium-sized businesses open to international markets and cooperate with multinational organizations, it is an inevitable necessity for companies to have a more transparent and reliable legal and administrative structure. This situation becomes more significant, especially in public enterprises. That many investors have information about short or long-term business policies will enable them to participate more effectively in these investment decisions. In this context, key audit subjects included in the independent audit standard create a more transparent and reliable space for the stakeholders. This study aimed to evaluate three-year-period key audit matters specific to the Borsa İstanbul manufacturing sector.

4.2. Scope-Limitations

The study is limited to enterprises operating in the Borsa Istanbul manufacturing sector. These companies included key audit matters in their audit reports uninterruptedly in the 2017-2018-2019 periods. In this context, between the dates of 01.06.2020-31.06.2020 when the research data were collected, 126 companies were evaluated, which added key audit matters in their audit reports and opening their data to access via the website.

4.3. Method

In this study, the audit reports of companies in the Borsa Istanbul manufacturing sector, that include key audit matters in their statements for the full last three years, were examined using content analyses. Unlike previous studies, a single table includes the each enterprises's key audit matters data of three years in the audit reports of the companies. These periods are grouped and interpreted separately by years. Thus, the key audit changes/improvements in the statements within three years can be easily evaluated on an enterprise basis. The audit reports of the organizations can be found on the relevant company's website.

4.4. Findings

Key audit matters of the enterprises evaluated in the study are grouped by years and given in Table 2. tangible fixed assets

Table 2. Manufacturing Sector Key Audit Matters Frequency Analysis Between 2017 and 2019

Grouped Key Audit Matters			
Company Name	2017	2018	2019
1-AVOD Kurutulmuş Gıda	*Tangible fixed assets *Revaluation of real estate *Inventories	*Trade Receivables *Inventories *Revenues	*Trade Receivables *Inventories *Revenues *Revaluation of real estate
2- Acıselan	*Tangible fixed assets *Revenues	*Tangible fixed assets *Revenues	*Revaluation of real estate
3- Adana Çimento	*Revenues *Impairment of shares in associates	*Revenues *Impairment of shares in associates	*Revenues *Impairment of shares in associates
4- Adel Kalemcilik	*Sales discounts	*Sales discounts	*Sales discounts
5- Afyon Çimento	*Construction In Progress *Capitalization of financing costs *Income tax deduction	*Depreciation *Income tax deduction	*Corporate tax deduction
6-Akın tekstil	*Trade Receivables *Revaluation of real estate *Stock impairment	*Trade Receivables *Stock impairment *Tangible fixed assets	*Trade Receivables *Stock impairment *Tangible fixed assets *Revaluation of real estate
7- Aksa Akriklik	*Trade receivables - Impairment *Corporate tax calculation	*Stock impairment *Trade receivables - Impairment	*Stock impairment *Trade receivables - Impairment
8-Alarko	*Revenue *Inventories	*Revaluation of real estate *Trade Patables *Impairment	*Revenue *Revaluation of real estate *Impairment
9- Alkim	*Recoverability of trade receivables	*Recoverability of trade receivables	*Recoverability of trade receivables
10- Anadolu Cam	*Tangible fixed assets *Revenues	*Hedge Accounting *Deferred tax assets	*Auditor transition *Deferred tax assets *Provisions for Employee Benefits
11- Anadolu Isuzu	*Sales discounts *Tangible fixed assets	*Deferred tax assets	*Deferred tax assets
12- Arçelik	*Recoverability of trade receivables *Stock impairment	*Recoverability of trade receivables *Stock impairment	*Recoverability of trade receivables *Stock impairment

