出國報告（出國類別：國際研討會）

赴新加坡參加
出席 8th Annual International Conference on Accounting and Finance (AF 2018)
研討會心得報告

服務機關：國防大學理財務管理學系
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派赴國家：新加坡
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研討會期間：107 年 07 月 23~24 日
報告日期：107 年 08 月 23 日

摘 要

個人運用 106 學年度科技部計畫核定出席國際研討會之經費，前往新加坡參與為期 2 天的「第八屆國際會計與財務」學術研討會，與從世界各地前來參與此研討會之會計與財務領域的先進進行交流，並同時於會議第一天的下午以論文名稱「The Association between Political Connections and Auditor Choice: Evidence from China」一題進行 15 分鐘的口頭發表。此次與會學者之議題以財務領域居多，且許多議題都與當下 text mining 有關，顯示在 Big Data 的 era 裡，由於資訊科技的發達與進步，以及資料處理技術的創新與可用工具的多元化，學者們的研究已經漸漸跳脫過去使用 hard data base 的趨勢。本次參加國際研討會發表過程，有幸與國外學者進行意見交流，與會學者當場之提問與建議，對未來投稿至學術期刊時，有很大的幫助。

目次

一、 目的

1. 為了能與從世界各地前往新加坡參加「第八屆國際會計與財務」學術研討會之先進們進行交流。
2. 以論文名稱「The Association between Political Connections and Auditor Choice: Evidence from China」投稿至此研討會進行口頭成果發表。
3. 廣納與會先進們的意見，有助於未來文章之修改，以符合投稿至國外學術期刊之水準。

二、 過程

1. 「第八屆國際會計與財務」(8th Annual International Conference on Accounting and Finance (AF 2018) 學術研討會於 2018 年 7 月 23 日至 24 日在新加坡 HFC (Hotel Fort Canning) 的 Legends I Ballroom 舉行。此飯店位居新加坡 Fort Canning 公園旁，鄰近新加坡博物館，環境相當清幽。參與活動的學者包含歐、亞、美等各國學者，因為是在新加坡舉辦，故仍以亞裔學者居多，發表議題以財務居多。

2. 為期 2 天的議程計有 4 篇 keynote speech 及 48 篇論文發表，本人所提報之論文於 7 月 23 日下午 4 點 55 分至 5 點 10 分，第一天一早即到會場

進行報到，由於當天在該飯店還有其他廳有舉辦其他領域的研討會，因只有一位工作人員在協助與會學者辦理報到手續，加上原先投稿的編號與議程手冊上之編號又不相同，導致本人資料袋內發給的發表證明書不是我的名字，且議程上本人的發表竟出現在兩個不同時段，這些插曲是過去我參加過的研討會不會發生的錯誤。後來的即時反應都將這些錯誤給更正。

3. 此研討會發表並無主持人，口頭報告的學者都很自動的幫台上發表的學者提示發表時間，而台下學者也都很踴躍發言。由於本人此次發表是審計議題，對於論文實證結果與一般之發現不一致，在場學者都覺得非常有趣，Prof. Ser-Huang Poon 更表示會後願意進一步提供她個人的看法給我作參考。此次出席此研討會，對本人來說獲益良多。

三、與會心得與建議

1. 此次會議除了發表自己的研究成果外，藉此機會聽取與會學者們所發表的不同議題與提出的問題相互研討，其中 Dr. Srivastava 更是大方的提供一些很好用的學術文獻搜尋網站，他拿雙博士學位，充分將他在物理方面的專長應用在社會科學領域，建立一些 soft database。俗語說，學術是無國界，果然如此。
2. 由於本人此次發表論文中，有部分資料是自特定網站上手動收集而來，而此次不乏發表如何將文字採礦技術應用在一些社群網站上收集輿論資料，故 Dr. Srivastava 也好奇靠手動方式收集而來的資料是否夠完整，而對我的這部份數據提出質疑，畢竟會計學門別與財務學門別看問題的角度還是不一樣，當然，前一學年度本人科技部計畫就必須用到 text mining 的技術，透過這次出席研討會而認識這麼多財務界領域的先進們，他們又懂文字採礦，這有利於日後繼續與這些學者取得互動。
3. 本次研討會議財務領域議題居多，其中不乏與 AI 或是管理科學方法結合，但似乎這樣的 setting，在會計領域的國外頂級期刊並不被青睞。但畢竟21世

