

监管政策、审计意见和审计师谨慎性*

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摘要

2001年中天勤事发后，相关的监管政策导致审计师在面临着更为严格的监管环境的同时，需要承受来自客户的更大压力。在监管政策带来的双面夹击下，审计师报告决策的谨慎性将朝着哪个方向移动？采用1999至2002年的数据，我们发现，在相关监管政策出台之后，审计师发表非标审计意见的概率明显下降，同时，审计师对于不同方式的盈余管理采取了差别报告策略。总体看来，审计师报告决策的谨慎性是下降而不是上升了。另外，我们还发现，在审计意见决策的谨慎性方面，随着监管政策的出台，小所的下滑幅度要快于大所，本地所要快于非本地所。本研究为理解监管政策在形成审计意见过程中所扮演的角色提供了帮助。

关键词：监管政策、审计意见、盈余管理、审计师谨慎性

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一、引言

审计师在做出签发审计意见的决策时，经常需要在成本和效益之间进行理性权衡。一方面，审计师发表非标审计意见经常招致客户埋怨，甚至可能就此丢失客户，另一方面，如果审计师对有问题的上市公司没有相应地发表非标审计意见，则可能随后招致诉讼风险，并导致声誉受损（DeAngelo, 1981; Krishnan and Krishnan, 1996）。显然，如果客户流失风险较大时，审计师便可能妥协于客户压力，在其他条件不变的情况下，非标审计意见的概率就将因此下降。相反，当审计师面临的法律风险上升时，审计师就可能签发更多的非标审计意见。

从经验文献看，针对客户压力和法律风险对审计意见的影响，主要集中在以下两个方面：（1）检验客户特征对审计意见的影响。由于不同的客户对审计师施加压力的能力不同，其未来遭遇诉讼的可能性也不同，由此可能影响了审计师的报告决策；³（2）检验特定的外部法律环境变化对审计意见的影响，比如，有研究表明，在法律风险趋严（趋松）时，审计师的报告决策将相应地变得更为谨慎（激进）（Geiger and Raghunandan, 2001; Geiger *et al.*, 2005, 2006; Francis and Krishnan, 2002）。本研究隶属于上述的第二个领域，希望考察2001年中天勤事发后相关监管政策的出台对审计师谨慎性的影响。

自2001年中天勤事发以后，相关的监管政策密集出台，国内证券审计市场的监管环境明显趋严（李爽和吴溪，2005）。但是，不同于国外文献中的研究场景，2001年出台的相关监管政策对审计师报告决策的影响是双重的，即监管政策的变化一方面导致审计师不得不更加关注由审计失败引致的风险，监管风险的加大应该有助于推动审计师谨慎性的上升。另一方面，由于2001年12月22日证监会发布的14号文加大了非标准无保留审计意见对客户的不利后果，如此，在14号文出台后，客户

³ 这一类的研究进一步可以分成两类，一是客户重要性对审计意见和操控性应计利润的影响，如Chung and Kallapur (2003)、Hunt and Lulseged (2007)、刘启亮等 (2006)、方军雄 (2007)、鲁桂华 (2007) 等，但得到的结论并不一致；二是通过采用客户的业绩、负债率、应收账款等指标计量客户的诉讼风险，进而检验其对审计意见和操控性应计利润影响，如Dopuch, Holthausen, and Leftwich (1987)、Lys and Watts (1994)、Stice (1991)、方军雄等 (2004) 等。此外，也有一些研究着眼于特定的样本考虑诉讼风险对审计质量的影响，如Cahan and Zhang (2006)。

避免收到非标审计意见的激励应该更为强烈，这转而导致审计师需要承受来自客户的更大压力，由此可能降低了审计师的谨慎性。因此，审计师在监管政策带来的双面夹击下，其审计意见决策是否更为谨慎，显然是一个重要且有趣的研究问题。

本文围绕着2001年中天勤事发之后证监会出台的相关监管政策，通过检验监管政策前后审计师在审计意见决策方面谨慎性的变化，希望为理解面临客户和监管双重压力下审计意见的形成过程提供一些经验证据。我们预测，如果监管政策导致的监管压力超过了客户压力，则审计师在审计意见决策上的谨慎性应该增强；相反，如果监管政策导致的客户压力超过了监管压力，则审计师在审计意见决策上的谨慎性就可能下降。为此，我们以2001年为分界点，考察了监管政策前后（1999-2000 vs. 2001-2002）非标审计意见概率的变化，发现非标审计意见概率在2001至2002年显著下降，并且这一概率的下降主要是因为审计师报告决策谨慎性的变化引起的，而非非由客户财务状况的变动所致，表明监管政策引发的客户压力可能压倒了监管压力。

其次，我们检验了监管政策前后审计师对客户盈余管理的反应程度。已有的国外文献指出，盈余管理程度高的公司更可能收到非标审计意见（Francis and Krishnan, 1999; Bartov *et al.*, 2001; Bradshaw *et al.*, 2001）。针对中国资本市场的研究也表明，审计师在一定程度上能够对客户的盈余管理做出反应（例如Chen, Chen, and Su, 2001；章永奎和刘峰，2002）。如果审计意见对客户盈余管理的揭示程度上升，则可能意味着审计师的谨慎性有所增强，反之则相反。

进而言之，由于客户进行盈余管理有多种手段，而不同的盈余管理方式引发的监管风险不同，由此导致审计师对不同类别盈余管理的反应程度可能存在差异。比如，客户通过线下项目进行的盈余管理更可能被监管部门所察觉，由此，审计师在审计意见决策时，应该更可能考虑此类盈余管理的影响。相反，如果客户采取较隐蔽的方式进行盈余管理，则无论是对于审计师还是监管部门而言，察觉客户盈余管理的难度将上升，即手段隐蔽的盈余管理带来的监管风险应该更低，这样，审计意见就应该更难于揭示此类盈余管理。

借鉴现有的文献，我们从三个角度计量了客户的盈余管理：一是着眼于ROE的边际分布，即通过设置小额盈利和配股边界虚拟变量来刻画盈余管理，这一方法在已有的国内文献中得到了广泛使用（Chen, Chen, and Su, 2001；孙铮和王跃堂，1999；夏立军和杨海斌，2002；陈晓和陈武朝，2005；陈关亭，2005）；二是借鉴李爽和吴溪（2002）的设计，着眼于非经常性损益项目计量盈余管理；三是着眼于操控性应计利润计量盈余管理。其中，第一个角度计量的是盈余管理的动机，后两种角度则相当于是对客户盈余管理方式的刻画。由于基于非经常性损益项目的盈余管理较容易被监管部门所察觉（Chen and Yuan, 2004），监管风险更高，而基于线上项目的盈余管理（操控性应计利润）隐蔽程度更高，更难于被监管部门所察觉，因此监管风险更低，这样，在面临客户压力的情况下，审计师对两类盈余管理所做出的反应便可能存在差异。我们的经验证据表明，在监管政策前后，审计意见同

ROE的边际分布虚拟变量之间的关系并未发生显著变化，但是，在监管政策出台之后，审计意见对非经常性损益项目的揭示程度有显著上升，但对操控性应计利润的揭示程度则显著下降。这些证据表明，面临监管和客户双重压力下的审计师，对于不同类别的盈余管理可能采取了差别应对策略。

由于不同类型的审计师抵御客户压力和监管压力的能力存在差异，因此监管环境的变化对不同类型审计师的影响也可能不同。为检验这一问题，我们从审计师规模和地缘关系两个角度考察了监管政策对审计师谨慎性的影响。总体说来，我们发现，在监管政策出台之后，尽管各类审计师的审计意见谨慎性均有所下降，但非十大所和本地所的审计意见谨慎性下降幅度要明显快于十大所和非本地所。

最后，我们也做了一些额外的测试。如果证监会14号文的确加大了非标审计意见对客户的不利经济后果，且投资者能够事先预期到这一点，则非标审计意见的信息含量在14号文发布之后应该上升。我们发现微弱的证据支持了这一论点。此外，我们也考察了客户在1999至2002年被证监会处罚的情况，发现非十大所客户和本地所客户因会计信息质量问题遭受证监会处罚的频率显著更高，并且在监管政策出台之后，非十大所客户和本地所客户被处罚的频率显著上升，从而为审计师规模和地缘关系影响审计质量提供了辅助证据。

本文对现有的国内外文献做出了有益地补充。第一，从国外文献看，已经有不少的研究考察了美国监管环境变化对审计师行为的影响（Geiger and Raghunandan, 2001; Geiger *et al.*, 2005, 2006; Francis and Krishnan, 2002）。这些研究一般只涉及到监管环境的单向变动（即法律风险趋严或趋松），而中国的这一监管环境变动对审计师的影响是双重的，即一方面监管力度加大使得审计师违规的成本上升，另一方面非标审计意见经济后果的增强又使得审计师面临着客户的更大压力，我们认为，这一独特的监管环境变化导致的双重压力对审计师的审计意见决策带来了更为复杂的影响，为检验审计师在两类成本之间的艰难权衡提供了良好的研究机会。尽管已有研究考察了审计师在法律风险和客户流失之间的权衡（Krishnan and Krishnan, 1996），但少有研究将这种权衡同外部监管环境的变化相联，因此，本文有助于丰富国外这一领域的研究。

第二，从国内文献看，已经有一些研究检验了2001年14号文对审计师行为的影响。比如，李爽和吴溪（2002）检验了14号文对审计意见变通的影响，他们发现，14号文的出台并没有遏制审计师将保留意见变通为带解释说明段的无保留意见这一行为。陆正飞和童盼（2003）则从审计师变更和审计意见角度考察了14号文的影响。由于14号文加大了非标审计意见对客户的不利经济后果，他们因此预期，2001年客户更可能通过更换审计师以实现审计意见购买。他们的证据表明，2001年客户购买审计意见的动机并没有增加，但是，有微弱的证据表明，有审计意见购买动机的公司在2001年更可能成功地实现意见购买。区别于上述研究，我们强调了因2001年监管政策使得审计师面临的监管压力和客户压力均有所上升这一现象，在此框架内从非标审计意见概率和审计意见对盈余管理的揭示程度两个方面考察了监管政策对审计师行为的影响，从而对他们的研究做出了补充。

第三, 本文的研究也丰富了关于审计意见和盈余管理关系的研究。针对中国资本市场的不少文献已经检验了审计意见和盈余管理的关系,⁴但从不同盈余管理方式导致的监管风险并不相同这一角度考察审计意见形成过程的研究尚不多见。本文从监管环境变化这一视角, 检验了面临监管和客户双重压力下审计师对不同盈余管理方式的反应, 为理解不同盈余管理方式在形成审计意见过程中所扮演的角色提供了补充证据。⁵

此外, 已有文献指出, 大所和小所的审计质量存在差异, 且监管政策对大所和小所审计行为的影响并不相同 (例如Francis and Krishnan, 2002; Lee and Mande, 2003)。针对中国资本市场研究还发现, 审计师的地缘关系也是影响审计质量一个重要因素。就我们所知, 尽管Wang *et al.* (2008)、Chan *et al.* (2006)、李奇凤和宋琰纹 (2007) 发现了审计师地缘关系影响了审计师服务质量, 但尚没有研究系统检验监管政策对本地所和非本地所审计行为的不同影响。本文的研究同时考察了监管政策对不同类型审计师审计意见决策的影响, 这也为监管政策、审计师特征和审计质量这一领域的研究增添了经验证据。

本文的后续安排如下: 第二部分交代了2001年中天勤事件及其相关的监管政策, 并就其对审计师报告决策的可能影响进行了讨论, 第三部分是研究设计, 交代了数据样本、研究变量和研究模型, 第四部分是实证结果分析, 第五部分是额外的测试, 最后是全文总结。

⁴ Chen, Chen, and Su (2001)、孙铮和王跃堂 (1999)、夏立军和杨海斌 (2002)、陈晓和陈武朝 (2005)、陈关亭 (2005) 等考察了审计意见和ROE边际分布之间的关系, 但研究结论并不一致; 章永奎和刘峰 (2002) 以及徐浩萍 (2004) 等则考察了审计意见同操控性应计利润之间的关系。

⁵ 宋衍蘅和何玉润 (2008) 与本文的研究在思想上较为相似。她们也从审计师需要在监管压力 and 市场竞争压力之间进行权衡的角度出发, 分析了长期资产减值准备转回这一特定的盈余管理方式对审计意见的影响。2006年2月新的企业会计准则第8号《资产减值》规定, 长期资产减值损失一经确认不得转回, 因此, 她们认为, 相对于新准则出台之前, 新准则的规定使得长期资产减值转回在准则出台之后具有不同的盈余管理含义。或者说, 2005年和2006年的长期资产减值转回可能不再是客户蓄意进行盈余管理的结果, 因此审计意见对新准则出台之后的长期资产减值转回的反应程度应该下降。我们的研究同宋衍蘅和何玉润 (2008) 存在以下几点不同: (1) 本文是从监管政策本身所导致的监管风险和客户压力均有所上升这一视角考察了审计意见行为, 这同2006年新准则的出台对审计师行为的影响并不相同; (2) 尽管从长期资产减值转回这一特定的盈余管理方式考察审计师的反应有其长处, 但着眼于其他视角 (如线下项目、操控性应计利润) 等检验审计意见和盈余管理的方式也是非常必要的。事实上, 由于数据限制, 我们只能获得2001年以后的长期资产减值转回数据, 因此无法检验2001年出台的监管政策对审计意见和长期资产减值转回之关系的影响。(3) 本研究的主题之一是考察了审计意见对不同盈余管理方式的影响, 而宋衍蘅和何玉润 (2008) 则是考察客户的同一种会计行为在不同的监管政策下具有不同的盈余管理含义这一视角展开的, 因此存在一定的差异。

二、2001年监管政策及其对审计意见决策的可能影响

(一) 2001年中天勤事发之后的监管环境和监管政策

2001年8月,《财经》杂志刊登长文“银广夏陷阱”,披露银广夏1999年和2000年萃取产品出口赚取的暴利纯属财务造假的结果。银广夏事发后,其主审事务所中天勤立刻卷入漩涡之中。财政部于9月初宣布,拟吊销签字注册会计师刘加荣、徐林文的注册会计师资格(后被判入狱2年6个月);吊销中天勤会计师事务所的执业资格,并会同证监会吊销其证券、期货相关业务许可证,同时,将追究中天勤会计师事务所负责人的责任。这家拥有最多上市公司客户的中国大型事务所就此瞬间解体。

中天勤事发后,相关监管部门对此做出了迅速反应,试图从制度上规范上市公司和注册会计师的行为。比如,证监会和财政部于2001年末撤消了四家会计师事务所的证券从业资格;财政部也加大了会计师事务所执业质量检查的范围力度,对涉案事务所和相关注册会计师做出了警告和吊销资格证书等处罚措施;中国注册会计师协会2002年也开始对上市公司审计中“炒鱿鱼,接下家”(会计师事务所变更)行为予以重点关注。2001年12月30日,中国证监会发布《公开发行证券的公司信息披露编报规则第16号—A股公司实行补充审计的暂行规定》(以下简称“16号文”或“补充审计政策”)。按照16号文的要求,A股公司在首次公开发行股票并上市,或上市后在证券市场再筹资时,应聘请国际会计师事务所按国际会计准则进行补充审计。根据李爽和吴溪(2003)的分析,补充审计政策的出台明显是监管部门对2001年年中开始接连爆发的重大财务欺诈案件所做出的反应。尽管补充审计政策存续期间只有短短的2个月,⁶但它对国内注册会计师行业的影响不可忽视。事实上,补充审计政策出台伊始,便迅速引起了业界内外的强烈反响和普遍争议,尽管后来该政策流产,但对国内注册会计师行业而言却留下了难以忘怀的阴影。中国审计师们开始认识到,他们的社会公信力已降至冰点,如果未来依然无法改善,他们的职业基础将被侵蚀,甚至有被取代的危险。