	*Tangible fixed assets	*Tangible fixed assets	*Tangible fixed assets *The Leases Standard
13-Aslan Çimento	*Revenue *Impairment of shares in associates	*Revenue *Impairment of shares in associates	*Impairment of shares in associates *Revenue
14- Ayes	*Accounting for inventories *Trade Receivables *Impairment	*accounting for inventories *Trade Receivables *Impairment	*financial liabilities
15- Aygaz	*Financial investments	*Financial investments	*Financial investments
16- Bağfaş	*Recognition of Revenue	*Recognition of Revenue	*Recognition of Revenue
17- Bak Ambalaj	*Investments in Progress *Capitalization of borrowing costs	*Tangible fixed assets	*Tangible fixed assets
18-Bantaş	*Tangible fixed assets *Trade Payables Financial liability *Trade Receivables	*Tangible fixed assets *Trade Payables Financial liability *Trade Receivables	*Tangible fixed assets *Trade Payables Financial liability *Trade Receivables *Inventories
19- Baştaş Çimento	*Deferred tax assets *Goodwill *Stock purchase	*Goodwill	*Tangible fixed assets
20- Batıçim	*Capitalization of borrowing costs *Tangible fixed assets	*Capitalization of borrowing costs *Tangible fixed assets	*Inventory Value Impairment *Deferred tax assets
21- Batsöke	*Capitalization of borrowing costs *Tangible fixed assets	*Capitalization of borrowing costs *Tangible fixed assets	*Inventory Value Impairment *Deferred tax assets
22-Berkosan	*Trade Receivables	*Trade Receivables	*Revenue
23- Bilici	*Revenue	*Revenue *Tangible fixed assets	*Revenue
24-Bolu Çimento	*Impairment of shares in associates *Revenue	*Impairment of shares in associates *Revenue	*Impairment of shares in associates *Revenue
25-Burçelik	Deferred tax assets	Deferred tax assets *Revenue	*Revenue
26- Borusan	*Evaluation of Impairment *Tangible fixed assets	*Revenue *Tangible fixed assets	*Revenue *Tangible fixed assets
27- Bosch Fren	*Revenue	*Revenue	*Revenue
28- Bossa Ticaret	*Tangible fixed assets *Accounting of merger transactions	*Tangible fixed assets *Investment incentives *Capitalization of borrowing costs	*Trade Receivables- Impairment

29- Brise	*Revenue *Trade Receivables	*Revenue *Trade Receivables	*Revenue *Trade Receivables
30- Coca-Cola	*Intangible fixed assets	*Goodwill *Intangible fixed assets	*Goodwill *Intangible fixed assets
31- Çelik Halat	*Revenue	*Revenue	*Revenue
32- Çemaş Döküm	*Related party transactions *Trade Receivables *Trade payables	*Related party transactions *Trade Receivables *Trade payables	*Related party transactions *Trade Receivables *Trade payables
33-Çimsa	*Goodwill *Financial costs	*Goodwill *Financial costs	*Goodwill
34- Çuhadaroğlu	*Revenue *Tangible fixed assets	*Revenue	*Trade Receivables *Inventories
35-Dardenel	*Revenue *Trade Receivables	*Revenue *Trade Receivables	*Revenue *Trade Receivables
36-Demirsaş	*Trade Receivables *Revenue *Inventories	*Trade Receivables *Revenue *Inventories	*Revenue *Trade Receivables *Inventories
37-Denizli Cam	*Auditing the Auditor's History and Opening Balances *Deferred tax assets *Provisions for Employee Benefits	*Revenue *Tangible fixed assets *Deferred tax assets	*Revenue *Inventories
38-Desa Deri	*Provisions for tax penalties *Tangible fixed assets	*Revenue *Provisions for tax penalties *Tangible fixed assets *Inventories	*Revenue *Tangible fixed assets *Inventories
39-Deva Holding	*Capitalized development costs *Inventories	*Capitalized development costs *Inventories	*Capitalized development costs *Inventories
40-Diriteks	*Inventories *Revaluation	*Inventories	*Management reviews *Financial liabilities
41-Ditaş	*Revenue	*Revenue	*Revenue
42-Doğan Burda	*Recording of income	*Recording of income	*Recording of income
43-Doğtaş Kelebek	*Trade Receivables *Inventory Value Impairment	*Revenue *Management reviews	*Revenue *financial liabilities
44-Duran Doğan	*Revenue *Internal control	*Revenue	*Revenue
45-DYO Boya	*Land and buildings *Trade Receivables	*Land and buildings *Trade Receivables	*Land and buildings *Trade Receivables