紀是人手一機的時代，也許會計也可以試著將 AI 導入議題中，並可嘗試去投管理學門別的國際期刊，應該是有機會的。

4. 由於近年來科技部鼓勵老師提整合型計畫，在近 2 年鼓勵將 AI 技術導入各學門別領域中，似乎國防大學也該可以試著去整合不同領域的師資呢。

四、附錄

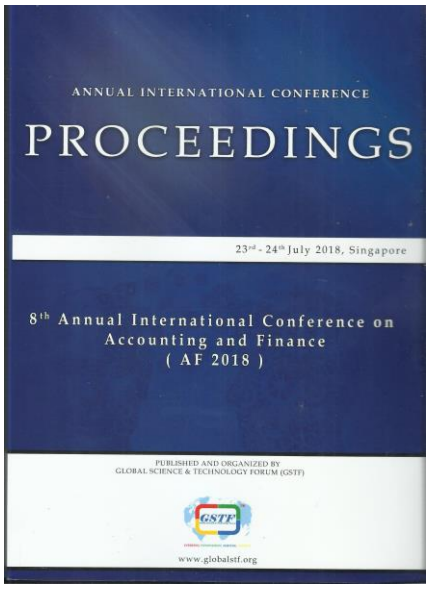
1. 研討會攜回相關資料證明：會議手冊封面級名牌掃描檔、論文發表證明、研討會論文集封面掃描檔及 T-Shirt。

(1) 會議手冊封面及名牌

4:10-4:25	**AF 192** **A General Framework for Assessing Fraud Risk** Dr. Rajendra P. Srivastava University of Kansas, US
4:25-4:40	**AF 62** **The Market's Reaction to Consecutive Dividend Increases** Assoc. Prof. Ebenezer Asem University of Lethbridge, Canada
4:40-4:55	**AF 163** **Corporate Social Responsibility Reports: Topic Analysis and Big Data Approach** Prof. Ser-Huang Poon University of Manchester, UK
4:55-5:10	**AF 49** **The Association between Political Connections and Auditor Choice: Evidence from China** Assoc. Prof. Mei-Hui Chen National Defense University, Taiwan
5:10-5:25	**AF 209** **Analysis of Changes in Financial Items of the Turkish Banking Sector with VAR Model** Assoc. Prof. Adalet Hazar Baskent University, Turkey
5:25-5:40	**AF 56** **The impact of loan covenants on audit delays and audit fees** Assoc. Prof. Yun (Ellen) Zhu Oakland University, USA
5:40-6:00	**AF 136 (AVI)** **Did the implementation of MIFID affect the ability of the investors in the European equity market to reach their investment objectives?** Dr. Cheikh Niang NEOMA Business School, France

(2) 論文發表證明

(3) 研討會論文集封面



(4) T Shirt

2. 研討會發表簡報

The Association between Political Connections and Auditor Choice: Evidence from China

Chen Lung Chin, National Chengchi University, Taiwan
Mei-Hui Chen, National Defense University, Taiwan
Xi Xiong, Nanyang Technological University, Singapore

Motivations (1/3)

- The ***political connections*** phenomenon is very ***pervasive*** around the world and recently has drawn increasing attention from academic researchers in general and accounting researchers in particular.
- China is a counterexample to the findings in the *law*, *institution*, *finance*, and *growth* literature (Allen, Qian, and Qian, 2005); therefore, prior results (e.g., Guedhami, Pittman, and Saffar, 2014) about this issue cannot necessarily be generalized to China.

Motivations (2/3)

- The SEC has approved the PCAOB's final rules "Improving the Transparency of Audits: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form and Related Amendments to Auditing Standards," which were issued on December 15, 2015.
  - This new disclosure rule has prompted a significant increase in research on audit partners (Lennox and Wu, 2017) .
  - Data availability of the signing auditors' names in China provides us with a unique setting for exploring the alleged association between political connections and auditor's quality at the firm and partner levels simultaneously.