在16号文发布的一周前,中国证监会发布了另一个文件,即《公开发行证券的公司信息披露编报规则第14号—非标准无保留审计意见及其涉及事项的处理》,其中第五条规定,注册会计师不得以解释性说明代替保留意见,或者以保留意见代替否定意见。这表明监管部门开始对注册会计师的审计意见变通行为给予了重点关注。更关键的是,14号文的第7条规定,如上市公司被出具了非标准无保留审计意见的,证券交易所应当在上市公司定期报告披露后,立即对其股票实行停牌处理,并要求上市公司限期纠正。第8条规定,因非标准审计意见导致公司股票停牌的,停牌期间中国证券监督管理委员会将对有关事项进行调查,并依法做出处理。第10条规定,如保留意见或否定意见涉及事项对上市公司利润产生影响,注册会计师估计了该事项对利润影响数的,上市公司应当在制定利润分配方案时扣除上述审计意见的影响数,待该审计意见涉及事项及其对利润的影响消除后再行分配;如果注册会计师出具了无法表示意见的审计报告,上市公司当年不得进行利润分配。

⁶ 麻晓艳、熊秀华和刘峰(2002)对补充审计政策的出台到消亡作出了理论解释。他们认为,国内会计师事务所的反对导致的强烈舆论反弹以及相对有效的会计理论研究成果的出现,借助互联网这一工具,实质上形成一种舆论压力,再加上安然事件的“及时”出现,最终导致了证监会对16号文件进行了修改。

（二）监管政策引发的双重压力对审计意见的影响

在美国审计市场上，会计师在执业时经常容易遭遇法律风险。当会计师事后被发现提供了低质量的审计报告时，投资者一般会通过法律诉讼要求事务所提供巨额赔偿，因此深刻地影响了会计师的报告决策。有研究表明，在企业破产之前出具非标审计意见或持续经营审计意见可以部分地保护会计师免受法律诉讼的侵害（Mutchler, 1984; Carcello and Palmrose, 1994）。亦有研究考察了会计师在不同法律环境下的审计意见行为。比如，围绕着1995年美国出台的私人证券诉讼法案（The Private Securities Litigation Reform Act）前后不同的法律环境，经验证据表明，由于1995年法案降低了会计师面临的法律风险，从而使得会计师的执业谨慎性有所放松，这表现为法案之后会计师出具持续经营审计意见的概率更低（Geiger and Raghunandan, 2001; Geiger *et al.*, 2006; Francis and Krishnan, 2002）以及客户的盈余管理程度更高（Lee and Mande, 2003）。另外，Geiger *et al.*（2005）检验了Sarbanes-Oxley法案是否导致了会计师的报告决策更为谨慎，他们发现，在控制住其它变量的影响后，那些进入破产阶段的财务困境公司在SOX法案之后收到了更多的持续经营审计意见，说明会计师的报告决策在2001年12月之后变得更为谨慎。

但是，在审计实践中，提供高质量的审计服务却可能遭受客户抵制，甚至导致客户流失。事实上，会计师在做出报告决策时，经常需要在法律风险（或声誉损失）和客户丢失成本之间进行权衡（Kida, 1980; DeAngelo, 1981; Dopuch, Holthausen, and Leftwich, 1987; Krishnan and Krishnan, 1996）。如果非标审计意见对客户的不利经济后果增强，可以合理预期，当会计师对客户发表非标审计意见时，将遭受到客户更大的抵制，客户流失的概率将上升，从而导致会计师更可能妥协于客户的要求，从而降低了审计报告的谨慎性。

上述分析表明，会计师的报告决策受到了多种力量的影响。一方面，会计师发表非标审计意见容易得罪客户，因此面临着客户丢失的可能性，从而可能导致经济损失；另一方面，当会计师对应该发表非标审计意见的客户出具乾净的审计意见时，又可能招致诉讼风险，或导致声誉损失。会计师为此需要在两者之间寻找一个均衡点，以最小化审计报告的总成本。

2001年中天勤事件之后的监管环境和监管政策，一方面将使得会计师在后中天勤时代风险意识更强，执业更为谨慎，从而推动审计报告谨慎性的上升。但是，从另一方面看，由于14号文使得非标审计意见对客户的不利经济后果增强，客户避免收到非标审计意见的激励将导致会计师需要承受来自客户的更大压力。那么，面临监管政策引发的双重压力，会计师的审计意见决策会有怎样的变化？下面，我们结合中国审计市场的制度背景，对这一问题进行初步讨论。

转型经济背景下的中国审计市场，有着不同于西方发达国家的自身特征。⁷就1999至2002年这一段时期而言，有以下几个特征：（1）审计师的意见决策容易受政府干预的影响；（2）中国的审计市场是一个以政府监管机制代替法律机制的市场。刘峰和许菲（2002）认为，中国的审计师面临的法律风险几乎为零，投资者难以通过司法机制起诉事务所以获得赔偿。⁸由于司法机制对于中国的审计市场几乎不起作用，对我国审计市场的监管主要是通过中国证监会、财政部等政府机构的行政处罚来实现的。（3）更为重要的是，中国的审计市场在很多情况下缺乏对高质量审计的内在需求，从而限制了声誉机制的作用。

当法律诉讼风险较低、审计师声誉机制作用有限、且审计市场竞争激烈的情况下，我们推测，2001年的监管政策导致的监管压力压倒客户压力的可能性较小，这样，在2001年监管政策出台之后，审计师报告决策的谨慎性可能保持不变或下降，上升的可能性较小。

进一步的，监管政策导致的监管压力和客户压力对不同审计师的影响可能是不同的，从而潜在地导致了不同类型审计师之间的行为差异。大所抵御客户压力的能力更强，且出事的中天勤是大所，大所面临的监管压力也可能更大，因此，我们预期，相对于小所而言，监管政策应该更有助于推动大所审计报告决策谨慎性的上升。另外，基于事务所地缘关系的研究表明，本地所受到的政府干预更为严重，提供的审计服务质量更低（Chan *et al.*, 2006; Wang *et al.*, 2008；李奇凤、宋琰纹，2007），因此，监管政策对本地所和非本地所的影响可能是不同的。

三、样本选择和研究方法

由于中天勤事件最早揭露于2001年8月，相关的监管文件（14号文和16号文）出台于2001年12月，而2001年的年度报告主要集中于2002年3月和4月披露，因此，针对2001年年报的审计意见应该受到了相关监管政策的影响。为此，我们以2001年12月作为2001年监管政策前后的分界点。具体说来，我们将通过监管政策之前（1999至2000年）和之后（2001至2002年）的对比，以检验监管政策对审计师报告决策谨慎性的影响。

⁷ 关于中国审计市场特征的一般描述可参见Defond *et al.* (2000)、Chan *et al.* (2006)、Wang, Wong, and Xia (2008)、刘峰、张立民和雷科罗 (2002)、刘峰和许菲 (2002)、李爽和吴溪 (2005) 等。

⁸ 应该说，随着相关法制建设的推进，针对审计师的民事诉讼门槛有逐渐降低的趋势。实际上2002年1月份之后，投资者可以因虚假陈述起诉CPA，前提是证监会对相关的虚假陈述进行了行政处罚（2003年之后扩展到其他行政机构(如财政部)的处罚），并且CPA有举证的责任。到2006年，开始出现投资者起诉审计师的案件，如2006年科龙电器的股东起诉德勤以及沈阳华伦因蓝田股份案被判承担连带民事赔偿责任等。

我们首先选取1999至2002年所有的A股上市公司作为初始研究样本，然后，根据以下标准对样本进行筛选：（1）剔除样本期间发生过审计师变更（包括强制性变更和自愿性变更）的样本。⁹由于审计师变更对审计意见有重要影响（例如Chan *et al.*, 2006；李东平等，2001；李爽和吴溪，2004；陆正飞、童盼，2003；吴联生、谭力，2005），因此，将发生过审计师变更的公司加入研究样本之中会增加噪音；（2）剔除了净资产为负的公司和金融类的公司；（3）为增强监管政策前后的可比较性，我们要求上市公司在4个年度内均存在。这样，我们最终得到的上市公司数为561家，4年共2244个企业-年样本。上市公司财务数据和审计数据来自CSMAR数据库。

我们主要着眼于审计意见角度，从非标审计意见概率和审计意见对盈余管理的揭示程度两个方面检验监管政策对审计师谨慎性的影响。以前的文献指出，当审计师面临的审计风险加大时，通过增加审计报告的谨慎性，发表更多的非标审计意见，是抵御风险的策略之一（Carcello and Palmrose, 1994; Geiger *et al.*, 2001, 2005, 2006）。如果审计师在监管政策出台之后其报告决策更为谨慎，则在其他条件不变的情况下，非标审计意见的概率应该增加。为此，我们建立如下基本模型，使用logistic回归以检验2001年监管政策对审计意见的影响：

$$MAOs = \alpha + \beta_1 AFTER2000 + \beta_2 SIZE + \beta_3 ROE + \beta_4 LEVERAGE + \beta_5 CURRENT_RATIO + \beta_6 RECEIVABLE + \beta_7 INVENTORY + \beta_8 AGE + \varepsilon \quad (1)$$

模型（1）中，*AFTER2000*为测试变量，如果样本年度是2001年或2002年，其值为1，否则为0。如果监管政策出台之后，审计师发表非标意见的概率上升，则*AFTER2000*的系数应该为正，否则为负。根据国内外有关审计意见影响因素的研究结果，我们选取了7个控制变量，以控制影响审计师出具审计意见的其他因素：客户资产规模（*SIZE*）、公司业绩（*ROE*）、负债率（*LEVERAGE*）、流动资产比例（*CURRENT_RATIO*）、应收款项比例（*RECEIVABLE*）、存货比例（*INVENTORY*）、上市年龄（*AGE*）。具体的变量说明参见表1。

⁹ 这里的强制性变更是指由于事务所吊销执照、年检不合格等原因导致客户不得不更换审计师，而自愿性变更是指客户主动更换审计师或者审计师辞聘。2001年，中天勤、深圳华鹏被吊销执照，中天信、华伦、深圳同人、中京富年检不合格，退出审计市场。中审因许可证问题未参加2001年年报审计工作（但在2002年获得了资格，后再次进入证券审计行业）。以上七家事务所客户在2001年的审计师变更，属于强制性变更。

但是，从理论上讲，非标审计意见概率的变化是审计师报告决策的谨慎性和客户特征两方面联合作用的结果。在中天勤事件之后，上市公司也可能面临着更为严格的监管，这样，上市公司也可能会因为监管压力而听从审计师的建议修改财务报告，从而获得标准无保留审计意见。为增强研究结论的可靠性，我们有必要借鉴 Francis and Krishnan (2002) 对此问题的开创性思路，通过区分这两种因素对非标审计意见概率的影响，从而更细致地对审计师的谨慎性进行考察。¹⁰

根据 Francis and Krishnan (2002) 的思路，非标准审计意见的概率依赖于一系列的客风险特征（向量 X ）和审计师评估这些特征的权重（向量 β ）这两方面的联合作用。其中，向量 β 可以计量审计师报告决策的谨慎程度，用函数形式表示，审计师发表非标准无保留审计意见的概率就可写成：

$$P(MAO_{it}=1)=F(X_{it}'\beta_t),$$

这里， $F(\cdot)$ 代表一个逻辑变量（非标审计意见 $MAOs$ ）的分布函数。根据 Francis and Krishnan (2002) 的方法，监管政策前后（1999-2000 vs. 2001-2002）非标审计意见的概率变化可以表示成下式（2）：

$$\Delta P=P_{2001-2002}-P_{1999-2000}=P(X_{2001-2002}, \hat{\beta}_{2001-2002})-P(X_{1999-2000}, \hat{\beta}_{1999-2000}) \quad (2)$$

进一步的，非标审计意见的概率变化可以分解成两部分：（1）客户特征引起的变化；（2）审计师报告决策引起的变化。由于系数 β 代表审计师报告决策的谨慎程度，因此 $P(X_{2001-2002}, \hat{\beta}_{1999-2000})$ 便可以理解为审计师采用监管政策之前（1999至2000年度）的报告决策对监管政策之后（2001至2002年）的客户进行审计时，出具非标审计意见的预期概率。这样，监管政策前后非标审计意见的概率变化便可以分解成如下两部分：

$$\begin{aligned} \Delta P=&[P(X_{2001-2002}, \hat{\beta}_{2001-2002})-P(X_{2001-2002}, \hat{\beta}_{1999-2000})] \\ &+ [P(X_{2001-2002}, \hat{\beta}_{1999-2000})-P(X_{1999-2000}, \hat{\beta}_{1999-2000})] \end{aligned} \quad (3)$$

式（3）中括号的第一项表示的是，当客户特征保持不变时（固定在2001至2002年的水平），审计师报告决策的改变引起的非标审计意见概率变化；第二项表示的是当审计报告决策不变时（固定在1999至2000年的水平），客户特征改变引起的概率变化。

¹⁰ Geiger *et al.* (2005) 使用了 Francis and Krishnan (2002) 的研究思路。

为估计系数 β ，我们首先使用监管政策出台之前的样本（1999至2000年）对模型（1）进行回归（模型中不包括 $AFTER2000$ 这一变量），得到1999至2000年度各个自变量的回归系数，这些系数的向量即为 $\hat{\beta}_{1999-2000}$ 。其次，再使用监管政策出台之后的样本（2001至2002年）求出 $\hat{\beta}_{2001-2002}$ 。之后，按照式（3）便可以分别求出监管政策前后非标审计意见总概率的变化、审计报告决策引起的概率变化和客户特征引起的概率变化。

本文研究的第二个视角是基于审计师对盈余管理的反应展开的。由于客户的盈余管理行为增加了审计师的监管风险，审计师因而有可能通过发表非标审计意见对此予以揭示。为此，我们在模型（1）的基础上，引入盈余管理变量，通过分组检验，以考察监管政策前后审计意见和盈余管理的关系是否发生了改变：

$$\begin{aligned} MAOs = & \alpha + \beta_1 EM + \beta_2 SIZE + \beta_3 ROE + \beta_4 LEVERAGE \\ & + \beta_5 CURRENT_RATIO + \beta_6 RECEIVABLE \\ & + \beta_7 INVENTORY + \beta_8 AGE + \varepsilon \end{aligned} \quad (4)$$

我们预计，盈余管理（ EM ）的回归系数 β_1 为正，即客户盈余管理程度越高，收到非标审计意见的概率越大。进一步的，如果在监管政策出台之后审计师报告决策谨慎性上升，则 β_1 应该变大，否则相反。

由于不同的盈余管理方式引发的监管风险并不相同，因此不同的盈余管理方式在审计意见的形成过程中所扮演的角色可能并不相同。当监管政策导致的监管压力和客户压力都有所上升时，审计师一方面有可能加大对高监管风险的盈余管理揭示力度，而另一方面则对低风险的盈余管理作出妥协。

我们从三个视角计量了客户的盈余管理：一是着眼于 ROE 的边际分布，设置小额盈利虚拟变量（ SPE_DUM ）和配股边界虚拟变量（ $RIGHT_DUM$ ）。如果公司的 ROE 落在 $[0\%, 1\%]$ 区间内，则 SPE_DUM 等于1，否则为0；如果公司的 ROE 落在配股资格达标区间，则 $RIGHT_DUM$ 等于1，否则为0。¹¹已有的研究表明， ROE 落在这两个特定区间的上市公司，盈余管理动机应该更强（例如Chen, Chen, and Su, 2001）。