46-Ege Endüstri	*Investments in Progress	*Business combinations and goodwill	*Business combination
47-Ege Gübre	*Inventories *Tangible fixed assets	*Inventories *Tangible fixed assets	*Inventories *Tangible fixed assets
48-Ege Profil	*Trade Receivables Deferred tax assets	*Trade Receivables	*Trade Receivables
49-Ege Seramik	*Revenue	*Revenue	*Revenue *Consolidated financial statements
50-Erbosan	*Foreign currency transactions	*Foreign currency transactions	*Foreign currency transactions
51-Ereğli Demir ve Çelik	*Revenue *Depreciation	*Revenue	*Revenue *Consolidated financial statements
52-Ford	*Cash Flow Hedge Accounting *Warranty Provision	*Cash Flow Hedge Accounting *Warranty Provision	*Cash Flow Hedge Accounting *Warranty Provision *The Leases Standard
53-Gediz	*Trade Receivables *Revenue *Tangible fixed assets	*Trade Receivables *Revenue	*Trade Receivables *Revenue
54-Gentaş	*Transactions and balances with related parties	*Transactions and balances with related parties *Revenue	*Transactions and balances with related parties *Revenue
55-Göлтаş	Deferred tax assets	Deferred tax assets *Revenue	*Revenue *Litigations
56-Gersan	*Inventories *Tangible fixed assets *Trade Receivables	*Inventories *Tangible fixed assets *Trade Receivables	*Trade Receivables *Inventories
57-Gübretaş	*Trade Receivables	Deferred tax assets	Deferred tax assets
58-Hateks	*Tangible fixed assets *Trade Receivables	*Trade Receivables	*Tangible fixed assets
59-Hektaş	*Trade Receivables *Business combinations *Goodwill	*Revenue *Trade Receivables *Goodwill	*Revenue *Trade Receivables *Business combinations
60- Hürriyet Gazetecilik	*Intangible fixed assets *Revaluation of real estate *Land and buildings	*Revaluation of real estate *Land and buildings	*Revaluation of real estate *Land and buildings
61- İhlas Ev Aletleri	*Trade Receivables *Inventory Value Impairment *Appreciation of real estate	*Trade Receivables *Inventory Value Impairment *Appreciation of real estate	*Trade Receivables *Inventory Value Impairment *Appreciation of real estate

	*Intangible fixed assets *Revenue	*Intangible fixed assets *Revenue	*Intangible fixed assets *Revenue
62- İhlas Gazetecilik	*Trade Receivables *Recoverability of the investment valued by equity method *Appreciation of real estate *Intangible fixed assets *Provision for severance pay *Revenue	*Trade Receivables *Recoverability of the investment valued by equity method *Appreciation of real estate *Intangible fixed assets *Provision for severance pay *Revenue	*Trade Receivables *Recoverability of the investment valued by equity method *Appreciation of real estate *Intangible fixed assets *Provision for severance pay *Revenue
63- İskenderun Demir	*Revenue *Depreciation	*Revenue *Depreciation	*Revenue *The Leases Standard
64- İzmir Demir Çelik	*Revenue *Trade Receivables	*Revenue *Trade Receivables	*Revenue *Trade Receivables *Tangible fixed assets
65- Jantsa	*Tangible fixed assets *Provisions for Employee Benefits *Trade Receivables	*Tangible fixed assets *Provisions for Employee Benefits *Inventory Value Impairment	*Tangible fixed assets *Revenue
66- Kaplamin	*Revenue *Trade Receivables	*Revenue *Trade Receivables	*Revenue *Trade Receivables
67-Klimasan	*Bill and keep transactions	*Bill and keep transactions *Revenue	*Revenue *Trade Receivables
68-Kardemir	*Goodwill *Inventory Value Impairment *Investment incentives *Depreciation *Compliance with financial ratios	*Inventory Value Impairment *Depreciation *Tangible fixed assets	*Revenue
69-Karsan	*Provision for warranty *Capitalized development costs	*Provision for warranty *Capitalized development costs	*Provision for warranty *Capitalized development costs
70-Karsu	*Trade Receivables *Inventories *Revenue	*Trade Receivables *Inventories *Revenue	*Trade Receivables *Inventories *Revenue
71- Kartonsan	*Trade Receivables *Inventories *Tangible fixed assets *Revenue	*Trade Receivables *Inventories *Tangible fixed assets *Revenue	*Trade Receivables *Inventories *Tangible fixed assets *Revenue