Motivations (3/3)

- China is the largest transition economy in the world and plays an increasingly important role in the global economy.
  - The effects of political connectedness are largely affected by its *legal*, *political*, and *social environment*.
  - The effects are the strongest in countries with *high levels of corruption* (Faccio, 2006) such as China (La Porta, Shleifer, and Vishny, 1998; Allen et al., 2005; Fan, Rui, and Zhao, 2008).

Research Questions

- **Whether and how *political connections* affect choice of auditors at the *firm* and *individual* levels in the context of a transition economy**
  - (1) The associations between appointing Top 10 audit firms and political connected firms.
  - (2) The associations between hiring signing auditors sanctioned by the regulatory authorities/CSRS and political connected firms.
- We provide further evidence from Chinese audit market to examine whether
  - (1) connected firms are more likely to retain *both* non-Top 10 audit firms and individual sanctioned auditors?
  - (2) connected firms with non-Top 10 audit firms (or sanctioned signing auditors) exhibit aggressive earnings management behaviors and are less likely to receive a modified audit opinion?

Main Findings (1/3)

- Insiders in politically connected firms in China tend to have ***fewer*** incentives to hire a higher-quality audit firm and to have their actions monitored, which is in sharp contrast to the study of Guedhami et al. (2014)
- Connected firms are ***more likely*** *to hire sanctioned signing auditors*, relative to their non-connected counterparts.

Main Findings (2/3)

- Further analyses
  - The propensity of retaining auditors among (1) (non-Top 10, sanctioned)> (2) (non-Top 10, non-sanctioned) > (3) (Top 10, non-sanctioned) is *greater* when public companies are *politically connected*
  - Connected firms are *less likely* to hire high-quality Top 10 audit firms, irrespective of "Big 4" or "other Top 6 audit firms" .
  - Politically connected firms with non-Top 10 auditors/sanctioned auditors exhibit *lower earnings quality* and *less likely to receive a modified opinion*

Main Findings (3/3)

- Further analyses
  - For individual auditor level analyses, we find positive link between the presence of political connections and the extent of sanctions imposed against signing auditors.
  - The presence of political connections and lower-quality auditors increases with divergence between ultimate owner's control and the equity ownership level.

Hypotheses Development of H1 (1/2)

- Though prior studies show that firms tend to derive gains from their connections (Mobarak and Purbasari, 2006; Duchin and Sosyura, 2012; Berkman, Cole, and Fu, 2010; Faccio, Masulis, and McConnell, 2006; Faccio, 2010; Svensson, 2003; Hellman, Jones, and Kaufmann, 2003; Bertrand et al., 2007; Fan and Wong, 2005, etc.), however, in the Chinese setting, political connections tend to generate value-decreasing and rent-seeking activities to firms (Morck et al., 2000; Qian et al., 2011)
- Politically connected firms face fewer disciplinary actions from regulatory agencies and fewer constraints from regulatory rules (Berkman et al., 2010).

Hypotheses Development of H1 (2/2)

- Weaker regulation enforcement and lower penalties for audit failure in China
- Chinese public companies receiving a MAO can easily achieve "opinion shopping" by switching to low-quality auditors (Wang et al., 2011).
- Due to lower penalty costs for audit failure, audit quality does not improve after disciplinary actions against audit firm and individual signing partners (Wang et al., 2011).

- **H1: Compared to their counterparts, politically connected firms would be less likely to appoint Top 10 audit firms.**

Hypotheses Development of H2 (1/2)

- Auditor quality tends *not to improve* even after signing auditors are sanctioned (Wang et al., 2011)
  - Weaker law enforcements, lower penalties for audit failure, and fierce audit market competition, individual partners tend to *not* remedy past mistakes on a timely basis, thus leading to a stronger time-series persistence of audit failure (Wang et al., 2015).