¹¹ 配股达标区间的定义是：1999至2000年为当年 ROE 处于 $[6\%, 7\%]$ 且最近三年平均 ROE 大于10%，或者最近三年平均 ROE 处于 $[10\%, 11\%]$ 且当年 ROE 大于6%；2001至2002年为最近三年平均 ROE 处于 $[6\%, 7\%]$ 。

我们计量盈余管理的第二个视角是着眼于非经常性损益项目。Chen and Yuan (2004)、Haw *et al.* (2005) 注意到，上市公司经常通过非经常性损益项目进行盈余管理以获得配股资格。为此，我们采用李爽和吴溪 (2002) 的设计，使用 *IRRGLPRF* 变量以计量非经常性损益项目对公司利润的影响，计算公式为： $IRRGLPRF = (\text{当期税前利润} - \text{营业利润} + \text{其他业务利润}) / \text{当期税前利润}$ 。

本文计量盈余管理的第三个视角是基于操控性应计利润。我们使用业绩配比的 Jones 模型计算操控性应计利润，记为 *DA_PERF*。为计算该变量，我们首先算出公司各年的总应计利润 $ACCA_t$ ， $ACCA_t = (t\text{年营业利润} - t\text{年经营现金流量}) / A_{t-1}$ ，然后分年度、分行业对如下模型进行回归：

$$ACCA_t / A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \alpha_2(\Delta REV_t/A_{t-1}) + \alpha_3(PPE_t/A_{t-1}) + \alpha_4 ROA_t + \varepsilon_t \quad (5)$$

其中， A_{t-1} 为公司 $t-1$ 年末总资产， ΔREV_t 为 t 年度主营业务收入的改变量， PPE_t 为 t 年末固定资产价值， ROA_t 为 t 年的总资产收益率， ε_t 为误差项。通过分年度分行业回归，然后以其残差作为操控性应计利润的衡量（参见 Kothari *et al.*, 2005），得到 *DA_PERF*。

需要指出的是，我们没有使用操控性应计利润的绝对值作为盈余管理的度量，这是因为，根据 Cahan and Zhang (2006) 的观点，在研究盈余质量时，使用操控性应计利润的绝对值更为有效 (Francis *et al.*, 2005)，但在审计研究背景里，带符号的操控性应计利润更为合适，因为审计师对客户收益增加的盈余管理和收益减少的盈余管理的态度是不同的 (Kim *et al.*, 2003)。

由于基于非经常性损益项目的盈余管理更易于识别，而基于经营性应计利润的盈余管理更难于察觉 (Chen and Yuan, 2004)，因此，审计师对于这两种盈余管理方式的反应应该是不同的。

最后，如前文所述，监管政策对不同审计师的影响可能不同，为检验这一问题，我们分别按照审计师规模和地缘关系对样本进行分组，以检验监管政策对不同审计师谨慎性的影响。具体说来，我们进行了如下分组检验：（1）十大所同非十大所的比较。这里的十大所是按事务所各年已审客户（上市公司）的资产总额为基础排序的，如果事务所的排名在前十名之内，则称为十大所，否则便为非十大所，十大会计师事务所的数据来自中国证监会首席会计师办公室编制的各年度《谁审计中国证券市场》；（2）本地所同非本地所的比较。本地所和非本地所是按客户的注册地和审计师的注册地为基础进行划分的，如果客户的注册地和审计师的注册地在同一个省（或直辖市）内，称之为本地所，否则为非本地所。某些事务所是由两

个或多个事务所合并而来，参照Wang, Wong, and Xia (2008) 的定义，合并之前的各个事务所的注册地也被认为是合并之后事务所的注册地之一，即合并事务所的注册地可能有两个或多个。(3) 本地小所和非本地小所的比较。如果事务所为非十大所且为本地所，则称之为本地小所，否则为非本地小所。¹²

表1 变量定义

审计师和 审计意见变量	
非标审计意见 (<i>MAOs</i>)	虚拟变量，如果审计意见是非标准审计意见（包括无保留意见加说明段、保留意见、拒绝表示意见和否定意见），取值为1，否则为0；
十大所	当年度的前十大所（按已审客户资产总额排名）；
本地所	会计师事务所的注册地与客户的注册地在同一个省（或直辖市）；
本地小所	本地所且非十大所；
盈余管理变量	
一、ROE边际分布	
<i>SPE_DUM</i>	如果上市公司ROE处于[0,1%]区间，取值为1，否则为0；
<i>RIGHT_DUM</i>	如果上市公司的ROE处于配股达标区间，取值为1，否则为0；
二、非经常性项目	
<i>IRRGLPRF</i>	(当期税前利润－营业利润＋其他业务利润) / 当期税前利润；
三、操控性应计利润	
<i>DA_PERF</i>	根据业绩配比的Jones模型计算的操控性应计利润；
客户特征变量	
<i>SIZE</i>	客户年末总资产的自然对数；
<i>ROE</i>	净利润除于年末净资产；
<i>LEVERAGE</i>	年末总负债和净资产的比例；
<i>CURRENT RATIO</i>	年末流动资产和总资产的比例；
<i>INVENTORY</i>	年末存货和总资产的比例；
<i>RECEIVABLE</i>	年末应收款项净额和总资产的比例；
<i>AGE</i>	公司上市年龄；

¹² 根据事务所的规模和地缘关系，我们进一步可以将样本划分为四类，即：本地-十大所客户、本地-非十大所客户、非本地-非十大所客户和非本地-十大所客户，这四类样本的分布特征参见表2。由于这种四分法导致部分类别样本太少，不便于进行统计检验，为此，借鉴Wang, Wong, and Xia (2008)的分类标准，我们仅区分了本地小所和非本地小所。

四、实证结果分析

(一) 描述性统计

表2是对1999至2002年561家样本的审计意见和审计师分布情况的描述性统计。从A栏可以看到,相比于1999至2000年,2001至2002年的非标审计意见比例下降了4.4个百分点,下降幅度达到35%。这意味着审计师报告决策的谨慎性在监管政策出台之后可能是下降而不是上升了。

表2的B栏报告了样本的审计师分布特征。十大所的份额平均在24%左右,而上市公司选择本地事务所的比例平均在80%左右。进一步的,本地小所的市场份额平均在64%左右,和Wang *et al.* (2008)的结果相当,表明地缘关系的确是中国审计市场的一个重要特征。

表3是对主要变量的描述性统计和检验结果。从监管政策前后审计意见比例的变化看,除非本地所外,其余各类事务所的非标审计意见比例在2001至2002年均显著下降。特别的,十大所非标审计意见比例由14.2%下降到8.2%,下降了6个百分点(在5%水平上显著),意味着十大所的审计意见谨慎性也可能下降了。

从具体的审计意见类型看,非标审计意见的下降主要表现为带说明段的无保留审计意见的下降。由于14号文将此类意见同样视为非标准无保留审计意见,因此带说明段的无保留审计意见同样会给客户带来不利的经济后果,这样,在客户的压力下,对于审计风险较小的事项,审计师便可能索性选择发表标准无保留审计意见,以隐藏监管线索。

从盈余管理变量的描述性统计结果看,小额盈利比例在2001至2002年达到8%,上升了3.2个百分点(在1%水平上显著),但是,十大所和非本地所客户的小额盈利比例尽管有所上升,但上升幅度并不显著。从配股边界比例看,相比于1999至2000年,2001至2002年该比例有所下降,其中的原因之一可能在于配股政策本身的变化。¹³从非经常性项目损益情况看,*IRRGLPRF*在2001至2002年均有所下降,这意味着随着监管环境的变化,上市公司可能更少地使用了线下项目进行盈余管理。

¹³ 1999和2000年,配股政策对ROE的要求是最近三年ROE每年不低于6%,且三年平均不低于10%。2001年和2002年是最近3年ROE平均不低于6%。

从操控性应计利润情况看，*DA_PERF*也有所下降，表明上市公司的盈余管理程度可能下降了。¹⁴

从客户的主要特征变化看，容易发现，相比于1999至2000年，上市公司2001至2002年的净资产收益率（*ROE*）出现了显著下降，而负债率则显著上升，意味着上市公司的财务状况出现了显著的恶化。但是，从按审计师特征分类情况看，十大所客户的*ROE*和*LEVERAGE*均无显著变化，表明大所的客户质量可能更高。

表2 审计意见和审计师特征的描述性统计

A栏：审计意见分布

审计意见类别	审计意见期间			
	1999	2000	2001	2002
样本数	561	561	561	561
非标准审计意见	82 (14.6%)	59 (10.5%)	41 (7.3%)	51 (9.1%)
其中：				
无保留加说明段	61 (10.9%)	45 (8.0%)	29 (5.2%)	39 (7.0%)
保留	20 (3.6%)	13 (2.3%)	12 (2.1%)	9 (1.6%)
拒绝/否定	1 (0.2%)	1 (0.2%)	0 (0.0%)	3 (0.5%)

B栏：审计师特征

十大所	123 (21.9%)	131 (23.3%)	137 (24.4%)	143 (25.5%)
本地所	455 (81.1%)	445 (79.3%)	454 (80.9%)	453 (80.7%)
本地所—十大所	96 (17.1%)	95 (16.9%)	97 (17.3%)	97 (17.3%)
非本地所—十大所	27 (4.8%)	36 (6.4%)	40 (7.1%)	46 (8.2%)
本地所—非十大所	359 (64.0%)	350 (62.4%)	357 (63.6%)	356 (63.5%)
非本地所—非十大所	79 (14.1%)	80 (14.3%)	67 (11.9%)	62 (11.1%)

¹⁴ 需要提醒的是，对这一论点需要保持警惕。由于操控性应计利润主要来自模型估计的残差，按道理，残差的均值应该为0（注意，我们在估计操控性应计利润时，是以全体A股样本为基础估计的，不仅仅是本文的561个公司样本）。此外，业绩配比的Jones模型是假定样本总体不存在系统的盈余管理为基础的，如果某年度总体发生系统的正向（或负向）盈余管理，则并不能通过操控性应计利润的大小直接比较各年的盈余管理程度。如果有条件的话，可以采取控制样本，使用Difference-in-difference的方式比较测试样本的盈余管理程度在年度间的变化，但这一方法在本研究中不适用。

表4 监管政策前后非标审计意见的logistic回归结果

变量	全样本	十大所	非十大所	本地所	非本地所	本地小所	非本地小所
AFTER2000	-0.814 *** (-4.30)	-0.427 (-1.22)	-0.990 *** (-4.32)	-0.891 *** (-4.14)	-0.637 (-1.51)	-1.012 *** (-3.98)	-0.510 * (-1.74)
SIZE	-0.145 (-1.37)	-0.979 (-0.48)	-0.204 * (-1.62)	-0.183 (-1.50)	0.111 (0.52)	-0.201 (-1.36)	-0.051 (-0.33)
ROE	-1.714 *** (-3.34)	-3.016 * (-1.89)	-1.364 ** (-2.47)	-1.574 ** (-2.52)	-2.294 ** (-2.16)	-1.131 * (-1.79)	-2.577 *** (-2.80)
LEVERAGE	0.365 *** (4.48)	0.336 ** (2.38)	0.397 *** (3.90)	0.411 *** (4.73)	0.133 (0.55)	0.423 *** (3.97)	0.293 ** (2.42)
CURRENT_RATIO	-1.589 ** (-2.14)	-0.400 (-0.37)	-2.109 ** (-2.33)	-1.726 ** (-2.13)	-0.579 (-0.31)	-2.165 ** (-2.06)	-0.569 (-0.52)
RECEIVABLE	4.042 *** (7.94)	3.596 *** (3.65)	4.478 *** (7.56)	4.109 *** (4.73)	3.667 *** (2.70)	4.496 *** (7.14)	3.639 *** (4.13)
INVENTORY	1.619 (1.53)	-2.026 (-0.96)	3.151 *** (2.77)	1.097 (0.90)	2.538 (1.13)	2.053 (1.56)	0.978 (0.61)
AGE	0.746 ** (2.04)	-0.136 ** (-2.03)	0.148 *** (3.07)	0.052 (1.31)	0.224 ** (2.36)	0.129 ** (2.40)	-0.008 (-0.16)
Intercept	-0.231 (-0.11)	0.173 (0.04)	0.510 (0.20)	0.776 (0.31)	-6.657 (-1.41)	0.702 (0.23)	-1.977 (-0.61)
N	2244	534	1710	1807	437	1422	822
Wald Chi-Square	172.7 ***	35.2 ***	145.8 ***	156.1 ***	24.2 ***	130.0 ***	47.6 ***
Pseudo-R ²	0.195	0.181	0.221	0.198	0.212	0.217	0.176

注：回归因变量为非标审计意见（MAOs）；表中数据为logistic回归系数，括号中为Z值，所有的Z值已经过clustered standard errors和White（1980）异方差稳健性修正，***、**和*分别表示显著性水平为1%、5%和10%。

（二）非标审计意见的多元分析

表4报告了对审计意见的logistic回归结果。从测试变量*AFTER2000*的情况看，其回归系数为-0.814，在1%水平上显著，说明非标审计意见的概率在2001至2002年的确有显著下降，意味着审计师在审计意见决策的谨慎性方面是降低而不是上升了，这和我们前面的分析是一致的。

从不同事务所客户的分组检验结果看，尽管*AFTER2000*的系数均为负，但十大所和非本地所两组样本的*AFTER2000*系数并不显著，说明非标审计意见概率在监管政策前后没有明显改变。这意味着监管政策对不同事务所的影响是不同的，十大所和非本地所的审计意见谨慎性下降幅度要低于非十大所和本地所。

从控制变量回归结果看，会计业绩（*ROE*）、流动比例（*CURRENT_RATIO*）同非标审计意见的关系为负，而负债率（*LEVERAGE*）、应收账款比例（*INVENTORY*）和公司上市年龄（*AGE*）同非标审计意见关系为正，这和前人的研究基本一致。

（三）非标审计意见概率的分解

正如前文所言，审计意见是由审计师报告决策的谨慎性和客户特征两方面联合作用的结果。为此，参照Francis and Krishnan（2002）的设计，我们对非标审计意见概率的变化进行了分解，结果报告于表5之中。

从表5的A栏容易发现，就全体样本而言，相比于1999至2000年，非标审计意见概率在2001至2002年下降了4.37个百分点，其中，由客户特征变化导致非标审计意见概率是上升了2.15个百分点，¹⁵而审计师报告决策的变化导致了非标审计意见概率下降了6.52个百分点，这说明我们从表4观测到的结果的确是由审计报告决策的谨慎性下降所致，而不是由客户特征变化所导致的。¹⁶

¹⁵ 从表3的描述性统计结果看，相比于1999至2000年，2001至2002年上市公司的业绩和负债率均有所恶化，这应该会推动非标审计意见概率的上升。

¹⁶ 这里客户特征没有包括盈余管理变量，在敏感性检验阶段，我们也将各个盈余管理变量纳入客户特征，并重新对非标审计意见的概率进行分解，研究结论没有实质性改变。

从对审计师进行分组的检验结果看，各组均存在着因审计师报告决策谨慎性下降而导致非标审计意见下降的现象，只是下降幅度在各组之间存在差别。比如，十大所因报告决策谨慎性下降导致非标审计意见概率下降了3.53个百分点，而非十大所则下降了7.56，是十大所的两倍有余。类似地，容易发现，本地所、本地小所审计意见决策谨慎性的下降幅度都要快于非本地所和非本地小所，这和前文的分析基本一致。

