AUDITING RESEARCH AREAS

Independence & Ethics

Risk & Risk Management, Including Fraud Risk

Audit Team Composition

Client Acceptance and Continuance

Internal Control

Auditing Procedures

Engagement Management

Auditor Judgment

Audit Quality and Quality Control

Accountants' Reports and Reporting

International Matters

Standard Setting

Governance

Corporate Matters

Source: AAA Auditing section research summary database
http://commons.aaahq.org/groups/e5075f0eec/summary
Research Opportunities

in

Auditing

by

Dan A. Simunic
The University of British Columbia

2012

Disclaimer:
My comments relate largely to archival, economics based research rather than behavioral studies. Others are better able than I am to assess the prospects for future work in the behavioral auditing area.
with the history of auditing research which has often been stimulated by regulatory concerns.

**Auditing research streams:**

- Research on the *audit production process*.  富比生産過程
  e.g. statistical theory of auditing; risk analysis; sampling; most audit judgement studies; archival studies of auditor workpapers and detected misstatements; studies of the determinants of audit hours & mix of procedures; studies of auditor efficiency

- Research linking auditing to the *economic environment* in which it occurs.  富比與經濟環境
  e.g. determinants of supply, demand, and market competition (industrial organization); audit quality; auditor reporting; litigation.

**Specific economics-based research streams:**

- Nature of competition in the auditing market; pricing and costs of audits

- Product differentiation hypothesis; audit quality, auditor choice, and auditor change

- Multi-period pricing (>low balling=) and auditor tenure

- Joint production of audit and non-audit services for the same client
- Extent of the market in which competition occurs (i.e. local, regional, national or international) appears important, but is not well understood.

- Nature and consequences of auditor-client industry specialization are not well understood (e.g. efficiency gains vs. higher quality, or both; sources of demand for industry specialists; nature of competition and market equilibrium with specialist and non-specialist auditors)

- Better understanding of distinguishing features of individual Big 4 firms may allow us to explain auditor choice within Big 4. This could be context specific (e.g. client's CFO formerly worked for a specific Big 4; clients in an oligopoly industry want to avoid information transfers to competitors).

- Multi-period pricing models either assume an infinite tenure (DeAngelo) or finite tenure that corresponds to the finite life of the firm (Magee & Tseng). But auditor tenure in real world is finite and shrinking (to about 10 years on average). A model where tenure of finite length is anticipated would be useful (e.g. anticipated tenure determines degree of lowballing, and - perhaps - affects audit quality).

- There is no evidence (of which I'm aware) of the impact of audit partner-client tenure on audit quality.

- Is cross sectional variation in NAS fees, or ratio of NAS to audit fee a good measure of relative threat to independence? How to deal with possible future NAS purchases?

- Need to consider implications of different institutional regimes (i.e. where
The problem of high Type I error rates when fraud is suspected raises two research questions:

- *Can it be reduced?* We need better fraud prediction models derived from more extensive data sets.
- *Is vigorous pursuit of fraud consistent with the incentives and audit methodologies of public accounting firms?* Are auditors motivated to pursue possible fraud incurring resource costs and the wrath of the client for false positives? Are audit methods that emphasize analytical tests actually able to detect fraud?

Systematic differences in audit quality between Big and non-Big firms (Big quality > non-Big quality) have been documented in many studies by testing the *implications* of quality differences (e.g. higher audit fees, higher ERC's, etc.). There is very little evidence linking the audit quality difference to differences in audit production.

- How do we operationalize the concept of precision in GAAS? Mean-variance approach not very helpful.

Assuming greater precision can be both cost increasing (more effort required) and cost decreasing (less costly to demonstrate compliance hence >due diligence=), how is the optimal degree of GAAS precision determined?

In general, further theoretical and empirical study of the special features of global professional partnerships - including the risk sharing, compensation, and monitoring arrangements in such firms and their effects on partner and firm
Doctoral Program -- Department of Accountancy

R180120 SEMINAR ON AUDITING THEORY (2)

Spring 2013

The mission of the Department of Accountancy is to explore and advance theories and practices in accounting to cultivate competitive professionals with ethical integrity, innovative capabilities and international perspective to meet business and social needs in the global economy.

General Program Learning Goals (goals covered by this course are indicated):

|✓  | 1 | Graduates should be able to communicate effectively verbally and in writing. |
|✓  | 2 | Graduates should be able to solve problems strategically and should be creative and innovative in their approach to solving problems |
|   | 3 | Graduates should be proficient in the use of Information Technology |
|✓  | 4 | Graduates should possess knowledge and computational skills that will enable them to think critically and analytically |
|✓  | 5 | Graduates should possess necessary skills and values required of a true professional |

Instructor:

Dr. TsingZai C. Wu

Phone: +886-6-2757575 ext.53426  ;  0955001942

E-mail: tsingzai@mail.ncku.edu.tw;

Class hour and room:

Office: 63318

Office hour: Tuesday 12:00-15:00 and available other time by appointment.

Course Description and Course Objectives:

This course is for accounting doctoral students having taken SEMINAR ON AUDITING THEORY (1). The purpose of this course is to provide the general roadmap in auditing and help students to locate the research fields of their interests. You are expected to present an appointed paper and a self-selected article (a published paper or a working paper in SSRN that are not from SEMINAR ON AUDITING THEORY (1)) each class aiming at preparing at least a workable proposal (and hopefully a publishable paper) at the end of this semester. Topics covered in this course will include, but not limited to, the current issues in auditing profession, the regulation of audit market, the audit market differentiation, audit risk management, audit pricing, auditors' reputation, audit independence etc.
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**Course Requirement:**

For each paper assigned or self-selected, you will assume the role of discussion leader. Non-presenters will become discussants. To encourage your participation and preparation for class discussion, I’ll collect your written comments for each paper you are not presenting.

In reading an article, you are expected to evaluate the following aspects critically:
EVALUATION OF A RESEARCH PAPER

Title: ____________________________ Date: __________
Author: __________________________ Student's
Journal: __________________________ Name: __________

A. Describe the research issue. Evaluate the importance of the research issue to audit
   practice.

B. Describe the author’s approach to solve the problem.

C. Describe the major findings of the study.

D. Evaluate whether the research methodology is sound.

E. Evaluate whether the research conclusions are valid and relevant.

F. Identify major strengths and weaknesses of the study.

G. Suggest at least an alternative approach to solving the problem, or a related research
   issue you believe to be important. Relate the research to other published research.