Hypotheses Development of H2 (2/2)

- If signing auditors violate audit regulation and standards, regulatory agencies and/or CICPA will take disciplinary actions against these auditors.
- **H2: The likelihood of hiring signing auditor(s) sanctioned by the regulatory authorities and/or CICPA is higher for connected firms than for non-connected firms.**

Empirical Models

- $TOP10 = a_0 + a_1 CONN + a_2 CONTROL + a_3 SIZE + a_4 LEV + a_5 ROA + a_6 STATE + a_7 SOE + a_8 INVRATIO + a_9 CRRATIO + a_{10} GROWTH + + a_{11} CROSS + Industry\ and\ Year\ dummies + e$ (1)

- $CPA_{SANCTION} = b_0 + b_1 CONN + b_2 CONTROL + b_3 SIZE + b_4 LEV + b_5 ROA + b_6 STATE + b_7 SOE + b_8 INVRATIO + b_9 GROWTH + b_{10} CRRATIO + b_{11} CROSS + Industry\ and\ Year\ dummies + \varepsilon$ (2)

Sample and data sources

- All publicly traded nonfinancial firms in China during 2007~2013
  - IFRS-based Chinese Accounting Standards (hereafter IFRS-based CAS) became effective in 2007.
- Financial statement data, audit firm and signing auditors' names data and politically connected data are obtained from the CSMAR.
- Top 10 audit firms are obtained from the website of CICPA.
- Sanction data are hand-collected from related websites of regulatory agencies (CSRC, MOF) and CICPA.

Data (1/2)

TABLE 1

Sample Selection Process

Panel A: Sample Selection for the Full Sample

	Number of firm-year observations
Total observations available on CSMAR during 2007–2013	14,145
Deleting financial industry	(125)
Deleting observations due to subject to special treatment status	(855)
Deleting observations due to unavailable ultimate control owners data	(1,118)
Deleting observations due to missing financial data	(2,032)
Final sample	10,015

Data (2/2)

Panel B: Sample Firms Distributed by Year

		Audited by Top 10 audit firms		Signed by a sanctioned auditors	
		(1)	(2)	(3)	(4)
Year	n	Top 10	%	Sanctioned	%
2007	1,062	470	44.26	31	2.92
2008	1,140	451	39.56	41	3.60
2009	1,171	434	37.06	43	3.67
2010	1,267	533	42.07	53	4.18
2011	1,548	638	41.21	80	5.17
2012	1,870	779	41.66	106	5.67
2013	1,957	822	42.00	86	4.39
Total	10,015	4,127	41.21	440	4.39

Descriptive Statistics (1/2)

TABLE 2
Summary Statistics

Panel A: Full Sample (n=10,015)

Variables	Mean	Std. dev.	Q1	Median	Q3
TOP10	0.412	0.492	0	0	1
$CPA_{SANCTION}$	0.044	0.205	0	0	0
CONN	0.269	0.443	0	0	1
SIZE	21.829	1.233	20.934	21.667	22.529
LEV	0.463	0.209	0.305	0.474	0.624
CROSS	0.075	0.263	0	0	0
CASHRIGHT	0.377	0.156	0.251	0.362	0.492
CONTROL	0.335	0.172	0.197	0.316	0.461
LARGE	0.366	0.154	0.240	0.350	0.481
STATE	0.104	0.189	0	0	0.126
ROA	0.067	0.060	0.035	0.060	0.094
INVRATIO	0.175	0.159	0.070	0.135	0.223
CRRATIO	2.295	2.851	0.996	1.439	2.302
SOE	0.502	0.500	0	1	1
GROWH	0.182	0.379	0.008	0.091	0.223

Descriptive Statistics (2/2)

Panel B: Politically Connected Firms v.s. Politically Non-connected Firms

	CONN=0 (n = 7,321)		*CONN* =1 (n = 2,694)		Differences	
Variables	Mean	Median	Mean	Median	t-stat.	z-stat.
TOP10	0.420	0	0.390	0	2.75 ***	—
$CPA_{SANCTION}$	0.042	0	0.049	0	-1.35 +	—
SIZE	21.734	21.538	22.083	22.088	-13.42 ***	-16.10 ***
LEV	0.448	0.452	0.505	0.519	-13.18 ***	-12.19 ***
CROSS	0.097	0	0.014	0	20.10 ***	—
CASHRIGHT	0.388	0.382	0.345	0.321	12.56 ***	12.56 ***
CONTROL	0.350	0.337	0.297	0.294	14.85 ***	14.68 ***
LARGE	0.374	0.361	0.344	0.321	8.85 ***	8.74 ***
STATE	0.101	0	0.111	0	-2.36 **	-5.25 ***
ROA	0.065	0.058	0.072	0.062	-5.59 ***	-4.76 ***
INVRATIO	0.171	0.133	0.189	0.141	-4.83 ***	-2.62 ***
CRRATIO	2.538	1.528	1.637	1.266	18.66 ***	14.53 ***
SOE	0.462	0	0.609	1	-13.11 ***	-13.00 ***
GROWH	0.186	0.090	0.169	0.095	2.13 **	-0.16