表5 非标审计意见概率的分解：各类审计师的比较

时间段	非标审计意见 总概率的变化		客户特征导致 的非标 审计意见概率的变化		审计报告决策导致 的非标 审计意见概率的变化	
	(%)	t-stat.	(%)	t-stat.	(%)	t-stat.
A栏：全样本						
2001-2002 vs. 1999-2000	-4.37	-7.69 ***	2.15	3.14 ***	-6.52	-26.58 ***
B栏：十大所客户						
2001-2002 vs. 1999-2000	-5.96	-5.03 ***	-2.43	-1.70 *	-3.53	-6.18 ***
C栏：非十大所客户						
2001-2002 vs. 1999-2000	-3.90	-5.74 ***	3.66	4.50 ***	-7.56	-26.10 ***
D栏：本地所客户						
2001-2002 vs. 1999-2000	-5.28	-8.40 ***	2.04	2.76 ***	-7.33	-31.63 ***
E栏：非本地所客户						
2001-2002 vs. 1999-2000	-0.61	-0.39	4.03	2.15 **	-4.64	-3.55 ***
F栏：本地小所客户						
2001-2002 vs. 1999-2000	-4.56	-6.28 ***	3.19	3.83 ***	-7.74	-30.01 ***
G栏：非本地小所客户						
2001-2002 vs. 1999-2000	-4.03	-4.10 ***	-0.08	-0.06	-3.95	-7.07 ***

注：***、**、*显著性水平分别为1%、5%和10%，双尾检验。

表6 非标审计意见和盈余管理变量的相关系数表

变量	<i>MAOs</i>	<i>SPE_DUM</i>	<i>RIGHT_DUM</i>	<i>IRRGLPRF</i>	<i>DA_PERF</i>
<i>MAOs</i>		0.137 ***	-0.010	0.170 ***	0.025
<i>SPE_DUM</i>	0.116 ***		-0.080 ***	0.160 ***	0.020
<i>RIGHT_DUM</i>	-0.037 *	-0.073 ***		-0.010	0.023
<i>IRRGLPRF</i>	0.217 ***	0.333 ***	-0.050 **		0.063 ***
<i>DA_PERF</i>	0.023	-0.002	0.025	0.005	

注：表中下三角为Pearson相关系数，上三角为Spearman相关系数；***、**、*分别表示显著性水平0.01、0.05、0.10。

（四）审计意见和盈余管理

表6是审计意见和各个盈余管理变量的相关系数分析。容易发现，非标审计意见同 SPE_DUM 以及 $IRRGLPRF$ 保持较高度度的相关性，但同其他盈余管理变量相关系数不高，甚至显著为负，这部分地说明不同的盈余管理在审计意见形成过程中所扮演的角色是不一样的。

表7报告了盈余管理对审计意见的影响。从 ROE 边际分布情况看，小额盈利（ SPE_DUM ）的回归系数显著为正，说明审计师对于此类公司的盈余管理动机有所揭示，这和Chen, Chen, and Su（2001）等研究结论一致。但是，配股边界变量（ $RIGHT_DUM$ ）并不显著，这和夏立军和杨海斌（2002）、陈晓和陈武朝（2005）、陈关亨（2005）等人的结论一致，表明审计师对于不同的盈余管理动机所作出的反应并不相同。从监管政策前后对比看， ROE 边际分布同盈余管理之关系并没有发生显著变化。

从非经常性损益变量看， $IRRPRGLF$ 的回归系数在1999至2000年为0.048，但在2001至2002年上升到0.135，在10%水平上显著，意味着审计师对于此类盈余管理方式加大了揭示力度。

从操控性应计利润同审计意见的关系看，则是另外一个故事。在1999至2000年期间， DA_PERF 的系数为正，但不显著，而在2001至2002年期间， DA_PERF 的系数开始显著为负。这说明，在监管政策出台之后，通过线上项目进行盈余管理的公司，反而更容易收到标准无保留审计意见。这一反常现象的原因可能在于：（1）客户通过线上项目进行的盈余管理隐蔽程度更高，审计师和监管部门更难于察觉，因此监管风险较低，审计师更可能容许此类盈余管理；（2）盈余管理后面有其强烈的经济动机，随着14号文的出台，以及上市公司会计业绩的下滑（见描述性统计），盈余管理程度高的公司可能给予审计师以强大压力，避免收到非标审计意见，而审计师也可能干脆选择发表标准无保留审计意见，以隐藏监管线索，毕竟，相比于基于非经常性损益项目的盈余管理，此类盈余管理审计风险较低。

表8报告了按审计师的规模和地缘关系分组的回归结果。为减少冗余，我们只报告了测试变量的回归结果，未报告控制变量的回归结果。从中可以看到，审计意见同盈余管理的关系在监管政策前后的变化在不同的审计师之间是存在差异的。比如，就 SPE_DUM 的回归结果看，在2000至2001年，十大所和非本地所有所上升，而非十大所和本地所则轻微下降；从非经常性损益变量看，十大所审计意见对此类盈余管理的揭示程度有上升的趋势，而非十大所则看不到这一变化。但是，非本地所对此类盈余管理的揭示程度则呈下降趋势，这同我们预期不太一致。从操控性应计利润回归结果看，容易发现，非十大所、本地所以及本地小所样本组中，在监管政策出台之后， DA_PERF 同非标审计意见的关系均显著为负，意味着对于此类盈余管理，非十大所和本地所的揭示程度有明显下降，而十大所和非本地所的揭示程度尽管也有所下降，但下降幅度要慢一些。这同前文关于审计师规模和地缘关系影响审计师行为的分析是一致的。

从上面的分析可知，审计师对于不同盈余管理的反应是存在差别的，具体来说，对于通过非经常性损益项目进行的盈余管理，审计师更可能通过非标审计意见加以揭示，而对于操控性应计利润，审计师则更不可能通过非标审计意见加以反映。尽管2001年出台的监管政策使得审计师增加了对非经常损益项目的揭示程度，但同时却可能使得审计师对于操控性应计利润采取了更包容的策略。这可能是在监管政策导致的监管压力和客户压力均有所上升的情况下审计师进行理性权衡的结果。

表7 监管政策前后非标审计意见对盈余管理的Logistic回归结果：全样本

变量	<i>EM = SPE_DUM</i>		<i>EM = RIGHT_DUM</i>		<i>EM = IRRPRGLF</i>		<i>EM = DA_PERF</i>	
	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02
<i>EM</i>	1.131*** (3.20)	1.106*** (3.35)	-0.220 (-0.67)	-0.157 (-0.32)	0.048 (0.70)	0.135* (1.70)	1.430 (1.02)	-3.837** (-2.50)
<i>SIZE</i>	-0.276* (-1.95)	-0.038 (-0.22)	-0.249* (-1.78)	-0.033 (-0.19)	-0.402** (-2.55)	-0.297 (-1.17)	-0.234* (-1.62)	-0.008 (-0.05)
<i>ROE</i>	-1.211 (-1.18)	-2.242*** (-3.62)	-1.135 (-1.25)	-2.113*** (-3.51)	-10.68** (-3.94)	-11.81** (-2.30)	-1.309 (-1.20)	-2.274*** (-3.84)
<i>LEVERAGE</i>	0.540*** (3.85)	0.297*** (2.70)	0.503*** (3.60)	0.261** (2.42)	0.716*** (4.44)	0.487*** (3.76)	0.514*** (3.58)	0.231** (2.19)
<i>CURRENT_RATIO</i>	-1.945* (-1.95)	-0.138 (-0.12)	-2.146** (-2.11)	-0.281 (-0.25)	-1.755* (-1.73)	0.466 (0.35)	-2.524** (-2.28)	-0.594 (-0.52)
<i>RECEIVABLE</i>	4.319*** (6.40)	2.857*** (3.64)	4.507*** (6.67)	3.083*** (3.81)	3.746*** (5.20)	3.254*** (3.06)	4.628*** (4.34)	3.460*** (4.09)
<i>INVENTORY</i>	0.651 (0.41)	1.200 (0.86)	1.216 (0.75)	1.351 (0.97)	0.058 (0.04)	-0.631 (-0.40)	1.579 (0.92)	1.941 (1.40)
<i>AGE</i>	0.093* (1.95)	0.024 (0.38)	0.100** (2.15)	0.033 (0.53)	0.077 (1.47)	-0.074 (-0.85)	0.120** (2.46)	0.025 (0.40)
Intercept	2.312 (0.80)	-3.361 (-0.93)	1.849 (0.65)	-3.315 (-0.92)	5.721* (1.78)	2.474 (0.46)	1.482 (0.50)	-3.815 (-1.09)
N	1122	1122	1122	1122	1063	970	1062	1120
Wald Chi-Square	114.0***	83.9***	107.4***	77.9***	94.2***	61.7***	106.9***	83.4***
Pseudo-R ²	0.202	0.215	0.191	0.200	0.186	0.192	0.198	0.210

注：表中数据为logistic回归系数，括号中为Z值，所有的Z值已经过clustered standard errors和White (1980) 异方差稳健性修正，***、**和*分别表示显著性水平为1%、5%和10%。

表8 监管政策前后非标审计意见对盈余管理的Logistic回归结果：不同审计师的比较

变量	样本期间	十大所	非十大所	本地所	非本地所	本地小所	非本地小所
<i>SPE_DUM</i>	99-00	0.851	1.103***	1.065***	2.271***	1.111**	1.378**
		(1.18)	(2.64)	(2.73)	(2.64)	(2.42)	(2.51)
		N=254	N=868	N=900	N=222	N=709	N=413
	01-02	1.680***	0.971**	0.916**	2.523***	0.856*	1.703***
		(2.85)	(2.49)	(2.36)	(2.80)	(1.91)	(3.50)
		N=280	N=842	N=907	N=215	N=713	N=409
<i>RIGHT_DUM</i>	99-00	-0.245	-0.217	-0.217	-0.249	-0.116	-0.579
		(-0.39)	(-0.56)	(-0.64)	(-0.20)	(-0.30)	(-0.92)
		N=254	N=868	N=900	N=222	N=709	N=413
	01-02	0.091	0.278	-1.521	1.485**	-1.155	0.553
		(0.35)	(0.56)	(-1.47)	(2.21)	(-1.09)	(0.91)
		N=280	N=842	N=907	N=215	N=713	N=409
<i>IRRGLPRF</i>	99-00	-0.091	0.104	-0.006	0.372**	-0.021	0.071
		(-0.75)	(1.09)	(-0.07)	(2.35)	(-0.21)	(0.75)
		N=242	N=821	N=852	N=211	N=671	N=392
	01-02	0.242**	0.123	0.194**	-0.016	0.181	0.100
		(2.04)	(1.09)	(2.37)	(-0.06)	(1.45)	(0.92)
		N=257	N=713	N=784	N=186	N=606	N=364
<i>DA_PERF</i>	99-00	0.729	1.673	1.856	-0.652	1.874	0.693
		(0.30)	(0.95)	(1.22)	(-0.19)	(0.98)	(0.32)
		N=247	N=815	N=852	N=210	N=667	N=395
	01-02	-4.001*	-3.921**	-3.966**	-3.633	-4.342**	-3.331
		(-1.64)	(-2.13)	(-2.36)	(-1.15)	(-2.20)	(-1.56)
		N=280	N=840	N=905	N=215	N=711	N=409

注：表中数据为logistic回归的系数，回归模型同表7，括号中为Z值，所有的Z值已经过 clustered standard errors和White（1980）异方差稳健性修正，***、**和*分别表示显著性水平为1%、5%和10%。控制变量结果未报告。

五、额外的测试

(一) 监管政策前后审计意见信息含量的比较¹⁷

如果证监会14号文的确加大了非标审计意见对客户的不利经济后果，且投资者能够事先预期到这一点，则非标审计意见的信息含量在14号文发布之后应该上升。¹⁸为此，我们计算了审计意见发布日（即年度报告披露日）前后共3天（-1到1）的股票非正常收益率。参照Chen, Su, and Zhao（2000）的设计，我们采取了两种办法计算股票的非正常收益率：一种是基于CAMP模型计算CAR，贝塔系数的估计窗口取自截止审计意见发布日30天前的120个交易日；另一种是基于市场均值调整的股票非正常收益率，记为CMR。

我们首先对收到非标审计意见和标准审计意见的两组公司的CAR和CMR进行了单变量分析，结果报告于表9的A栏。可以看到，在1999至2000年期间，两类公司在年度报告发布日前后3天的CAR和CMR并没有显著差异，但在2001至2002年期间，收到非标审计意见的公司其股票非正常收益率要显著低于收到标准无保留审计意见公司，这表明非标审计意见在14号文出台后其信息含量可能增加了。

我们进一步对审计意见的信息含量进行了多元回归分析，结果报告于表9的B栏。为控制其他因素对非标审计意见信息含量的影响，我们在模型中引入了公司会计盈余的变化（ ΔEPS 或 ΔROE ）和以前年度审计意见情况（REPEAT）。其中， ΔEPS 等于每股收益的改变值除以盈余宣告前一天的股票收盘价； ΔROE 等于本年度ROE减去上年度ROE；REPEAT为虚拟变量，如果公司在本年度和上年度均收到非标审计意见，则REPEAT等于1，否则为0。

¹⁷ 我们感谢一位匿名审稿人对审计意见的信息含量进行补充检验的建议。

¹⁸ 需要指出的是，审计师的执业谨慎性也会影响审计意见的信息含量。假定非标审计对客户经济后果不变，在投资者能够察觉到审计师谨慎性变化的条件下，当审计师因监管风险的上升导致谨慎性增强时，市场对于非标审计意见的负面反应应当变弱，反之，当审计师因客户压力增加导致独立性下降时，市场对于非标审计意见的负面反应应该更强。因此，如果将审计师谨慎性变化的这一因素考虑进来，我们在事前就难于对监管政策前后审计意见信息含量的变化方向进行准确预测。但是，考虑到投资者应该更容易理解14号文对客户不利经济后果的影响，而可能难于理解和预测审计师谨慎性的变化方向，因此，在14号文出台后，我们还是预期审计意见的信息含量应该增强。

从B栏结果看，非标审计意见 ($MAOs$) 的回归系数在所有回归中均不显著，这和Chen, Su, and Zhao (2000) 的结论并不一致，但同陈梅花 (2002) 的结论是一致的。¹⁹但是，从监管政策前后对比看， $MAOs$ 的系数有一定程度的下降，尽管并不显著，结合前面的单变量分析，我们认为，有微弱的证据表明非标审计意见的信息含量在2001至2002年有所增加。

表9 监管政策前后非标意见的信息含量比较

A栏：单变量分析

组别	CAR		CMR	
	1999-2000	2001-2002	1999-2000	2001-2002
$MAOs = 0$	0.0009	-0.0021	-0.0004	-0.0024
$MAOs = 1$	-0.0006	-0.0144	-0.0001	-0.0119
差异	0.0015	0.0122***	-0.0003	0.0095**
(t-stat.)	(0.35)	(3.15)	(-0.06)	(2.43)

¹⁹ Chen, Su, and Zhao (2000)发现，1997和1998年市场对非标审计意见有显著的负向反应。那麽，为什麼这一现象在本研究中不复存在呢？我们认为，其中的原因可能有两个：（1）自1998年开始，证券监管部门要求预计连续3年亏损或当年有重大亏损的公司要及时发布预亏公告；2000年，上交所要求预计可能发生亏损的上市公司需发布预告，类似的业绩预告制度在此后不断扩展，这可能削弱了审计意见的信息含量；（2）自1998年以来，机构投资者在我国开始产生和发展，由于机构投资者的信息获取能力和理解能力更强，因此可能在年报披露之前便能对上市公司的财务状况和审计意见有所察觉，从而也削弱了审计意见的信息含量。