72-Konfrut	*Inventories *Revenue	*Inventories *Revenue	*Inventories *Trade Receivables
73-Konya Çimento	*Trade Receivables *Provisions for severance pay	*Provisions for severance pay	*Tangible fixed assets
74-Kordsa	*Revenue	*Revenue *Business combinations	*Revenue *Business combinations
75-Makine Takım Endüstri	*Trade Receivables *Revenue	*Trade Receivables *Revenue	*Revenue
76-Mardin Çimento	*Revenue	*Revenue	*Revenue
77-Marshall Boya	*Trade Receivables	*Trade Receivables	*Trade Receivables
78-Menders Tekstil	*Revenue *Provisions for severance pay *Tangible fixed assets	*Revenue *Trade Receivables *Provisions for severance pay *inventory valuation	*Revenue *Trade Receivables *inventory valuation
79-Niğbaş	*Revenue	*Revenue	*Revenue
80-Nuh Çimento	*Revenue *Impairment tests	*Revenue *Impairment tests	*Revenue *Impairment tests
81- Olmuksan	*Doubtful trade receivables *Impairment of assets	*Doubtful trade receivables *Impairment of assets	*Expected loss provision
82-Orma Orman Mahsulleri	Deferred tax assets *Tangible fixed assets	Deferred tax assets *Tangible fixed assets	*Revenue *Tangible fixed assets
83-Otokar Otomotiv	*Provision for Warranty Expenses	*Provision for Warranty Expenses	*Provision for Warranty Expenses
84-Özbal Çelik	*Inventory Value Impairment *Trade Receivables	*Inventory Value Impairment *Trade Receivables	*Inventory Value Impairment *Trade Receivables
85-Özerden Plastik	*Real estate valuation	*Real estate valuation	*Real estate valuation
86-Parsan	*Revenue *Tangible fixed assets	*Revenue *Tangible fixed assets	*Revenue *Tangible fixed assets
87-Penguen Gıda	*Real estate valuation	Deferred tax assets	*Tangible fixed assets *Real estate valuation Deferred tax assets
88-Petkim	*Ongoing tax reviews	*Ongoing tax cases	*Ongoing tax cases
89-Pınar Et	*Land and buildings	*Land and buildings	*Land and buildings
90-Pınar Su	*Land and buildings *Accounting policy change *Trade Receivables	*Land and buildings *Trade Receivables	*Land and buildings *Trade Receivables

91-Pınar Süt	*Land and buildings	*Land and buildings	*Land and buildings
92-Politeknik	*Trade Receivables *Inventory Value Impairment	*Trade Receivables *Inventory Value Impairment	*Trade Receivables *Inventory Value Impairment
93-Rodrigo Tekstil	*Revenue *Doubtful trade receivables	*Revenue *Doubtful trade receivables	*Inventories *Revenue
94-RTA Laboratuvarı Biyolojik Ürünleri	*Tangible fixed assets *Trade Receivables	*Tangible fixed assets *Trade Receivables	*Trade Receivables *Inventories
95-Safkar	*Trade Receivables *Goodwill	*Trade Receivables *Revenue	*Trade Receivables *Revenue
96-Sanifoam Sünger Sanayi	*Impairment in inventories *Tangible fixed assets *Revenue	*Trade Receivables *Impairment in inventories *Tangible fixed assets *Revenue	*Trade Receivables *Real estate valuation
97-Saray Matbaacılık	*Revenue *Inventories *Financial liabilities *Corporate Tax Exemption Application	*Revenue *Inventories *Financial liabilities	*Revenue *Inventories *Financial liabilities
98-Sarkuysan	*Trade Receivables *Real estate valuation *Financial liabilities *Revenue	*Trade Receivables *Real estate valuation *Financial liabilities *Revenue	*Trade Receivables *Real estate valuation *Financial liabilities *Revenue
99-Sasa Polyester	*Tangible fixed assets *Revenue	*Revenue *Investment incentive *Borrowing cost	*Revenue Deferred tax assets *Borrowing cost
100-Say Reklamcılık	*Revenue *Trade Receivables *Assets subject to operating lease	*Revenue *Impairment in inventories	*Revenue *Inventory Value Impairment
101-Sekuro Plastik Ambalaj	*Tangible fixed assets *Elimination processes *Financial liabilities *Trade Receivables	*Elimination processes *Financial liabilities *Trade Receivables *Borrowing cost	*Trade Receivables *Trade payables *Revenue
102-Silverline Endüstri	*Subsidiary legal mergers	*Transactions with the related party	*Transactions with the related party
103-Soda Sanayi	*Inventories	*Revenue *Tangible fixed assets Deferred tax assets	*Hedging
104-Sodaş	*Inventory valuation method	*Inventory valuation method	*Inventory valuation method

