

POSTGRADUATE SEMINAR SERIES

Research Findings Seminar

Topic Title : **Essays on the Consequences of Auditor Regulatory Oversight: Evidence from PCAOB International Inspections**

Presenter : **Mr. ADZA Solomon Wise Dodzidenu**
PhD Student of Accountancy

Abstract : The Public Company Accounting Oversight Board (PCAOB) was created in response to widespread perceived audit failures in 2002 with the mandate of overseeing and inspecting all auditors of SEC-registered public companies. Using a sample of firm-year observations from 35 countries that allow PCAOB international inspections, I exploit the variation in the timing of PCAOB international inspections induced by foreign governments' staggered allowance of the PCAOB inspections. The dissertation consists of two chapters. The first chapter examines the effect of the PCAOB international inspections on industry specialization for inspected non-US auditors. I find that PCAOB inspected non-US auditors are more likely to reduce industry specialization after the public disclosure of inspection reports. The effect of reduced industry specialization is more pronounced for inspected non-US auditors who receive deficiency inspection reports, who are in industries with more SEC-registered clients, and who have a riskier portfolio of clients before the inspection. Also, the results show that local regulatory oversight does not affect the relationship between PCAOB international inspections and auditor industry specialization. The second chapter investigates the impact of PCAOB international inspections on debt choice for non-US listed firms. I find that PCAOB international inspection is negatively associated with non-US listed firms' preference for bank debt. However, further analyses reveal that non-US listed firms tend to rely on bank debt if their auditors receive deficiency inspection reports. These effects are larger for non-US listed firms that are financially constrained and non-US listed firms located in countries with no local audit regulator. Moreover, the impact of PCAOB international inspections on bank debt is greater for non-US listed firms operating in countries with common law, low corruption, high regulatory quality, and strong rule of law. Overall, the study highlights the effects of PCAOB international inspections on non-US auditors' industry specialization and non-US listed firms' debt choices.

Date : **10 March 2022, Thursday**

Time : **10:00 am – 11:30 am**

Venue : **Zoom Meeting** 
Meeting ID: 994 9788 1124 (Passcode: 51562259)

Language : **English**



*** All are Welcome ***