B栏：多变量分析

变量	因变量 = CAR				因变量 = CMR			
	1999-2000		2000-2001		1999-2000		2000-2001	
MAOs	0.003 (0.45)	0.006 (0.97)	-0.003 (-0.35)	-0.006 (-0.83)	0.007 (0.94)	0.008 (1.22)	-0.001 (-0.10)	-0.003 (-0.51)
ΔEPS	0.372*** (3.26)		0.324** (2.24)		0.304*** (2.69)		0.311** (2.12)	
$\Delta EPS \times MAOs$	-0.208 (-0.81)		0.061 (0.24)		-0.132 (-0.54)		0.034 (0.15)	
ΔROE	0.025 (1.22)		0.034** (2.03)		0.022* (1.68)		0.032** (2.01)	
$ROE \times MAOs$	0.014 (0.70)		0.002 (0.17)		0.009 (0.34)		0.001 (0.05)	
REPEAT	-0.010 (-1.07)	-0.007 (-0.82)	0.001 (0.15)	0.007 (0.71)	-0.014 (-1.45)	-0.012 (-1.35)	0.001 (0.08)	0.006 (0.58)
Intercept	0.001 (0.82)	-0.0011 (-0.44)	-0.002 (-1.54)	-0.003** (-2.31)	0.001 (0.58)	0.001 (0.45)	-0.002* (-1.85)	-0.004** (-2.37)
N	878	1063	1007	1120	878	1063	1007	1120
F_stat.	3.00**	2.06*	3.33**	4.18***	2.38*	1.49	2.35*	3.11**
Adjusted R ²	0.014	0.011	0.035	0.042	0.011	0.007	0.025	0.031

注：A栏数据为股票非正常收益率的样本均值，B栏数据为OLS回归系数；括号中为T值，所有的T值已经过clustered standard errors和White (1980) 异方差稳健性修正，***、**和*分别表示显著性水平为1%、5%和10%。

(二) 证监会对不同类型审计师的客户的处罚情况

从1994年开始，截至2005年，一共有600多家公司先后因会计信息质量问题遭到了证监会处罚。如果事务所规模和地缘关系果真影响了审计服务的质量，从而影响了会计信息质量的话，则其审计的客户应该更容易被证监会监管。为检验这一问题，我们从CSMAR数据库中收集了上市公司因会计信息违规而被证监会处罚的样本，然后划分其审计师类型进行了检验，结果报告于表10之中。从A栏可以发现，非十大所客户、本地所客户的确更容易遭受证监会处罚，这为审计师规模和地缘关系影响审计服务质量提供了辅助证据。

我们进一步检验了监管政策前后审计师被处罚频率的差异。如果在监管政策出台之后，审计师的谨慎性有所降低，则其客户因会计信息质量问题被证监会处罚的频率相对于监管政策出台之前应该更高。从表10的B栏可以看到，各类事务所的客户被证监会处罚的频率均有所提高，但是，非十大所、本地所和本地小所客户被处罚的频率有显著的上升，而十大所、非本地所和非本地小所客户被处罚的频率变化并不显著，这意味着监管政策对不同类型审计师的谨慎性的确有不同影响。

(三) 敏感性检验

为增强上述结论的可信度，我们还进行了一系列的敏感性测试：（1）采用 2000 vs. 2001、2000 vs. 2001-2002 作为监管政策前后的研究窗口。由于 2000 年发生的事务所合并可能影响了审计市场结构和审计师行为，因此，我们剔除了 1999 年样本，对前文的主要结论重新进行检验；（2）以客户数量为基础定义十大审计师、业绩指标使用 ROA、在审计意见模型中加入上年度审计意见等控制变量、非经常性损益项目使用经行业中位数调整的线下项目同股东权益的比值（Chen and Yuan, 2004）、使用修正的 Jones 模型计算操控性应计利润；（3）在分析审计师地缘关系的影响时，剔除审计师注册地在样本期间发生变更的样本；（4）在前文对非标审计意见的概率进行分解时，客户特征没有包括盈余管理变量，因此，我们将各个盈余管理变量纳入客户特征，并重新对非标审计意见的概率进行分解。经过上述测试，我们发现前文的结论基本没有改变。

表10 1999-2002年上市公司因会计信息质量问题被证监会处罚的情况

A栏：各年处罚样本的频率分布

年度	1999	2000	2001	2002	1999-2002
十大所客户	2(1.6%)	3(2.3%)	8(5.8%)	2(1.4%)	15(2.8%)
非十大所客户	12(2.7%)	29(6.7%)	36(8.5%)	24(5.7%)	101(5.9%)
差异	(-1.1%)	(-4.5%*)	(-2.7%)	(-4.3%**)	(-3.1%***)
本地所客户	14(3.1%)	28(6.3%)	41(9.0%)	23(5.1%)	106(5.9%)
非本地所客户	0(0.0%)	4(3.4%)	3(2.8%)	3(2.8%)	10(2.3%)
差异	(3.1%*)	(2.9%)	(6.2%**)	(2.3%)	(3.6%***)
本地小所客户	12(3.3%)	26(7.4%)	35(9.8%)	23(6.5%)	96(6.8%)
非本地小所客户	2(1.0%)	6(2.8%)	9(4.4%)	3(1.5%)	20(2.3%)
差异	(2.3%*)	(4.6%**)	(5.4%**)	(5.0%***)	(4.5%***)
全样本	14(2.5%)	32(5.7%)	44(7.8%)	26(4.6%)	116(5.2%)

B栏：监管政策前后处罚样本的频率对比

年度	1999-2000	2001-2002	差异
十大所客户	5(2.0%)	10(3.6%)	(-1.6%)
非十大所客户	41(4.7%)	60(7.1%)	(-2.4%**)
本地所客户	42(4.7%)	64(7.1%)	(-2.4%**)
非本地所客户	4(1.8%)	6(2.8%)	(-1.0%)
本地小所客户	38(5.4%)	58(8.1%)	(-2.8%**)
非本地小所客户	8(1.9%)	12(2.9%)	(-1.0%)
全样本	46(4.1%)	70(6.2%)	(-2.1%**)

注：（1）表中数据是按照违规事件发生时间为基础统计的，不是证监会实施处罚的时间；（2）表中数据为当期发生违规公司的家数，括号中为发生违规公司的家数同该类审计师总客户数量的比例；（3）***、**、*显著性水平分别为1%、5%和10%，Chi-square 双尾检验。

六、研究结论和局限

本文分析了2001年中天勤事件之后相关监管政策对审计师报告决策谨慎性的影响。在中天勤事件之后，针对审计师的监管环境明显趋严，审计风险有所上升，因此我们预期这可能导致审计师的报告决策在2001年之后更为谨慎。但是，相应的监管政策同时也增加了非标审计意见对客户的不利经济后果，为避免收到非标审计意见，客户可能给予审计师更大的压力，由此潜在地削弱了审计师报告决策的谨慎性。我们的研究表明，在2001年相关监管政策出台之后，审计师的非标审计意见概率有明显下降，同时，审计师对于不同方式的盈余管理采取了差别报告策略。总体看来，审计师的报告决策谨慎性是下降而不是上升了。另外，研究还表明，随着监管政策的出台，在审计意见决策的谨慎性方面，小所的下滑幅度要快于大所，本地所要快于非本地所。

本文的政策含义是，对我国上市公司的公共治理和公司治理尚处于发展阶段的现实而言，政府监管部门在制定监管政策时，应该要仔细考虑因监管政策而引发的新问题，并尽可能将其纳入到事前的监管政策制订中去。

本研究的一个重要局限是，在中国转型经济体制下，由于制度多变，其他制度变迁的存在（比如，2001年《企业会计制度》的实施），可能对本文的研究制造了噪音。尽管我们采取了不同的研究窗口以及从多个角度检验了审计师的报告决策，但依然没有很好的办法去剔除其他制度变迁对上市公司财务报告和审计师行为的影响，这在一定程度上将不可避免地降低本文结论的稳健性。

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监管政策、审计意见和审计师谨慎性

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Audit Regulation, Modified Audit Opinions, and Auditor Conservatism*

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Abstract

After the collapse of Zhongtianqin in 2001, auditors were plunged into a quandary over the relevant regulatory policies in China. Auditors had to deal with more rigorous regulations on the one hand, and experienced more pressure from their clients on the other. Under this awkward situation, did auditor conservatism increase or decrease after Zhongtianqin? Using a sample of Chinese listed companies for the period between 1999 and 2002, we find that after 2001 auditors were less likely to issue modified audit opinions; they also responded differently to various forms of earnings management. In general, auditor conservatism declined after 2001. In addition, our findings indicate that, following the audit regulation policies of 2001, the conservatism of small auditors decreased faster than that of the Top Ten auditors, as did the conservatism of local auditors relative to that of non-local auditors. This study adds to our understanding of the formation process of audit reports and the potentially important role that audit regulators play in that process.

Keywords: Audit Regulation, Modified Audit Opinions, Earnings Management, Audit Conservatism

CLC codes: F239.0, F234.4, F239.22

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I. Introduction

With respect to decisions on audit opinion modification, a fundamental issue is the trade-off between expected costs and expected benefits. On the one hand, the audit firm faces the risk of losing the client if it issues a modified audit opinion (MAO); on the other hand, failing to qualify the opinion exposes the auditor to lawsuits and reputation loss (DeAngelo, 1981; Krishnan and Krishnan, 1996). Obviously, if the risk of losing the client is higher, the auditor may compromise under customer pressure, and thus reduce the number of MAOs, *ceteris paribus*. But an increase in litigation exposure should induce auditors to report more conservatively, thus increasing the probability of issuing MAOs.

Prior empirical work on the impact of client pressure and litigation exposure on MAOs focuses mainly on two areas. The first is the association between client characteristics and MAOs. Clients have different abilities to influence the decision of the auditor; at the same time the clientele litigation risks also differ among auditors. Therefore, client characteristics can affect an auditor's decision on MAOs.³ The second is the effect of legal liability regimes on auditor reporting behaviour. Prior studies suggest that auditor reports become more conservative (aggressive) when the audit litigation environment is more stringent (loose) (Geiger and Raghunandan, 2001; Geiger et al., 2005, 2006; Francis and Krishnan, 2002). Our research can be classified in the second category. The purpose of this study is to examine whether auditor conservatism increased after the audit regulatory environment changed in response to the collapse of Zhongtianqin in 2001.

After the case of Zhongtianqin, the China Securities Regulatory Commission (CSRC) promulgated a number of regulatory policies that tended to make the Chinese audit market stricter (Li and Wu, 2005). But unlike the research settings in prior literature, the relevant regulatory policies in 2001 affected the incentives for auditors in two respects. On the one hand, changes in the regulatory environment made auditors pay more attention to the regulatory risks resulting from failure to report a discovered breach by the client; therefore, the stricter regulatory policies should have helped to promote auditor conservatism. On the other hand, as a result of the impact of Document No. 14 issued

³. This kind of study can be further divided into two categories. First, some studies test the impact of client importance on audit opinion and discretionary accruals, such as Chung and Kallapur (2003), Hunt and Lulseged (2007), Liu *et al.* (2006), Fang (2007), and Lu (2007), but the empirical evidence is mixed. Second, some scholars measure client litigation risk with firm performance, leverage, receivables, and other financial or market variables, and then test the impact of client litigation risk on audit opinion and discretionary accruals, such as Dopuch, Holthausen, and Leftwich (1987), Lys and Watts (1994), Stice (1991), and Fang *et al.* (2004). Additionally, prior literature focuses on some specific samples, and then examines the relation between litigation risks and auditor reporting behaviour (e.g. Cahan and Zhang, 2006).

by the CSRC at the end of 2001, clients had to bear the more severe consequences of MAOs; as a result, clientele motivations for avoiding MAOs should have been stronger, and auditors should have had to cope with greater pressure from clients. Thus, auditor conservatism may have declined after 2001.

How was auditor conservatism affected by the two opposing forces induced by the relevant regulatory policies in China? By focusing on the changes in MAOs both before and after the collapse of Zhongtianqin, we hope to provide evidence that enhances our understanding of the audit report formation process under the dual pressure created by the client and the regulations. We expect auditors to adopt more conservative reporting strategies if they face stronger pressure from regulators than from clients. In contrast, if auditors face stronger pressure from clients than from regulators, auditor conservatism will decline. Using data for the period between 1999 and 2002, we investigate the change in the probability of MAOs being issued both before and after 2001. Our findings indicate that auditors were less likely to issue MAOs after 2001. We also find that the decrease in MAOs resulted mainly from changes in auditor reporting strategies, rather than changes in client characteristics. Our evidence suggests that the pressure on auditors from clients prevailed over the pressure from regulators, both of which were created by the regulatory policies of 2001.

Furthermore, we examine the relation between earnings management and MAOs. Prior studies suggest that earnings management increases a firm's likelihood of receiving an MAO (Francis and Krishnan, 1999; Bartov *et al.*, 2001; Bradshaw *et al.*, 2001). Empirical evidence from China also indicates that auditors respond to firm earnings management behaviour (e.g. Chen, Chen, and Su, 2001; Zhang and Liu, 2002). We expect that if auditor conservatism increases, all other things being equal, the association between earnings management and MAOs should be stronger.

Moreover, because a company can manage earnings in a variety of ways, and because these different ways evoke different regulatory risks, auditors will adopt different reporting strategies accordingly. For example, the CSRC is more likely to perceive earnings management through below-the-line items, and thus this method of earnings management faces higher regulatory risks. Thus, auditors should pay attention to the means by which earnings are managed when deciding whether to issue an MAO. In contrast, if firms manage earnings through covert means, both auditors and regulators will find it difficult to uncover such earnings management behaviour; in other words, these forms of earnings management face lower regulatory risks. Auditors will thus be less likely to respond to these covert means.

By reference to previous literature, we measure earnings management using three methods. First, we use two dichotomous variables of marginal return on equity (ROE), *SPE_DUM* and *RIGHT_DUM*, to capture earnings management induced by profitability regulation by the CSRC. This approach has been widely used in previous studies of listed companies in China (e.g. Chen, Chen, and Su, 2001; Sun and Wong, 1999; Xia and Yang, 2002; Chen and Chen, 2005; Chen, 2005). Second, we use the income from non-operating activities (below-the-line items) to measure earnings management in accordance with Li and Wu (2002). Third, we use performance-adjusted discretionary accruals to measure earnings management. Among these measurements, we use the marginal ROE to reflect the clientele motivations for meeting the profitability regulation, and the latter two measurements to portray the forms of earnings management. Because regulators are more likely to perceive signs of earnings management if clients execute transactions using below-the-line items to manage earnings (Chen and Yuan, 2004), auditors should consider these items riskier compared with income-increasing abnormal accruals. Therefore, we expect that auditors facing pressure should have different reporting strategies for these two kinds of signs of earnings management. Our findings indicate that changes in the relation between the marginal ROE and MAOs are fewer around the year 2001. But evidence also shows that auditors had a stronger response to below-the-line items and a weaker response to income-increasing abnormal accruals following the release of the relevant regulatory policies in 2001. These findings indicate that auditors show different responses to different signs of earnings management.