105-Söktaş	*Tangible fixed assets *Financial liabilities	*Tangible fixed assets *Financial liabilities	*Tangible fixed assets *Financial liabilities
106-Sönmez Holding	*Financial investments *Revenue	*Investments valued by equity method *Revenue	*Revenue
107-Sumaş	*Revenue *Provisions for severance pay *Inventories	*Revenue *Provisions for severance pay *Inventories	*Revenue *Provisions for severance pay *Inventories
108-Tat Gıda	*Revenue *Inventory Value Impairment	*Revenue *Inventory Value Impairment	*Revenue *Inventory Value Impairment
109-Taze Kuru Sanayi	*Inventories	*Inventories	*Tangible fixed assets *Trade Receivables
110-Temapol	*Tangible fixed assets *Trade Receivables *Revenue *Financial liabilities *Inventories	*Tangible fixed assets	*Revenue *Tangible fixed assets
111-Tofaş	*Capitalized development costs *Provision for warranty *Receivables from finance sector activities *Provisions for severance pay	*Capitalized development costs *Provision for warranty *Receivables from finance sector activities	*Capitalized development costs *Provision for warranty *Receivables from finance sector activities
112-Trakya Cam Sanayi	*Auditor transition and opening balances *Investment incentives *Provisions	*Revenue *Tangible fixed assets *Investment incentives	*Goodwill *Hedge accounting
113-Tukaş	*Inventory Value Impairment	*Trade Receivables *Inventory Value Impairment	*Trade Receivables Deferred tax assets
114-Tümosan	*Revenue *Trade Receivables	*Revenue *Trade Receivables	*Revenue
115-Tüpraş	*Cash flow risk *Deferred tax assets	*Cash flow risk Deferred tax assets	*Land and fields
116-Türk Prysmian Kablo	*Trade Receivables	*Trade Receivables	*Trade Receivables
117-Türk Traktör	*Warranty provisions *Cash flow risk Deferred tax assets	*Warranty provisions *Cash flow risk Deferred tax assets	*Warranty provisions
118-Türk Tuborg	*Trade Receivables	*Trade Receivables	*Trade Receivables
119-Ulusoy	*Revenue	*Revenue	*Revenue

Elektrik			
120-Uşak Seramik	*Revenue *Trade Receivables	*Revenue *Trade Receivables *Fixed asset valuation	*Revenue *Trade Receivables Deferred tax assets
121-Ülker Bisküvi	*Fair value *Business combinations *Buildings and lands	*Fair value *Goodwill *Buildings and lands	*Fair value *Goodwill *Buildings and lands
122-Vanet	*Appreciation of real estate *Financial assets *Transactions with the related party	*Appreciation of real estate *Transactions with the related party	*Appreciation of real estate *Transactions with the related party
123-Vestel	*Cash flow	*Land and buildings	*Land and buildings
Viking Kağıt	*Land and buildings *Trade receivables	*Land and buildings *Trade receivables	*Land and buildings *Trade receivables
124-Yataş	*Revenue *Inventories	*Revenue *Inventories	*Revenue *Leasings
125-Yonga Mobilya	*Revenue	*Revenue *Tangible fixed assets	*Revenue
126-Yünsa	*Revenue	*Revenue	*Revenue

As seen in the table above, the capital-intensive-structure of the manufacturing sector, the high level of tangible fixed assets, and the large volume of the inventories reflected on the key audit matters (Uzay ve Köylü, 2018, p. 58) Especially inventories, revenues, tangible fixed assets, and trade receivables were frequently among the KAM of businesses. Revenue item was the most emphasized issue among the KAM in the manufacturing sector, which is the subject of this study. The revenue item was followed by receivables, tangible fixed assets, and inventories. However, trade payables took a few places among the key audit matters. ISA 701 states that when determining the KAM, it is necessary to focus on fields, such as the material misstatement risk that shall be evaluated based on the auditor's judgment, and issues that managements consider in decision making.

