

Audit Research Summaries

Ook deze maand presenteren wij weer enkele “Audit Research Summaries” uit de database van de American Accounting Association (www.auditingresearchsummaries.org).

Het eerste onderzoek is getiteld “**The Validity of Auditor Specialization Measures**”. Uit dit onderzoek blijkt dat de wijze van meten van industriespecialisatie leidt tot verschillen in de invloed op de audit fee en de kwaliteit van de audit. Bij het interpreteren van eerdere studies naar de invloed van specialisatie dienen de uitkomsten van dit onderzoek dan ook in ogenschouw te worden genomen. Bij dergelijk toekomstig onderzoek naar de effecten van industriespecialisatie moet de operationalisering van de variabelen zorgvuldig worden afgewogen.

Het onderzoek getiteld “**Waves of Global Standardization: Small Practitioners’ Resilience and Intra-**

Professional Fragmentation within the Accounting Profession” gaat in op het effect van wereldwijde regelgeving op kleine accountantskantoren. De onderzoekers concluderen dat de ondervraagde accountants van mening zijn dat de regelgeving vooral geschreven is voor grote accountantskantoren en dat dit onderscheid kan leiden tot fragmentatie binnen het accountantsberoep.

Het onderzoek “**Benefits and Costs of Appointing Joint Audit Engagement Partners**” gaat in op de voor- en nadelen van “joint audit partners”. Uit het in Scandinavië uitgevoerde onderzoek blijkt dat joint partners geassocieerd worden met hogere audit kwaliteit in vergelijking met opdrachten waar slechts één partner fungeert. Ook als wordt vergeleken met met joint audit firms, impliceren de uitkomsten dat joint-partner audits tot dezelfde voordelen leiden zonder dat dit tot hogere kosten leidt. ■

research summary

Title:	The Validity of Auditor Industry Specialization Measures
Practical Implications:	This study draws attention to the potentially large issues involved with inconsistencies in the measurement of auditor industry specialization with a focus on audit fees and audit quality. The findings of this study suggest that audit fee-based measures should probably be prioritized by researchers and that previous empirical findings based on other measurement variables need to be re-examined. Results also show that choosing a market share approach or a portfolio approach has very significant consequences, so the decision should not be made absent-mindedly. Furthermore, the choice of absolute versus relative measures of ISP is not neutral, either, and the sensitivity tests indicated that ISP calculations are very sensitive to the industry classification used.
Citation:	Audousset-Coulier, S., A. Jeny, and L. Jiang. The Validity of Auditor Industry Specialization Measures. <i>Auditing: A Journal of Practice and Theory</i> 35 (1): 139-161.
Purpose of the Study:	Industry specialist auditors are auditors who have developed a specific expertise and are therefore able to provide high quality and more efficient services to their clients. Despite being widely examined in literature, the effect of auditor industry specialization (ISP) has no wholly agreed upon degree of measurement with empirical results exhibiting inconsistencies and uncertainties. In fact, a multiplicity of measures of industry specialization has been developed over the years. These inconsistencies found with the measurement of auditor industry specialization have led to issues in audit pricing and audit quality. The audit pricing models inconsistencies, in particular, are a challenge for researchers in archival auditing research; the results of their studies are highly sensitive to ISP measures. This study focuses on the measurement issues of ISP, with the hope to be the first study to conduct a comprehensive test of the consistency among different combinations of measurement variables, such as audit fee, client size, and number of clients, and approaches, such as absolute or relative market shares, absolute or relative portfolio shares, and weighted market shares.
Design/Method/ Approach:	The authors use an audit pricing model and an earnings quality model as their empirical fields of study to present empirical evidence about the consequences of using different proxies for ISP on audit pricing and earnings quality research results. The data, which is from 2000 to 2010, is used to compute 30 different measures of ISP in order to test their internal and external construct validity.
Findings:	<ul style="list-style-type: none"> • The authors find that the choice of the type of measure used to identify industry specialists has a significant influence on the designation of auditors as industry specialists. • The authors show that the use of five different assignment approaches modifies the classification of auditors as specialists or not. • The authors show that the use of different calculating variables to compute these shares also leads to significant differences of classification. • The authors find in the audit pricing model test that the alternative use of the 30 ISP variables in an audit fee model leads to the determination of a significant ISP fee premium in 14 cases, to the determination of a fee discount in 6 cases, and to nonsignificant results in 10 cases. • The authors find in the earnings quality test that industry specialization is found to significantly reduce the level of discretionary accruals in only five cases compared to the 21 cases where ISP measures were associated with higher levels of discretionary accruals and with nonsignificant results found in four cases.

