

POSTGRADUATE SEMINAR SERIES

Research Findings Seminar

Topic Title : **The Common Auditor and Supplier Performance**

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Abstract : I investigated the impact of the common auditor in a supply chain on the supplier's performance. The common auditor in a supply chain is defined as the same auditor who provides the auditing services to both the supplier and the customer. As the common third party, the common auditor could (would be in a position to) transfer information between the supplier and the customer--which information could potentially benefit the supplier's performance. I found that a common auditor has the capacity to increase the supplier's ROA. This improvement results from an increase in the supplier's gross margin. I also found that a common auditor can reduce the supplier's receivable conversion period. This finding gives evidence that the supplier gains more bargaining power in the supply chain through the presence of a common auditor, which, in turn, can potentially contribute to the supplier's increased gross margin and ROA. The effect of the common auditor on improving supplier performance was found to be more pronounced when there was high information asymmetry in the supply chain, when both the supplier and the customer used the same audit office, and before the enactment of the Sarbanes-Oxley Act, lending evidence of the common auditor's intermediary role in improving supplier performance. As for the information content transferred by the common auditor, I found that the common auditor can reduce the bullwhip effect of the supplier, the bullwhip effect being defined as the amplification of the demand variability when one moves upstream in a supply chain. This finding indicates that the common auditor might transfer the customer's demand information to the supplier, thereby enabling the supplier to have better capacity planning and thus an improved performance. Overall, the results have shown that the supplier can benefit from the presence of a common auditor, and the results are robust to alternative measure of common auditor and potential endogeneity concerns.

Date : **7 April 2021, Wednesday**

Time : **15:00 – 16:30**

Venue : **Zoom meeting**  Meeting ID: 934 8984 8387 (Passcode: 16180237)

Please join Zoom Meeting, link: <https://lingnan.zoom.us/j/93489848387?pwd=UXhXV0QrbE1xd1JFbDJtR3FWbGY0UT09>

Language : **English**



***** All are Welcome *****