A Study on the Auditing Quality Evaluation Index of Certified Public Accountants

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ABSTRACT

Auditing quality research has always been the focus of the research theory and practice circles, and the audit quality of accounting firms is the foothold of accounting firms and certified public accountants. In recent years, the ongoing audit failure cases have not only posed a serious threat to the survival of accounting firms, but have also made investors and the public lose confidence in the objective and impartial role played by the business. The research on the audit quality of accounting firms started earlier, from audit fees, firm size, non-standard audit opinion, industry expertise and audit v., but only to study the use of a single indicator to measure the audit firm's audit quality. Most of the domestic scholars have to establish the evaluation index system of audit quality, but some indicators are not operational, it is difficult to quantify, not easy to evaluate the audit quality of the firm.

KEYWORDS

Accounting firm; audit quality; audit quality evaluation index.

INTRODUCTION

Audit is to meet the needs of society arising from its importance and necessity has always been people's recognition and attention. Since China's reform and opening up, China's economy has been steadily growing in the 20th century, 80 years of China's formal recovery of the CPA system, nearly 40 years of continuous progress, the CPA industry has made rapid development. However, in the development of the same time, China's accounting firms' own problems are constantly emerging. For example: far from the source of Qiong Min (Hainan China Certified Public Accountants), near the silver Guangxia (Zhongtianqin Certified Public Accountants), as well as the Ministry of Finance, China Association for the audit of the audit of the "false account scandal" wait. After this series of major audit failure cases, the public on the quality of the audit had a wide range of questions and criticism. Capital market equity cornerstone, investor confidence and corporate governance mechanism has been an unprecedented impact, thus, the survival and development of accounting firms face a serious challenge.

The quality of audit is related to the life and death of certified public accountants and accounting firms. The earliest definition of audit quality is defined by foreign scholars DeAngelo, he believes that the quality of audit is the certified public
accountants found that the audited units of irregularities and report the phenomenon of this joint probability of violations. Although the domestic and foreign scholars on the audit firm audit quality of the study, the number is good, but because of the selected audit quality evaluation of different indicators, leading to the same problem has come to the opposite conclusion. In the end, what kind of evaluation criteria is more scientific and reasonable, the researchers have not reached a consensus, which also affected the community on the quality of the audit findings on the adoption and widely used. Therefore, it is necessary to strengthen the audit quality evaluation and formulate a scientific and reasonable audit quality evaluation index system.

CERTIFIED PUBLIC ACCOUNTANTS ABROAD RESEARCH STATUS

The auditing quality of accounting firms is an important subject in the field of audit research. It has attracted the attention of domestic and foreign auditors. The scholars have adopted empirical research or qualitative and quantitative methods to draw many guiding conclusions.

Foreign scholars on the audit firm audit quality research earlier than domestic scholars, read the relevant literature and found that foreign scholars on the audit quality of the study include the following aspects:

Audit fees. Some scholars of foreign scholars use audit fees to replace the audit quality of some research. Francis (1984) used the modified Simunic model to find a positive correlation between firm size and audit fees [1]. Magee and Tseng (1990) found that the relationship between audit fees and audit quality is not a simple positive correlation, but rather an inverted U-type relationship [2], that is, within a certain fee range, with the audit fee The higher the audit quality, the higher the value of the inverted U, the audit fees and audit quality was reverse relationship, the reverse relationship may be caused by the abnormal causes.

The quality of earnings. Some scholars of foreign scholars substitute earnings quality to replace the audit quality. Chee Lim, David Ding and Chalie Charoenwong (2013) also used the operational accrual profit and earnings response coefficient as an alternative indicator of audit quality to study the impact of non-audit services on it. Studies have shown that CPAs are more likely to be more independent in their consideration of reputation and litigation issues while maintaining non-audit services [3]. These documents show that, with the degree of earnings management to replace the audit quality, the size of the firm, the type of audit opinion as an explanatory variable, to study the level of operational accrual profits. There are two possible high-level indicators; one is high level of earnings management, but also the standard views, this situation is the performance of low audit quality. Second, customers refused to adjust the problem has been, the auditors have given non-standard views, This is not the case with low audit quality. Similarly, the indicators are low there are two possibilities, one customer itself is not earnings management, which has nothing to do with the quality of the audit; Second, customers accept the adjustment, the audit after the degree of earnings management, which reflects the higher audit quality.