Results of H1 & H2

TABLE 3
Probit Regression of the Choice of Audit Firms and Signing Auditors on Political Connections

	Y= TOP10		*Y= CPA$_{SANCTION}$*	
	Model 1		Model 2	
Variables	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)
CONN	-0.105***	(-3.56)	0.207***	(3.64)
CONTROL	-0.244***	(-2.88)	-0.201	(-1.33)
SIZE	0.019	(1.16)	-0.196***	(-5.92)
LEV	-0.328***	(-3.49)	0.235	(1.32)
ROA	0.777***	(3.16)	-2.411***	(-5.22)
STATE	0.238***	(2.67)	0.462***	(2.65)
SOE	-0.166***	(-4.19)	0.020	(0.33)
INVRATIO	-0.125	(-0.96)	-0.421	(-1.60)
CRRATIO	-0.007	(-1.28)	0.004	(0.36)
GROWH	-0.002	(-0.03)	0.079	(1.14)
CROSS	-0.184***	(-3.41)	-0.392***	(-2.76)
Intercept	0.062	(0.18)	-1.921***	(-3.02)
Industry dummies	Yes		Yes	
Year dummies	Yes		Yes	
Psendo-R^2	0.0370		0.0372	
n	10,015		10,015	
Marginal effect of *CONN* in %	-3.84		1.87	

Further Analyses (1/3)

Panel A: Political Connections and the Choice of Signing Auditors

	Ordinal Logit		*Multinomial Logit*			
			CPA$_{CHOICE}$ = 1 v.s. ***CPA$_{CHOICE}$ = 0***		***CPA$_{CHOICE}$ = 2*** v.s. ***CPA$_{CHOICE}$ = 0***	
Variables	Model 1		Model 2			
CONN	0.192***	(3.98)	0.156***	(3.11)	0.585***	(4.05)
CONTROL	0.278**	(2.04)	0.368**	(2.58)	-0.133	(-0.35)
SIZE	-0.071***	(-2.63)	-0.034	(1.27)	-0.452***	(-4.84)
LEV	0.579***	(3.68)	0.619***	(4.09)	0.588	(1.17)
ROA	-1.846***	(4.66)	-1.242***	(-3.05)	-6.301***	(-5.24)
STATE	-0.215	(-1.55)	-0.019	(-0.32)	0.445	(0.94)
SOE	0.258***	(4.30)	0.296***	(4.60)	0.153	(0.97)
INVRATIO	0.009	(0.04)	-0.013	(-0.06)	0.310	(0.47)
CRRATIO	0.014	(1.43)	0.021**	(2.13)	-0.030	(-0.90)
GROWH	0.005	(0.39)	-0.019	(-0.32)	0.289	(1.53)
CROSS	0.230***	(2.70)	0.286***	(3.17)	-0.856*	(-1.90)
Intercept1	1.241**	(2.01)	0.266	(0.47)		
Intercept2	-2.772***	(-4.44)			6.242***	(3.08)
Industry dummies	Yes		Yes		Yes	
Year dummies	Yes		Yes		Yes	
Psendo-R^2	0.0366		0.0643			
χ^2	373.467***		665.476***			
n	10,015		10,015			

Further Analyses (2/3)