The impact of changes in the regulatory environment should vary for different auditors because both their cost structures and audit quality differ. To examine this issue, we compare auditor conservatism for a number of clientele groups, which are divided according to auditor size and locality before and after 2001. Our findings suggest that all types of auditors were less conservative in reporting following the release of the regulatory policies in 2001. But evidence also suggests that the conservatism of small auditors decreased faster than that of the Top Ten auditors, while that of local auditors decreased faster than that of non-local auditors.

Finally, we conduct some additional tests. We argue that, because Document No. 14 enhances the adverse consequences of MAOs for clients, if investors can predict the document's implications, then the market response to MAOs should be more significant after 2001. We find slight evidence of a negative market response to MAOs following the release of Document No. 14 in 2001. Afterwards, we investigate the CSRC's enforcement actions between 1999 and 2002 and find evidence that the frequency of these actions

resulting from breaches in financial reporting is higher for firms whose auditors are small and local as compared with those whose auditors are among the Top Ten and non-local. We also find that the clients of small auditors or local auditors are more likely to suffer CSRC enforcement actions after 2001. The results are consistent with our argument that either small or local auditors provide lower quality audit service.

Our research contributes to the literature in several ways. First, we contribute to the research on auditor conservatism and changes in the legal environment. For example, prior studies suggest that alternative legal liability regimes can affect auditor incentives and behaviour (Geiger and Raghunandan, 2001; Geiger *et al.*, 2005, 2006; Francis and Krishnan, 2002). But unlike the audit legal environment in the United States, China's relevant regulatory policies of 2001 changed the economic incentives for auditors in two ways with opposite effects. That is to say, the stricter regulatory environment should have promoted auditor conservatism. But because the regulatory policies also increased the adverse consequences of MAOs, clients would have put more pressure on auditors, resulting in less conservative auditing reporting. We believe that this unique regulatory environment in China can help us to understand the complicated trade-off for issuing MAOs. Although research has investigated the economic trade-offs for audit opinion decisions (Krishnan and Krishnan, 1996), few studies associate the regulatory environment with trade-offs for MAO decisions. This study thus complements those studies that focus on the effects of legal liability regimes on auditor incentives and behaviour.

Second, previous studies have investigated the effects of Document No. 14 on auditor and clientele behaviour in China. For example, Li and Wu (2002) examine the impact of Document No. 14 on audit opinion modification. Their findings suggest that this document has no significant containment effect upon the selection by auditors between unqualified opinions with explanatory paragraphs and qualified opinions. Lu and Tong (2003) analyse the effects of Document No. 14 on auditor change and MAOs. They argue that clients were more likely to change auditors for purposes of opinion shopping in 2001. They find that, compared with 2000, the motivation for opinion shopping did not increase in 2001, though there is slight evidence that clients showing signs of opinion shopping were more likely to succeed in 2001. In contrast to these two studies, we stress two opposing effects created by the regulatory policies of 2001 on auditor conservatism, and investigate the changes in the probability of MAOs being issued as well as the relation between earnings management and MAOs. Therefore, our study contributes to previous research on this topic.

Third, our research also complements a number of studies on the relation between audit opinions and earnings management. Although previous studies of listed companies in China have tested the impact of earnings management on MAOs,⁴ few studies explore how auditors react to different signs of earnings management with different regulatory risks. Focusing on the changes in the regulatory environment, we explore the reactions of auditors to different forms of earnings management, and thus provide evidence for the formation process of MAOs and the potential role played by different signs of earnings management.⁵

Fourth, studies suggest that, compared with small auditors, big auditors provide audits of higher quality, and that the effects of legal liability differ between small and big auditors (e.g. Francis and Krishnan, 2002; Lee and Mande, 2003). Studies of listed companies in China also suggest that an auditor's locality can affect audit service quality (Chan *et al.*, 2006; Wang *et al.*, 2008; Li and Song, 2007). But to our knowledge, no empirical tests have been carried out comparing the differences in auditor conservatism between local auditors and non-local auditors stemming from changes in the regulatory environment. Thus, our research also contributes to prior studies on regulation, auditor characteristics, and audit opinions.

The remainder of the paper is organised as follows. Section II discusses the audit failure of Zhongtianqin and the relevant regulatory policies in 2001 and their effects on auditor conservatism. We present the research method and empirical model in Section III and report the results in Section IV. Section V provides additional analyses. Section VI concludes the paper.

⁴ For example, prior studies examine the relation between the marginal ROE and audit opinions (e.g. Chen, Chen, and Su, 2001; Sun and Wang, 1999; Xia and Yang, 2002; Chen and Chen, 2005; Chen, 2005), but the results are mixed. Zhang and Liu (2002) and Xu (2004) examine the association between audit opinions and abnormal accruals.

⁵ Our research is close to Song and He's (2008) in several aspects. They also focus on auditor trade-offs between regulation risks and loss of clients, and analyse the impact of reversals of long-lived asset impairments on audit opinions. In February 2006, the Ministry of Finance of the PRC issued the China Accounting Standards No. 8 - Asset Impairment, which prohibits listed companies from reversing their impairment loss of long-term assets when it has been recognised in the financial statement. They therefore argue that the reversal of long-lived assets has different implications for signs of earnings management before and after the promulgation of CAS No. 8. That is to say, the signs of earnings management become weaker after 2006 owing to the issue of CAS No. 8. Thus, the reaction of auditors to the reversal of long-lived assets should decline. Nevertheless, our study differs from Song and He (2008) in several important ways. First, we focus on the increases in regulatory pressure and clientele pressure on auditors as induced by the issuance of relevant regulatory policies in 2001; CAS No. 8 does not have these implications for auditor behaviour. Second, although it is advantageous to focus on the reversal of long-lived asset impairment in order to investigate auditor behaviour, it is necessary to also consider other signs of earnings management (e.g. below-the-line items, abnormal accruals) and their impact on MAOs. Actually, because we cannot obtain data for reversals of long-lived asset impairments in 1999 and 2000, we are unable to test and compare how auditors react to such a reversal before and after 2001. Third, one aim of our study is to investigate the different effects of different forms of earnings management, but the purpose of Song and He (2008) is to examine the effect of a specific accounting procedure that has different implications for earnings management following the issue of CAS No. 8.

II. The Regulatory Policies of 2001 and Their Effects on Audit Opinion Decisions

1. The Relevant Regulatory Policies after Zhongtianqin's Collapse in 2001

In August 2001, the magazine *CaiJing* published a long report titled “Trap in Yinguangxia” (Yinguangxia is a Chinese company listed on the Shenzhen Stock Exchange). The report disclosed that most of Yinguangxia’s profits in 1999 and 2000 were fraudulent. Immediately, Zhongtianqin, the auditor of Yinguangxia, was plunged into an embarrassing position. In early September 2001, the Ministry of Finance (MOF) declared its revocation of the licences of Liu Jiarong and Xu Linwen, who were the signing auditors of Yinguangxia’s financial statements (they were later sentenced to a prison term of 2 years and 6 months). It also revoked the licence of Zhongtianqin and investigated its head for criminal liability. This big audit firm, which had the largest number of listed clients in China, quickly crashed.

After Zhongtianqin’s collapse, the CSRC and other regulatory agencies quickly took action to supervise and administer auditor behaviour more effectively. For example, the CSRC and the MOF revoked the licences of four audit firms at the end of 2001. The MOF also intensified the investigation and punishment of the audit service quality of audit firms and carried out enforcement actions, including issuing warnings to and revoking the licences of misbehaving auditors. The China Institute of Certified Public Accountants (CICPA) also paid more attention to the phenomenon of auditor change. On 30 December 2001, the CSRC released the Rules on Information Disclosure for Listed Companies No. 16 – Provisional Rules on A-Share Listed Companies Implementing Supplementary Audits (hereafter “Document No. 16”). Document No. 16 required a company making an initial public offering or a seasoned equity offering in the A-share market to hire an international CPA firm to perform a supplementary audit on the company’s financial statements according to international standards. Li and Wu (2003) suggest that issuing Document No. 16 was an active response of the CSRC to scandals of fraudulent financial

reporting in the stock market. Although Document No. 16 became ineffective two months later,⁶ its effects on the auditing industry in China were immense. In fact, following its release, various financial news media, including newspapers, magazines, and websites, quickly engaged in heated debate. Although it was quickly declared dead, Document No. 16 left an unforgettable shadow over the Chinese auditing industry. Local auditors realised that their social credibility had dropped significantly; if this situation were unable to improve in the future, their professional infrastructure would be eroded, and eventually even local auditors would be replaced.

The CSRC released another document a week before Document No. 16; this was the Rules on Information Disclosure for Listed Companies No. 14 – Treatment of Non-Standard Audit Opinions and Relevant Issues (hereafter “Document No. 14”). Article 5 of Document No. 14 stipulates that auditors should not replace a qualified opinion with an unqualified opinion with explanatory paragraphs, or an adverse opinion with a qualified opinion. Article 7 states that if a listed company refuses to adjust items that obviously violate accounting principles and systems or the relevant information disclosure requirements, and is thereby issued a non-standard audit opinion, the stock exchange must suspend the trading of that listed company after its disclosure of the regular report and require it to take remedial action in due course. Article 8 states that if the trading of a listed company is suspended on account of the causes specified in Article 7, the CSRC should investigate and give proper treatment to that company during the suspension period. Article 10 states that if the qualified or the adverse opinion concerns items influencing a listed company’s profits, and if the auditor has estimated that influence, then the listed company should eliminate the influence estimated in the audit opinion from its profit distribution scheme. If the auditor presents a report with a disclaimer of opinion, the listed company should not distribute any profits in that year.

⁶ Ma, Xiong, and Liu (2002) discuss the settings under which Document No. 16 was released and revised. They attribute the reasons for revision to the upsurge of unfavourable public opinion induced by opposition from local CPA firms, and to the relatively effective results of theoretical research. In addition, the timeliness of the Enron case also helped.

2. The Impact of Dual Pressure Induced by the Regulatory Policies of 2001 on Audit Opinions

In the United States, lawsuits against auditors have rapidly risen since the 1980s. Generally, such lawsuits arise from situations where investors rely on financial statements and subsequently incur losses as a result of perceived audit failures. Litigation risks have a profound effect on auditor behaviour owing to the enormous legal costs. Prior studies suggest that auditors can protect themselves from litigation by using going-concern opinions before the company fails (Mutchler, 1984; Carcello and Palmrose, 1994). Previous studies have also examined the impact of changes in the legal environment on auditor incentives and behaviour. For example, passage of the Private Securities Litigation Reform Act in 1995 in the US reduced auditor exposure to litigation. In this setting, evidence suggests that the number of going-concern opinions declined and the abnormal accruals of clients increased during the post-reform period, suggesting a relaxation in auditor conservatism (Geiger and Raghunandan, 2001; Geiger *et al.*, 2006; Francis and Krishnan, 2002). In addition, Geiger *et al.* (2005) argue that auditors have become more conservative when making decisions since the Sarbanes-Oxley Act took effect. Based on analyses of financially stressed companies that entered bankruptcy between 2000 and 2003, they find that auditors have been more likely to issue going-concern opinions since December 2001, a result consistent with their expectations.

However, auditors may also arouse considerable complaint from their clients if they issue an MAO, and thus risk losing the client. When auditors decide on an audit opinion, they face a fundamental trade-off between litigation risk (and reputation loss) and the risk of losing the client (Kida, 1980; DeAngelo, 1981; Dopuch, Holthausen, and Leftwich, 1987; Krishnan and Krishnan, 1996). Naturally, if the adverse consequences of an MAO increase, auditors will encounter stronger resistance from the client and therefore face a higher risk of losing the client; this in turn will result in less conservative audit reporting because auditors will be more likely to compromise in the face of client pressure.

The above analysis indicates that a variety of forces shape audit opinions. On the one hand, auditors may offend their clients and incur economic losses. On the other hand, failing to qualify the opinion may expose the auditor to lawsuits and loss of reputation. Thus, auditors must strike a balance between the two forces to minimise the total costs of audit reporting.

We expect that the relevant regulatory policies of 2001 will have two opposite effects on auditor conservatism. On the one hand, the more rigorous regulatory environment during the post-Zhongtianqin period should enhance auditor conservatism. On the other hand, following the release of Document No. 14, auditors should face more

pressure from their clients, who will have a stronger incentive to avoid an MAO. How will auditors change their audit opinions during this aftermath period? In the following paragraphs, we discuss this question based on the institutional background of China's audit market.

In a transitional economy such as China's, the audit market has unique characteristics that differ from those of Western developed countries.⁷ In particular, a number of characteristics prevailed in China between 1999 and 2002. First, there was serious government intervention in auditor opinion decisions. Second, since the legal system was underdeveloped, government regulation was the main governance mechanism for the audit industry. Liu and Xu (2002) argue that auditors faced rather low litigation risk, and even ignored such risk. Therefore, investors were less likely to recover losses by way of lawsuits against the auditors. Because the legal mechanisms had only a weak effect on auditor behaviour, regulations by specific government agencies, such as the CSRC, MOF, or CICPA, enforced the supervision and control of the audit market.⁸ And third, China's listed companies usually lacked incentives to demand independent auditors, and therefore an auditor's reputation was less likely to play an important role in China's audit market.

As noted above, auditor reporting strategies should have been influenced by the two opposing forces induced by the relevant regulatory policies of 2001. But considering the low litigation risk, the inefficient role of auditor reputation, and the fierce market competition, we expect that the pressure from clients would more likely prevail over the pressure from regulators after 2001. Therefore, auditors would be more likely to either maintain conservatism at the former level, or reduce it in response to the issuing of the relevant policies of 2001.

Furthermore, the impact of the regulatory policies may have differed for different types of auditors. Big auditors have more independence in the face of clientele pressure but may also encounter severer regulatory risks, since Zhongtianqin was itself a big audit

⁷ For a general discussion of China's audit market, see Defond *et al.* (2000), Chan *et al.* (2006), Wang, Wong, and Xia (2008), Liu *et al.* (2002), Liu and Xu (2002), and Li and Wu (2005).

⁸ But following the development of the relevant legal systems, the likelihood of lawsuits against auditors is increasing. In fact, after January 2002, investors were able to sue auditors who provided false audit reports, but with the precondition that the auditor must have been punished by the CSRC for such false reporting. Since 2003, this precondition has been relaxed; litigation against the auditor is now possible if other regulators, such as the MOF, have imposed sanctions on false audit reporting. If investors sue an auditor, the burden of proof lies with the auditor. By 2006, litigation against auditors had appeared in China. For example, in that year, the shareholders of Kelong Electric sued the audit firm Deloitte, and Hualun was sentenced to bear civil liability for damages owing to the failure of Lantian.

firm in China whose collapse triggered the authorities' concern. Thus, we expect that when compared with small auditors, big auditors would likely become more conservative as a result of the impact of the regulatory policies of 2001. Additionally, prior studies on auditor locality indicate that government intervention is more likely to affect local auditors, and therefore their audit quality is likely to be lower (Chan *et al.*, 2006; Wang *et al.*, 2008; Li and Song, 2007). Thus, we also expect that the impact of the regulatory policies on audit conservatism would differ for local and non-local auditors.

III. Sample Selection and Research Method

Since the Zhongtianqin incident was first revealed in August 2001, and the relevant regulatory policies (Documents No. 14 and No. 16) did not become effective until December 2001, we expect that the regulatory policies current in 2001 will have affected auditor audit opinions for the 2001 annual reports, since most annual reports of that year for Chinese listed companies were released between March and April 2001. Therefore, we set the cut-off point at December 2001. Specifically, our study examines the four-year period between 1999 and 2002, in which the period from 1999 to 2000 precedes the implementation of the regulatory policies, and the period from 2001 to 2002 follows their implementation. Comparing the changes in MAOs over the two periods, we can make inferences about the impact of audit regulation on auditor incentives and behaviour.