Firm size. A Comparative Study on the Quality of Auditing Quality by Foreign Scholars. The study of Defond, Mark L (1992) quantifies the firm's scale, and suggests that the size of the firm can be measured based on the total sales revenue of a firm's audited services [4]. Becker, Defond and Jiambalov (1998) proved that "non-four" than "four" tolerate more surplus management of customers. It is concluded that many
foreign literature studies have shown that the size of the accounting firm has a positive correlation with the audit quality.

Firm's brand reputation. Foreign scholars to the company's brand reputation to replace the audit quality of some research literature. Richard B. Carter et al. (1998) suggested that if the firm formed a good brand reputation, the brand would be able to guarantee the audit quality of the accounting firm [5], that is, the better the reputation of the firm, the more the quality of the audit high. The accounting firm obtains quasi-rent by establishing its own brand reputation so that the general public thinks that it has a high quality of audit service. In order to be able to continue to obtain this because of the brand effect of the quasi-rent, and further increase the quasi-rent, the accounting firm must maintain high-quality audit services, so as to ensure the existence of brand effect. At the same time, the existence of brand effect is derived from the overall market, the overall evaluation of the accounting firm, with a particular customer has nothing to do, because a customer and the loss of the trust of the entire customer group is worth the candle. For this reason, for the established reputation of the accounting firm, try to avoid possible audit errors, to maintain a good job to build a good brand reputation is the focus.

Audit proceedings. Foreign scholars to audit the litigation as a standard alternative to the quality of the audit part of the literature. Zoe-Volina Palmrose (1988) argues that once an accounting firm is sued for failure of an audit, it will have an impact on the reputation of the firm, and the accounting firm with a brand reputation generally believes that the quality of the audit is relatively high. A better accounting firm should try to avoid such an audit lawsuit to defend its reputation [14]. Teo Eu-Jin, Keith A. Houghton (2000) further validates that there is a negative correlation between the audit quality of the firm and the legal action involved in the transaction [6].

CERTIFIED PUBLIC ACCOUNTANTS DOMESTIC RESEARCH STATUS

Yuan Hongqi and Li Haijian use the empirical research method to analyze the size, organization form, registered capital and audit opinion type of the firm. The type of audit opinion obtained by the listed company is influenced by its own financial condition. There are no significant relationships between the other three factors.

Qi Jiangna and Zhang Yang, through the establishment of the "four" office audit fees and audit quality of the regression model, found that the "four" audit fees are generally higher than other accounting firms charges, but the customers are willing to pay a higher cost to hire "four" for its financial statements audit, indicating that our enterprises believe that the "four" strength, that "four" represents a higher audit quality. The results also show that the "four" audit quality is better than other domestic firms.

Ma Ning carefully analyzed the work of the audit staff after the whole process found that the impact of audit quality factors are divided into three stages. The stage of preparation is affected by the practice of the auditors; whether the auditors are audited and audited in accordance with the regulations; the final stage of the report is affected by whether the auditors maintain a high degree of independence.
CERTIFIED PUBLIC ACCOUNTANTS AUDIT QUALITY INDEX SYSTEM
RESEARCH

Domestic scholars have made in-depth research on the evaluation of audit quality of accounting firms. Compared with foreign research, the biggest feature is that the evaluation of audit quality has basically established an index system. The difference between these studies is that their respective priorities and evaluation indicators are different.

Summed up mainly in the note under the indicators to modify, and then add some of their own indicators. Such as geography, firm capacity (firm income, leader, educational structure), the size of the firm (the number of certified public accountants, the number of branches) together constitute a number of primary indicators and a few secondary indicators, and then use the built Index system for the various accounting firms to rank, and thus compared with the existing ranking, to identify differences, analysis of the reasons.

SUMMARY

According to the existing literature, it is found that the audit quality of the accounting firm is influenced by many factors such as the firm itself and the external environment. The construction of the audit quality evaluation index system should comprehensively consider the factors that affect the audit quality, so that the evaluation index system can be more comprehensive and objective responsibility of the audit firm.

REFERENCES