It is observed that many companies regularly included KAM in their statements after they were suggested to add them in the independent audit statements. As also seen in the table above, the key audit reports of the companies did not change much considering based on the periods. In other words, KAM generally has consisted of similar issues, even though there have been differences sometimes. We understand that this situation arises from the fact that most companies have worked with the same audit companies over the years, and they have not changed the audit companies in these periods.

Besides the standardization and cliché expressions determined by Kavut and Güngör (2018), in their study which they evaluate KAM in the 2017 independent audit of Borsa İstanbul companies, were also seen in this study for the years continuing.

Key audit matters are formed in the independent audit reports, by the auditor's communication about the most prominent issues, as proposed in the standards. The auditor clearly explains the key audit matters and expresses the determination process of them in the report. Thus, individuals who will benefit from these reports can acquire an easy evaluation opportunity. For example, inventories, frequently mentioned in key audit reports, are included in the key audit matter heading as the risk of impairment, provision allocations, and provision calculations. Additionally, the explanation section explains the audit procedure for inventories in detail. Again, in the revenue that is determined to be the most underlined issue, the revenue resource, and its inclusion in the financial reports are emphasized, moreover the risky situations of the revenue are underlined.

5. RESULT

With the publication of the independent audit standard 701, the key audit matters that are started to be included in the independent audit reports are considered as an application containing the matters regarded as significant by the auditor, as separate headings in the statements, and an application to provide the reliability and transparency especially needed by the users of these reports, based on the release rationale of the standards. In this context, key audit subjects that have been included in the independent audit reports since 2017 have been the subject of many academic studies. In this study, unlike previous studies, the change/transformation of key audit matters over the years has been examined in a three-year-period since the year of the first published report.

In the study, the key audit reports of 126 companies from the Borsa İstanbul manufacturing sector, including key audit matters in their statements in the last three years, and accessed through the official websites, were grouped by years and presented in a single table.

The necessity and importance of the independent audit process emerge with the financial crises experienced in the world and our country, bankruptcies, accounting cheats. The addition of key audit matters to audit reports, as a separate heading alongside the classical audit, resulted in a rapid and reliable introduction of the subjects to be focused on the enterprise. This result has enabled these reports to be more functional and reliable, also attract more attention. These reports include the communicating of the most significant issues by the auditor

during the audit and then their presentation to the business top management, according to the standard.

Although there are deficiencies every year in general, it was observed that the independent audit reports regularly included KAM following the publication of the standard, outside exceptional cases. Within the context of this study, if there was any deficiency or an inaccessibility situation for even one year, the enterprise was not assessed evaluated. When the KAM communicated in the independent audit statements were examined, it was seen that the issues such as revenue recognition, inventories, trade receivables, tangible fixed assets, deferred tax assets, impairments, financial liabilities, goodwill, and provisions were the most frequently reported issues. Another interesting point in KAM was that key audit matters did not change much for the companies in different years, outside exceptional cases. The KAM of the studied enterprises were highly similar for 2017-2018 and 2019. This situation may cause the standard to divert from its purpose requiring KAM to be included in audit reports. Of course, for a company, the same subject can remain the most prominent issue for years. Revenue, inventories, and trade receivables are good examples of this situation. However, repeating the same expressions in the reports can decrease the function and significance of the KAM.

It was considered that audit of the same independent auditing companies on many of the companies for years, was effective in this consequence. If the audit firm is changed later, the KAM is also seen to differ. For instance, Aciselsan company was audited by different auditors for the final two years, and this situation emerged in key audit reports. A similar situation happened at Bossa company. Different auditors inspected this company for the latest two years, and they preferred to observe distinct key audit matters. It was observed that 19 companies among the subject companies worked with different audit firms over the years, and through this change, their KAM included in the reports differed. In this case, it is seen how decisive the auditor's judgment is in identifying KAM, and this determination reflecting on the statements.

6. CONFLICT OF INTERESEST STATEMENT

There is no financial or non-financial conflict of interest with any institution, organization, person or between the authors related to the article.

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8. AUTHOR CONTRIBUTIONS

A.T: The entire article, including the literature and content analysis and the result, was carried out by the author.

9. ETHICS COMMITTEE STATEMENT AND INTELLECTUAL PROPERTY COPYRIGHTS

This manuscript has been prepared and submitted in accordance with the ethical rules. Ethics committee approval was not required for the study.

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