We first select all companies issuing A shares on the Shanghai and Shenzhen Stock Exchanges between 1999 and 2002. We then exclude the following companies: (1) companies that changed auditors (including both voluntary and mandatory auditor changes) between 2000 and 2002 as a result of the impact of auditor change on MAOs in China (Chan *et al.*, 2006; Li *et al.*, 2001; Li and Wu, 2004; Lu and Tong, 2003; Wu and Tan, 2005),⁹ and (2) financial institutions and companies with negative equity. We further restrict the sample to companies that can provide data for four consecutive years between 1999 and 2002 to enhance comparability of the pre-and post-2001 periods. This produces a sample of 2241 firm-year observations representing 561 unique companies. The data for empirical analysis are taken primarily from the China Stock Market Financial Database (CSMAR).

⁹ A mandatory auditor change means that companies must change auditors whose licences have been revoked or who have failed to pass the annual review by regulators. A voluntary auditor change means that companies either dismiss their auditors or the auditor resigns. In 2001, the licences of two audit firms, Zhongtianqin and Huapeng, were revoked. Meanwhile, four audit firms (Zhongtianqin, Hualun, Shenzhen Tongren, and Zhongjinfu) failed to pass the annual review and quit the audit market for listed companies. Zhongshen also failed to pass the annual review in 2001 and quit the auditing business (but it later re-acquired its licence and returned to the audit market in 2002). For these above reasons, the clients of these seven audit firms had to change auditors in 2001. We call these mandatory auditor changes.

Our study examines the impact of the regulatory policies on auditor conservatism from two perspectives. One is the probability of an MAO being issued; the other is the relation between MAOs and earnings management. Prior studies suggest that auditors respond to increased litigation risk by adopting more conservative reporting strategies (an increase in the issuance of MAOs) (Carcello and Palmrose, 1994; Geiger *et al.*, 2001, 2005, 2006). If auditor reporting strategies become more conservative following the release of the regulatory policies, the rate of modified opinions will increase, *ceteris paribus*. Therefore, we develop the following logistic model to test the effects of the 2001 regulatory policies on MAOs:

$$MAOs = \alpha + \beta_1 AFTER2000 + \beta_2 SIZE + \beta_3 ROE + \beta_4 LEVERAGE + \beta_5 CURRENT_RATIO + \beta_6 RECEIVABLE + \beta_7 INVENTORY + \beta_8 AGE + \varepsilon \quad (1)$$

In Model (1), *AFTER2000* is a test variable, which equals 1 if the sample year is 2001 or 2002, and 0 otherwise. We expect that if the rate of MAOs increases following the release of the 2001 regulatory policies, then the coefficient of *AFTER2000* should be positive, and negative otherwise. By reference to previous studies, we introduce seven variables in Model (1) to control for the impact of other factors on MAOs. These control variables are as follows: client size (*SIZE*), firm performance (*ROE*), the ratio of liability to equity (*LEVERAGE*), the ratio of current assets to total assets (*CURRENT_RATIO*), the ratio of accounts receivable to total assets (*RECEIVABLE*), the ratio of inventory to total assets (*INVENTORY*), and listing age (*AGE*). See Table 1 for specific definitions of the variables.

An MAO, however, is jointly determined by the endogenous risk characteristics of the client and the auditor's assessment or weight attached to these client risk characteristics. After the collapse of Zhongtianqin in 2001, the regulation for clients may also have become more rigorous, so that clients may have modified their financial statements according to the auditor's suggestions, resulting in a decline in the rate of MAOs. To enhance the reliability of our research, we mathematically decompose the two effects following the innovative technique used in Francis and Krishnan (2002).¹⁰

According to Francis and Krishnan (2002), the probability of an MAO being issued depends on a vector of client risk characteristics (X) and the weight the auditor attaches to each characteristic (β), which represents the auditor's reporting strategy for a given level of client risk. The probability that an MAO will be issued for Client i in year t is given by

$$P(MAO_{s_{it}}=1)=F(X_{it}\cdot\beta_t),$$

¹⁰ Geiger *et al.* (2005) also use the technique introduced by Francis and Krishnan (2002).

where $F(\cdot)$ denotes the distribution function of the logistic variable (*MAO*). According to Francis and Krishnan (2002), the change in average predicted probability of an MAO being issued in the pre-regulation (1999-2000) and post-regulation (2001-2002) periods is

$$\Delta P = P_{2001-2002} - P_{1999-2000} = P(X_{2001-2002}, \hat{\beta}_{2001-2002}) - P(X_{1999-2000}, \hat{\beta}_{1999-2000}) \quad (2)$$

As discussed above, the average probability that an MAO will be issued can change owing to (1) changes in clientele risk characteristics, or (2) changes in auditor reporting strategies for a client. Since vector β represents the conservatism of an auditor's reporting strategy, $P(X_{2001-2002}, \hat{\beta}_{1999-2000})$ denotes the average probability that an MAO will be issued between 2001 and 2002 if the β s for 1999 to 2000 are applied to the client risk characteristics for 2001 to 2002. The change in the average probability of an MAO being issued between the pre-regulation and post-regulation periods can then be decomposed as follows:

$$\begin{aligned} \Delta P = & [P(X_{2001-2002}, \hat{\beta}_{2001-2002}) - P(X_{2001-2002}, \hat{\beta}_{1999-2000})] \\ & + [P(X_{2001-2002}, \hat{\beta}_{1999-2000}) - P(X_{1999-2000}, \hat{\beta}_{1999-2000})] \end{aligned} \quad (3)$$

The first term in brackets is the change in the average probability that an MAO will be issued as a result of changes in auditor reporting strategies, holding client risk characteristics fixed at their 2001-2002 levels. The second term in brackets is the change in the average probability of an MAO being issued as a result of changes in client risk characteristics, holding auditor reporting strategies fixed at their 1999-2000 levels.

To estimate vector β , we regress the logit model in Equation (1) (excluding the variable *AFTER2000*) in the pre-regulation period from 1999 to 2000, and obtain a group of coefficients for each risk characteristic (i.e. $\hat{\beta}_{1999-2000}$). We then apply $\hat{\beta}_{1999-2000}$ to the 2001-2002 data to compute the average probability $P(X_{2001-2002}, \hat{\beta}_{1999-2000})$. Finally, using Equation (3), we calculate the change in the average probability that an MAO will be issued, and the change in average probability it will be issued as a result of either a change in auditor reporting strategy or in client risk characteristics, between the pre-and post-regulation periods.

Another way to examine the change in auditor conservatism is to focus on how auditors respond to client earnings management. Because of the higher auditing risks for increased earnings management, auditors are more likely to issue an MAO. To test the impact of the regulatory policies on the relation between MAOs and earnings management, we develop a model based on Equation (1) as follows:

$$\begin{aligned}
 MAOs = & \alpha + \beta_1 EM + \beta_2 SIZE + \beta_3 ROE + \beta_4 LEVERAGE \\
 & + \beta_5 CURRENT_RATIO + \beta_6 RECEIVABLE \\
 & + \beta_7 INVENTORY + \beta_8 AGE + \varepsilon
 \end{aligned} \tag{4}$$

We expect the coefficient β_1 of earnings management to be positive; that is to say, firms with a higher level of earnings management will be more likely to receive MAOs. Furthermore, if auditor conservatism increases in response to the regulatory policies, the coefficient β_1 should be larger.

As stated above, because regulatory risks differ for the different ways of managing earnings, therefore each way may play a different role in forming an MAO. When pressures from both regulators and clients increase at the same time, we expect auditors will be more likely to use MAOs to reveal signs of earnings management with high risk, but will be less likely to respond to signs of earnings management with low risk.

We use three measures of earnings management in our research. First, focusing on the marginal ROE, we use a dichotomous variable *SPE_DUM* for capturing small positive earnings, and a dichotomous variable *RIGHT_DUM* for capturing SEO (seasoned equity offering) targets. If a listed firm reports an ROE between 0 and 1 per cent, *SPE_DUM* sets to 1, and 0 otherwise. If a listed firm reports an ROE within the marginal range for seasoned equity offerings, *RIGHT_DUM* sets to 1, and 0 otherwise.¹¹ Prior studies of Chinese listed companies suggest that firms whose ROEs are within these two ranges have higher incentive to manage earnings (e.g. Chen, Chen, and Su, 2001).

The second earnings management measure in our study is income from non-operating activities. Chen and Yuan (2004) and Haw *et al.* (2005) show that managers use income from non-operating activities to meet regulatory ROE targets for stock rights offerings. Following Li and Wu (2002), we use the variable *IRRGLPRF* to indicate the impact of non-operating activities on firm profit. The variable is defined as $IRRGLPRF = (\text{pre-tax profit of current period} - \text{operating profit} + \text{other business profits}) / \text{pre-tax profit of the current period}$.

The third earnings management measure is abnormal accruals. We use the variable *DA_PERF* to indicate earnings management using the performance-adjusted Jones model. To calculate this variable, we first calculate total accruals ($ACCA_t$) for each firm in each year, where $ACCA_t = (\text{operating profit in year } t - \text{operating cash flows in year } t) / A_{t-1}$. We then run regressions on the following model for each industry-year:

¹¹ Specifically, the definition of the target range for SEOs is as follows: between 1999 and 2000, either the ROE is between 6 and 7 per cent and the average ROE for the last 3 consecutive years is more than 10 per cent, or the average ROE for the last 3 consecutive years is between 10 and 11 per cent and the ROE in the current year exceeds 6 per cent. Between 2001 and 2002, the target range is an average ROE for the last 3 consecutive years of between 6 and 7 per cent.

$$ACCA_t / A_{t-1} = \alpha_0 + \alpha_1(1/A_{t-1}) + \alpha_2(\Delta REV_t/A_{t-1}) + \alpha_3(PPE_t/A_{t-1}) + \alpha_4 ROA_t + \varepsilon_t, \quad (5)$$

where A_{t-1} is total assets at the end of year $t-1$; ΔREV_t is the change in net sales between years $t-1$ and t ; PPE_t is property, plant, and equipment at the end of year t ; ROA_t is return on total assets in year t ; and ε_t is the error term. We use the estimated residuals from the regressions for each industry-year to define DA_PERF .

We do not use the absolute abnormal accruals to indicate earnings management. Cahan and Zhang (2006) argue that although the unsigned residual may be more efficient for research on earnings quality (e.g. Francis *et al.*, 2005), the signed residual is better for studies on auditing because auditors react quite differently to income-increasing and income-decreasing accruals. Their response to the two signs of earnings management may differ because regulators are more likely to perceive these signs behind a firm's non-operating activities than to see them in abnormal accruals.

Finally, as already discussed, the impact of the regulatory policies may vary for different auditors. To examine this prediction, we classify the sample into a number of groups according to auditor size and locality. Specifically, we examine the relation between audit regulation and auditor conservatism by comparing different auditor groups as follows. (1) Comparison between Top Ten auditors and non-Top Ten auditors. An auditor is regarded as one of the Top Ten auditors if it is ranked among the top ten in the year (based on total assets of clients); otherwise, the auditor is a non-Top Ten auditor. The data on Top Ten auditors are taken from *Who Audits China's Securities Market*, edited by the Chief Accountant's Office of the CSRC. (2) Comparison between local auditors and non-local auditors. The classification as a local or non-local auditor is based on the registry regions of the auditor and its clients. A listed firm is considered to have hired a local auditor if the audit firm is located in the same province (or municipality with a provincial status) as the listed firm. When auditors from two or more regions merge to form a new auditor, each region in which those former auditors were located before the combination is also regarded as one of the registry regions of the new auditor, in accordance with Wang *et al.* (2008). That is, some auditors can have two or more registry regions. (3) Comparison between small local auditors and small non-local auditors. Small local auditors denote those that are both local and non-Top Ten auditors.¹²

¹² According to auditor size and locality, we can further divide the sample into four groups: local Top Ten auditors, local non-Top Ten auditors, non-local Top Ten auditors, and non-local and non-Top Ten auditors. See Table 2 for the descriptive statistics of these four groups. But the number of observations for these several groups is too small and not convenient for statistical tests; therefore, we simply discriminate between small local auditors and small non-local auditors in accordance with Wang *et al.* (2008).

Table 1 Definitions of Variables

Auditor and audit opinion variables	
Modified audit opinions (MAOs)	
	A dummy variable that equals 1 for MAOs, and 0 otherwise.
Top Ten auditors	An auditor with a Top Ten ranking (based on total assets of clients) among all auditors in the year.
Local auditors	An auditor whose registry region is located in the same province (or municipality with a provincial status) as the listed firm.
Small local auditors	Auditors who are both local and non-Top Ten auditors.
Earnings management measures	
1. Marginal ROE	
<i>SPE_DUM</i>	A dummy variable that equals 1 if ROE is between 0 and 0.01, and 0 otherwise.
<i>RIGHT_DUM</i>	A dummy variable that equals 1 if ROE is within the marginal range for SEOs, and 0 otherwise.
2. Non-operating activities	
<i>IRRGLPRF</i>	(Pre-tax profit of current period – operating profit + other business profits)/pre-tax profit of the current period
3. Abnormal accruals	
<i>DA_PERF</i>	Abnormal accruals estimated by the performance matched Jones model
Client characteristics	
<i>SIZE</i>	Client size determined by taking the logarithm of the client's year-end total assets
<i>ROE</i>	Net income over year-end total owners' equity
<i>LEVERAGE</i>	Debt-to-equity ratio at the end of year
<i>CURRENT_RATIO</i>	Current assets to total assets at the end of year
<i>INVENTORY</i>	Ratios of inventory to total assets at the end of year
<i>RECEIVABLE</i>	Ratios of accounts receivable to total assets at the end of year
<i>AGE</i>	Number of days a company has been listed over 365

IV. Empirical Results

1. Descriptive Statistics

Table 2 presents the descriptive statistics for the audit opinions and auditor characteristics of 516 companies between 1999 and 2002. Panel A shows that compared with the period between 1999 and 2000, the proportion of MAOs declines by 4.4 per cent (equivalent to a decrease of 35 per cent), indicating that auditor conservatism is more likely to decline than increase after implementation of the regulatory policies.

Panel B of Table 2 presents the auditor characteristics. The market share of the Top Ten auditors averages around 24 per cent, while the proportion of listed companies choosing local auditors is about 80 per cent. Furthermore, the market share of small local auditors is around 64 per cent and is consistent with Wang *et al.* (2008), indicating that locality is indeed a key characteristic of China's auditing market.

Table 3 presents the descriptive statistics and tests for difference in mean (or median) of our analysis variables between the two periods. In terms of MAOs, the evidence shows a significant decline in all groups except for non-local auditors following the release of the regulatory policies. In particular, the proportion of MAOs declines by 6 per cent, from 14.2 per cent to 8.2 per cent, for the Top Ten auditors, and the decline is statistically significant at the 5 per cent level, indicating that reporting strategies may become less conservative for Top Ten auditors.

For the types of MAOs presented in Table 3, the proportion of unqualified audit opinions with explanations declines significantly, whereas the proportion of qualified audit opinions just slightly declines. Because Document No. 14 regards unqualified audit opinions with explanations as one type of MAO, this type of opinion also leads to adverse consequences for listed companies. Therefore, auditors facing pressure from clients may choose to issue clean audit opinions when audit risk is low in order to eliminate any hints that will draw the regulators' attention.

