

Report Type

Mid Term Award Report

Full Name

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Project Title

Does Accounting Education add Value in Auditing? Evidence from the UK

Project Start Date

Jan 01, 2016

Project End Date

Dec 31, 2019

Project Abstract

We examine the implications of auditor education for audit quality. We exploit a novel institutional setting in the UK where audit engagement partners are identifiable and auditors have diverse university-level educational backgrounds. Using hand-collected data for a large sample of audit partners we establish three main findings. First, auditors with an accounting degree are more likely to detect earnings manipulation and to charge higher audit fees, but only relative to their peers with a non-quantitative social sciences background. Second, when compared to other quantitative degree subjects, accounting education is not associated with lower financial reporting discretion or increased audit fees. Finally, individual partner education plays an insignificant role in Big4 audit firms. Overall, our study provides direct evidence on the incremental value of accounting education for audit quality.

Activities and Achievement

We have completed a first draft and revised it based on informal peer reviews.

Dissemination

We have been invited to present the paper at the European Accounting Association 2017 Congress in Valencia as well as the 27th Audit & Assurance Conference in London.

We have also submitted the draft to the Accounting Review.

Outputs

Does Accounting Education add Value in Auditing? Evidence from the UK

ABSTRACT

We examine the implications of auditor education for audit quality. We exploit a novel institutional setting in the UK where audit engagement partners are identifiable and auditors have diverse university-level educational backgrounds. Using hand-collected data for a large sample of audit partners we establish three main findings. First, auditors with an accounting degree are more likely to detect earnings manipulation and to charge higher audit fees, but only relative to their peers with a non-quantitative social sciences background. Second, when compared to other quantitative degree subjects, accounting education is not associated with lower financial reporting discretion or increased audit fees. Finally, individual partner education plays an insignificant role in Big4 audit firms. Overall, our study provides direct evidence on the incremental value of accounting education for audit quality.

Major Difficulties and Any Other Issues

None

Web Links

None

Additional Information

Declaration

Details of relevant outputs of this award have been submitted to the CERF Database and details of any ensuing outputs will be submitted in due course.

Signature - Main Award Holder