

Audit Committee Chair-Auditor Shared Tenure and Audit Quality

Rui Xiang

xiangrui@scu.edu.cn

Orcid ID: 0000-0001-7081-5668

School of Business, Sichuan University, Chengdu 610065, China

Rongyu Lin (Corresponding Author)

linrongyu199882@163.com

Orcid ID: 0000-0001-9981-5557

School of Business, Sichuan University, Chengdu 610065, China

Abstract: This paper examines the relationship between audit committee chair-auditor shared tenure and audit quality using a sample of China's A-share listed companies from 2008 to 2023. It is found that: shared tenure can reduce the level of earnings management and audit opinion aggressiveness and conservativeness, improve audit quality, and also improve audit efficiency. This effect is more pronounced in the case of small audit firms or audit firms without industry specialty, companies with higher agency costs and information asymmetry, and poorer external governance environments, as shared tenure mitigates the information disadvantage of audit committee chairs and auditors. The positive effect of shared tenure can be further transmitted to the capital market, reducing the stock price crash risk and the cost of financing, and audit quality plays a mediating role. This paper provides new perspectives for enhancing the performance of auditors and improving the audit committee system. It also has important implications for reducing information asymmetry in the capital market and protecting investors' interests.

Keywords: Audit Committee; Auditor; Shared Tenure; Audit Quality; Capital Market

JEL: M42; G30

Funding: This work was supported by the National Social Science Fund of China under Grant (18BGL091).

Data Availability: The data is available from the corresponding author upon reasonable request.

Competing Interests: The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Ethics Approval: Not applicable.

Consent to Participate: Not applicable.

Consent to Publish: Not applicable.

Audit Committee Chair-Auditor Shared Tenure and Audit Quality

Abstract: This paper examines the relationship between audit committee chair-auditor shared tenure and audit quality using a sample of China's A-share listed companies from 2008 to 2023. It is found that: shared tenure can reduce the level of earnings management and audit opinion aggressiveness and conservativeness, improve audit quality, and also improve audit efficiency. This effect is more pronounced in the case of small audit firms or audit firms without industry specialty, companies with higher agency costs and information asymmetry, and poorer external governance environments, as shared tenure mitigates the information disadvantage of audit committee chairs and auditors. The positive effect of shared tenure can be further transmitted to the capital market, reducing the stock price crash risk and the cost of financing, and audit quality plays a mediating role. This paper provides new perspectives for enhancing the performance of auditors and improving the audit committee system. It also has important implications for reducing information asymmetry in the capital market and protecting investors' interests.

Keywords: Audit Committee; Auditor; Shared Tenure; Audit Quality; Capital Market

JEL: M42; G30