Overgenomen van www.auditingresearchsummaries.org, 26 juni 2016.

research summary

Title:	Waves of Global Standardization: Small Practitioners' Resilience and Intra-Professional Fragmentation within the Accounting Profession
Practical Implications:	At the empirical level, this analysis brings the impact of global standardization on local communities of small accounting practitioners to the fore. The authors have found that accounting and auditing research has neglected both small practitioners and the impact of resilience in accounting and auditing research. At the theoretical level, this paper is the first to mobilize the notion of resilience in accounting and auditing research. It is the hope of the authors that this study will lead to a qualitative study of the formation of small practitioners' habitus – how they are socialized in taking up the role of docile actors who tend to be obedient to their profession's formal authorities, highly skilled in technical thinking, and not too demanding in terms of requiring justifications.
Citation:	Durocher, S., Y. Gendron, and C. Picard. 2016. Waves of Global Standardization: Small Practitioners' Resilience and Intra-Professional Fragmentation within the Accounting Profession. <i>Auditing: A Journal of Practice and Theory</i> 35 (1): 65-88.
Purpose of the Study:	As the forces of globalization prompt more and more countries to open their doors to foreign investment and as businesses themselves expand across borders, both the public and private sectors are increasingly recognizing the benefits of having a commonly understood financial reporting framework supported by strong globally accepted auditing standards. These processes of globalization may seem beneficial and unproblematic from the view point of the standard setters, but that is not necessarily the case if one considers the small practitioners' view point. Despite being the majority of all practicing accountants, small practitioners often do not have the time or ability to send representatives to work in the administration of professional bodies or on special projects that inevitably set the standards of the profession. These facts led the authors to their primary objective in writing this article. The primary objective of this study is to examine how small practitioners, in the field of accountancy, perceive and react to the global standardization agenda. This study also examines how globalization discourses are constructed and rendered practical in localities.
Design/Method/Approach:	The authors conducted 25 semi-structured interviews with 31 participants between December 2009 and July 2011. To generate variation, practitioners having up to 39 years of experience working in firms of various sizes were interviewed.
Findings:	<ul style="list-style-type: none"> • Small practitioners almost unanimously believe that professional standards excessively reflect the context of large public companies audited by large accounting firms. • Small practitioners believe that most users of financial statements do not use or understand many footnote disclosures. • Many practitioners complain about having to fill out many irrelevant checklists and admit to their clients that useless information must be included in the clients' financial statements. • One of the authors' key findings is global standardization intensifying the extent of fragmentation within the accountancy community. • The authors find that, at the field level, global standards exacerbate the cleavage between large and small accounting firms.

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research summary

Title:	Benefits and Costs of Appointing Joint Audit Engagement Partners
Practical Implications:	The results of this study are important to understanding the potential benefits of joint engagement partner audits compared to single-partner audits. The results of this study identify an association between the type of partner audit (joint vs. single) and audit quality and audit fees. As regulators consider the association between joint audits and audit quality, the results of this study suggest there are benefits to joint-partner audits, particularly when the partners are located in the same office. Compared to single-partner audits, joint-partner audits are associated with higher audit quality. Compared to joint audit firms, joint-partner audits appear to provide the same benefits without the increased cost.
Citation:	Ittonen, K., and P. C. Trønnes. 2015. Benefits and costs of appointing joint audit engagement partners. <i>Auditing: A Journal of Practice & Theory</i> 34 (3): 23-46.
Purpose of the Study:	Audits using joint engagement partners versus audits using a single engagement partner may produce significant benefits. The purpose of this study is to examine the relationship between joint engagement partners and audit quality and audit fees. The authors of the study predict that joint audit partners improves audit quality via benefits in knowledge and experience, consultation availability with a joint partner, and reducing client-specific knowledge lost due to partner rotation.
Design/Method/Approach:	The authors use 1,345 firm-year observations from the NASDAQ OMX Exchanges in Finland and Sweden for the period 2005 to 2009.
Findings:	<ul style="list-style-type: none"> • The authors find a stronger association between joint engagement partners and higher audit quality when the partners are from the same, rather than a different, office. • The authors find that joint engagement partners, compared to single partners, are associated with less accruals (two proxies for audit quality). • The authors find a small decrease in audit fees for joint engagement partners from different offices compared to single-partner audits. The authors find no difference in audit quality.

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