

Report Type

Mid Term Award Report

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Project Title

The effect of auditor educational characteristics on audit quality

Project Start Date

Jan 01, 2016

Project End Date

Dec 31, 2019

Project Abstract

We examine the implications of auditor education for audit quality and audit pricing. We exploit a novel institutional setting in the UK where signing auditors are identifiable and have diverse university-level educational backgrounds. Using hand-collected data for a large sample of signing auditors we establish two main findings. First, auditors with directly relevant university education (i.e. an accounting degree) are not associated with higher accruals quality or increased audit fees relative to their peers with other university degrees. These results are consistent with the criticism of the emphasis of university accounting education on technical training rather than problem-solving. However, auditors who major in fields with a quantitative emphasis are more likely to constrain financial reporting discretion as well as charge higher fees, when compared to their peers with a more qualitative educational background. Overall, our study provides direct evidence on the incremental value of education for the audit profession, suggesting that education providing quantitative or specific skills development can be beneficial for auditor performance and earnings.

Activities and Achievement

Our earlier draft was rejected by the Accounting Review, but we have conducted new analysis and will submit a new draft to European Accounting Review by September 2018.

Dissemination

We were invited to present the paper at the European Accounting Association 2017 Congress in Valencia, the 27th Audit & Assurance Conference in London, and the Accounting Research conference at ESMT Berlin.

Outputs

Major Difficulties and Any Other Issues

None

Web Links

None