Panel B: Political Connections and the Choice of Audit Firms

	Ordinal Logit		*Multinomial Logit*			
			TOPN = 1 v.s. ***TOPN = 0***		***TOPN = 2*** v.s. ***TOPN = 1***	
Variables	Model 3		Model 4			
CONN	-0.153 ***	(-3.27)	-0.168 ***	(-3.14)	0.024	(0.25)
CONTROL	-0.412 ***	(-2.80)	-0.682 ***	(-4.22)	0.713 **	(2.34)
SIZE	0.036	(1.38)	0.026	(0.94)	0.025	(0.63)
LEV	-0.505 ***	(-3.39)	-0.510 ***	(-3.27)	-0.097	(-0.37)
ROA	1.198	(3.14)	1.343	(3.16)	-0.212	(-0.30)
STATE	0.341 **	(2.45)	0.510 ***	(3.24)	-0.486 **	(-2.03)
SOE	-0.266 ***	(-4.23)	-0.303 ***	(-4.62)	0.090	(0.97)
INVRATIO	-0.225	(-1.15)	-0.156	(-0.66)	-0.189	(-0.55)
CRRATIO	-0.015 *	(-1.78)	-0.044 **	(-2.00)	-0.038 *	(-0.56)
GROWH	-0.000	(-0.00)	0.000	(0.00)	-0.006	(-0.06)
CROSS	-0.249 ***	(-2.81)	-0.400 ***	(-4.06)	0.363 **	(2.27)
Intercept1	-0.320	(-0.57)	-0.330	(-0.55)		
Intercept2	-2.318 ***	(-4.12)			-1.835 **	(-2.18)

Further Analyses (3/3)

TABLE 5

Analyses of the Effect of the Choice of Auditor Firms and Signing Auditors on Audit Quality

	Discretionary Accruals (|DA|)				*Audit Opinion (MAO)*			
Variables	Model 1		Model 2		Model 3		Model 4	
CONN	0.017 ***	(2.67)	-0.003	(-1.51)	-1.355 ***	(-3.43)	-0.081	(-0.57)
PTOP10	-0.007	(-0.49)			0.502	(0.91)		
*CONN*PTOP10*	-0.043 ***	(-2.83)			2.526 ***	(2.73)		
PSANC			-0.003	(-0.11)			-1.063	(-0.73)
*CONN*PSANC*			0.065 **	(2.30)			-5.308 **	(-2.26)

TABLE 6

Political Connections and Signing Auditor: The Degree of Sanctions

Variables	Coeff.	(Z-stat.)
CONN	-0.563 *	(-1.67)

Further Analyses

TABLE 7

Political Connections and Auditor Choice: Ownership Structures Analyses

Panel A: Political Connections and Audit Firm Choice

	WEDGE =DIVERGE		*WEDGE = DUMCONTROL*	
	Model 1		Model 2	
Variables	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)
CONN	-0.048	(1.25)	-0.075 **	(-2.33)
WEDGE	-0.037	(-0.19)	-0.056	(-1.35)
CONN WEDGE*	-0.834 **	(-2.27)	-0.149 **	(-2.05)

Panel B: Political Connections and Signing Auditor Choice

	WEDGE =DIVERGE		*WEDGE = DUMCONTROL*	
	Model 3		Model 4	
Variables	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)
CONN	0.195 ***	(2.72)	0.223 ***	(3.55)
WEDGE	0.099	(0.29)	0.126 *	(1.66)
CONN WEDGE*	0.180	(0.27)	-0.080	(-0.53)

Sensitive analysis

Political Connections and Auditor Choice: Sensitivity Analyses

Panel A: Political Connection and Audit Firm Choice

	PSM		Instrument Variable		Heckman 2-stage procedure	
	Model 1		Model 2		Model 3	
Variables	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)
CONN	-0.107 ***	(-2.85)			-0.129 ***	(-4.20)
PRE_CONNECTIONS			-0.491 **	(-2.24)		

Panel B: Political Connection and Signing Auditor Choice

	PSM		Instrument Variable		Heckman 2-stage procedure	
	Model 4		Model 5		Model 6	
Variables	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)	Coeff.	(Z-stat.)
CONN	0.219 ***	(3.32)			0.256 **	(2.53)
PRE CONNECTIONS			1.385 ***	(2.85)		

Contributions (1/2)

- We contribute to the literature on political connections by documenting evidence on the *negative effect* of political connections on the choice of auditors.
- Our results, coupled with findings by Chaney et al. (2011), connected insiders are less willing to improve information transparency to limit their consumption of private control benefits stemming from political ties by appointing lower-quality auditors and in turn providing lower-quality financial reporting.

Contributions (2/2)

- We also make several contributions to auditing literature:
  - Consistent with the PCAOB's argument that the disclosure requirements increase transparency regarding the engagement partner's identity.
  - Answer the call by DeFond and Zhang (2014) for further analyses on the effect of individual auditors' characteristics on audit quality.