As for measures of earnings management, Table 3 shows that the proportion of small positive earnings is 8 per cent between 2001 and 2002, with an increase of 3.2 per cent (significant at the 5 per cent level). But the proportion of small positive earnings increases only slightly for Top Ten auditors and non-local auditors. For the proportion of marginal cases of SEOs, *RIGHT_DUM* drops significantly between 2001 and 2002 from the levels between 1999 and 2000. We consider that one reason for this phenomenon may

be the changes in profitability regulations for SEOs.¹³ For income from non-operating activities, *IRRGLPRF* declines between 2001 and 2002. This indicates that listed firms are less likely to use below-the-line items for earnings management because of changes in the regulatory environment. For abnormal accruals, the mean of *DA_PERF* decreases between 2001 and 2002, indicating that the degree of earnings management may decline in the post-regulation period.¹⁴

For changes in the financial condition of clients over the two periods, Table 3 reveals that *ROE* declines significantly while *LEVERAGE* distinctly increases from 2001 to 2002. The results show that the financial condition of listed companies deteriorates significantly. But *ROE* and *LEVERAGE* show no significant changes for the clients of the Top Ten auditors, indicating that these auditors have better clients than do non-Top Ten auditors.

Table 2 Descriptive Statistics for Audit Opinion and Auditor Characteristics

Panel A: Audit Opinion Distribution

Audit opinion	Year			
	1999	2000	2001	2002
N	561	561	561	561
Modified audit opinions	82(14.6%)	59(10.5%)	41(7.3%)	51(9.1%)
– Unqualified with explanations	61(10.9%)	45(8.0%)	29(5.2%)	39(7.0%)
– Qualified	20(3.6%)	13(2.3%)	12(2.1%)	9(1.6%)
– Disclaimer and adverse	1(0.2%)	1(0.2%)	0(0.0%)	3(0.5%)

Panel B: Auditor Characteristics

Top Ten auditors	123(21.9%)	131(23.3%)	137(24.4%)	143(25.5%)
Local auditors	455(81.1%)	445(79.3%)	454(80.9%)	453(80.7%)
Local Top Ten auditors	96(17.1%)	95(16.9%)	97(17.3%)	97(17.3%)
Non-local Top Ten auditors	27(4.8%)	36(6.4%)	40(7.1%)	46(8.2%)
Local non-Top Ten auditors	359(64.0%)	350(62.4%)	357(63.6%)	356(63.5%)
Non-local and non-Top Ten auditors	79(14.1%)	80(14.3%)	67(11.9%)	62(11.1%)

¹³ Between 1999 and 2000, the regulations for stock rights offerings required an ROE for the last 3 consecutive years to be greater than 6 per cent, and the average ROE to be greater than 10 per cent. Between 2001 and 2002, the requirement was that the average ROE for the last 3 consecutive years should be higher than 6 per cent.

¹⁴ This argument should be noted. In the paper, abnormal accruals are the residual of the performance-matched Jones model. The mean of the residual should be zero (the residual is estimated based on the full sample of all A-share listed companies, rather than the 561 firms in our paper). Moreover, the underlying premise of the Jones model is that the full sample has no systematic earnings management bias. But if there is systematic positive (or negative) earnings management in the full sample in a certain year, then the degree of earnings management cannot be compared using the magnitude of abnormal accruals among several years. If possible, the comparison of earnings management between sample firms over a period of years can be executed by way of the difference-in-difference condition on control firms. But this does not apply to our study.

Table 3 Descriptive Statistics for Main Variables

Variable	Top Ten auditors		Non-Top Ten auditors		Local auditors		Non-local auditors		Small local auditors		Small non-local auditors		Full sample	
	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02
N	254	280	868	842	900	907	222	215	709	713	413	409	1122	1122
Audit opinion proportions														
Modified audit opinions	14.2%	8.2% **	12.1%	8.2% ***	13.2%	7.9% ***	9.9%	9.3%	12.4%	7.8% ***	12.8%	8.8% *	12.6%	8.2% ***
Unqualified with explanations	10.6%	6.4% *	9.1%	5.9% **	10.0%	5.7% ***	7.2%	7.4%	9.4%	5.5% ***	9.4%	7.1%	9.4%	6.1% ***
Qualified	3.5%	1.1% *	2.7%	2.1%	3.1%	2.1%	2.2%	0.9%	2.8%	2.2%	3.1%	1.2% *	2.9%	1.9% *
Disclaimer and adverse	0.0%	0.7%	0.2%	0.1%	0.1%	0.1%	0.5%	0.9%	0.1%	0.1%	0.2%	0.5%	0.2%	0.3%
Earnings management														
Small positive earnings	5.9%	8.2%	4.5%	8.0% ***	5.1%	8.7% ***	3.6%	5.1%	4.7%	8.6% ***	5.1%	7.1%	4.8%	8.0% ***
Marginal ranges for SEOs	12.6%	6.8% **	12.9%	9.0% **	13.6%	7.9% ***	9.9%	10.7%	13.8%	8.3%	11.1%	8.8%	12.8%	8.5% ***
<i>IRRG_LPRF</i>	0.893	0.608 **	0.500	0.519	0.595	0.582	0.568	0.373 *	0.494	0.526	0.752	0.569 *	0.589	0.543
<i>DA_PERF</i>	-0.009	-0.009	0.002	-0.004 *	-0.001	-0.005	0.001	-0.007	0.001	-0.004	-0.004	-0.008	-0.001	-0.006
Client characteristics														
<i>SIZE</i>	21.2	21.4 ***	20.7	20.9 ***	20.9	21.1 ***	20.9	21.0 **	20.8	21.0 ***	21.0	21.2 ***	20.9	21.1 ***
<i>ROE</i>	0.068	0.052	0.073	0.006 ***	0.073	0.020 ***	0.068	0.008 ***	0.073	0.011 ***	0.069	0.030 ***	0.072	0.018 ***
<i>LEVERAGE</i>	1.217	1.335	0.927	1.197 ***	0.998	1.242 ***	0.969	1.182 **	0.918	1.197 ***	1.121	1.129 **	0.993	1.231 ***
<i>CURRENT_RATIO</i>	0.551	0.531	0.531	0.510 **	0.538	0.518 **	0.522	0.506	0.532	0.509 **	0.539	0.526	0.535	0.515 ***
<i>INVENTORY</i>	0.156	0.155	0.131	0.125	0.138	0.133	0.133	0.133	0.133	0.125	0.144	0.145	0.137	0.133
<i>RECEIVABLE</i>	0.162	0.127 ***	0.189	0.163 ***	0.186	0.156 ***	0.172	0.144 ***	0.191	0.162 ***	0.170	0.139 ***	0.183	0.153 ***

Note: Numbers in the table are means of the sample; an asterisk (*) marks the number in the 01-02 column if there is a significant difference in means between the 99-00 and 01-02 periods. For continuous variables, we use T tests for differences in medians. For dummy variables, we use Wilcoxon Z tests for differences in means. ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively,

Table 4 Logistic Regression for MAOs

Variable	Full sample	Top Ten auditors	Non-Top Ten auditors	Local auditors	Non-local auditors	Small local auditors	Small non-local auditors
<i>AFTER2000</i>	-0.814 *** (-4.30)	-0.427 (-1.22)	-0.990 *** (-4.32)	-0.891 *** (-4.14)	-0.637 (-1.51)	-1.012 *** (-3.98)	-0.510 * (-1.74)
<i>SIZE</i>	-0.145 (-1.37)	-0.979 (-0.48)	-0.204 * (-1.62)	-0.183 (-1.50)	0.111 (0.52)	-0.201 (-1.36)	-0.051 (-0.33)
<i>ROE</i>	-1.714 *** (-3.34)	-3.016 * (-1.89)	-1.364 ** (-2.47)	-1.574 ** (-2.52)	-2.294 ** (-2.16)	-1.131 * (-1.79)	-2.577 *** (-2.80)
<i>LEVERAGE</i>	0.365 *** (4.48)	0.336 ** (2.38)	0.397 *** (3.90)	0.411 *** (4.73)	0.133 (0.55)	0.423 *** (3.97)	0.293 ** (2.42)
<i>CURRENT_RATIO</i>	-1.589 ** (-2.14)	-0.400 (-0.37)	-2.109 ** (-2.33)	-1.726 ** (-2.13)	-0.579 (-0.31)	-2.165 ** (-2.06)	-0.569 (-0.52)
<i>RECEIVABLE</i>	4.042 *** (7.94)	3.596 *** (3.65)	4.478 *** (7.56)	4.109 *** (4.73)	3.667 *** (2.70)	4.496 *** (7.14)	3.639 *** (4.13)
<i>INVENTORY</i>	1.619 (1.53)	-2.026 (-0.96)	3.151 *** (2.77)	1.097 (0.90)	2.538 (1.13)	2.053 (1.56)	0.978 (0.61)
<i>AGE</i>	0.746 ** (2.04)	-0.136 ** (-2.03)	0.148 *** (3.07)	0.052 (1.31)	0.224 ** (2.36)	0.129 ** (2.40)	-0.008 (-0.16)
Intercept	-0.231 (-0.11)	0.173 (0.04)	0.510 (0.20)	0.776 (0.31)	-6.657 (-1.41)	0.702 (0.23)	-1.977 (-0.61)
N	2244	534	1710	1807	437	1422	822
Wald Chi-Square	172.7 ***	35.2 ***	145.8 ***	156.1 ***	24.2 ***	130.0 ***	47.6 ***
Pseudo-R ²	0.195	0.181	0.221	0.198	0.212	0.217	0.176

Note: The dependent variable is the MAO. Numbers in the table are coefficients and Z-statistics (in brackets). All Z-statistics are completed based on the clustered standard errors and the heteroscedasticity-corrected covariance matrix (White, 1980). All continuous variables are winsorised at the 1st and 99th percentiles of their distributions. ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively.

2. Multivariate Analyses of MAOs

Table 4 reports the results of the logit models for MAOs. The coefficient of the test variable *AFTER2000* is -0.814 (significant at the 1 per cent level) for the full sample, indicating that the probability an MAO will be issued declines significantly after 2001; this is consistent with our argument that auditor conservatism is more likely to decline following the release of the regulatory policies of 2001.

We also find that all coefficients of *AFTER2000* are negative for the various groups divided by auditor characteristics, as shown in Table 4. But the coefficients are not significant for either Top Ten auditors or non-local auditors, suggesting no significant change in the probability an MAO will be issued between the two types of auditors. The results are consistent with the prediction that the impact of the audit regulations will vary for different auditors. The extent to which conservatism decreases for both Top Ten auditors and non-local auditors is smaller than that for non-Top Ten auditors and local auditors following the release of the regulatory policies of 2001.

For the control variables, the impact of *ROE* and *CURRENT_RATIO* on MAOs is negative, whereas the impact of *LEVERAGE*, *INVENTORY*, and *AGE* is positive; this is consistent with previous studies.

3. Decomposition of Changes in the Probability an MAO will be Issued

As already discussed, changes in the probability an MAO will be issued are determined by changes in both clientele risk characteristics and auditor reporting strategies. Following the approach designed by Francis and Krishnan (2002), we decompose the changes in such probability in Table 5.

Panel A shows that relative to the period between 1999 and 2000, the probability of an MAO being issued declines by 4.37 per cent for the full sample between 2001 and 2002. Specifically, the change in probability resulting from changes in clientele risk characteristics is +2.15 per cent,¹⁵ whereas that resulting from changes in auditor reporting strategies is -6.52 per cent, indicating the latter is the main cause of the decline, rather than the former.¹⁶

¹⁵ Table 3 provides the descriptive evidence that the performance and leverage of listed firms deteriorated in 2001-2002 relative to 1999-2000, which may increase the probability an MAO will be issued.

¹⁶ In the above analyses, forms of earnings management have not been included in clientele risk characteristics. In robustness checks, we add each earnings management measurement into the risk characteristics, and then decompose the changes in probability that an MAO will be issued again. We find that the conclusions still hold.

The analyses in Table 5 (from Panel B to Panel G) also show that the change in auditor conservatism reduces the probability of issuing an MAO for all auditors following the release of the 2001 regulatory policies. But the magnitude of decline differs for different auditors. For example, the change in probability owing to auditor conservatism is -3.53 per cent for Top Ten auditors, relative to -7.56 per cent for non-Top Ten auditors. Similarly, the declines in conservatism for local auditors and local small auditors are slower than those for non-local auditors and non-local small auditors, respectively, which is consistent with our arguments.

Table 5 Changes in Average Probabilities of Modified Audit Opinions Before and After the Regulatory Policies of 2001

Change interval	Change in probability of modified audit opinions		Component due to change in client risk characteristics		Component due to change in auditor reporting strategy	
	(%)	t-stat.	(%)	t-stat.	(%)	t-stat.
Panel A: Full sample						
2001-2002 vs. 1999-2000	-4.37	-7.69 ***	2.15	3.14 ***	-6.52	-26.58 ***
Panel B: Clients of Top Ten auditors						
2001-2002 vs. 1999-2000	-5.96	-5.03 ***	-2.43	-1.70 *	-3.53	-6.18 ***
Panel C: Clients of non-Top Ten auditors						
2001-2002 vs. 1999-2000	-3.90	-5.74 ***	3.66	4.50 ***	-7.56	-26.10 ***
Panel D: Clients of local auditors						
2001-2002 vs. 1999-2000	-5.28	-8.40 ***	2.04	2.76 ***	-7.33	-31.63 ***
Panel E: Clients of non-local auditors						
2001-2002 vs. 1999-2000	-0.61	-0.39	4.03	2.15 **	-4.64	-3.55 ***
Panel F: Clients of local small auditors						
2001-2002 vs. 1999-2000	-4.56	-6.28 ***	3.19	3.83 ***	-7.74	-30.01 ***
Panel G: Clients of non-local small auditors						
2001-2002 vs. 1999-2000	-4.03	-4.10 ***	-0.08	-0.06	-3.95	-7.07 ***

Note: ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively.

Table 6 Correlation Matrix for MAOs and Earnings Management Measures

Variable	<i>MAOs</i>	<i>SPE_DUM</i>	<i>RIGHT_DUM</i>	<i>IRRGLPRF</i>	<i>DA_PERF</i>
<i>MAOs</i>			0.137 ***	-0.010	0.170 ***
<i>SPE_DUM</i>	0.116 ***			-0.080 ***	0.160 ***
<i>RIGHT_DUM</i>	-0.037 *	-0.073 ***			-0.010
<i>IRRGLPRF</i>	0.217 ***	0.333 ***	-0.050 **		0.063 ***
<i>DA_PERF</i>	0.023	-0.002	0.025	0.005	

Note: Numbers above the diagonal are Spearman correlations. Numbers below the diagonal are Pearson correlations. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

4. Relation between MAOs and Earnings Management

Table 6 presents the correlations between MAOs and earnings management measures. We find that MAOs are highly correlated with *SPE_DUM* and *IRRGLPRF*, while correlations with other earnings management measures are low and even negative. This suggests that different ways of managing earnings may play different roles in forming an MAO.

Table 7 reports the logit regression results for MAOs by four earnings management measures for the full sample in the pre-regulation (1999-2000) and post-regulation (2001-2002) periods. For the marginal ROE, the coefficients of *SPE_DUM* are significantly positive, indicating that auditors have responded to this form of earnings management; this is consistent with previous evidence provided by Chen, Chen, and Su (2001). But the coefficients of *RIGHT_DUM* are not significant, also consistent with previous findings (e.g. Xia and Yang, 2002; Chen and Chen, 2005; Chen, 2005) and with our argument that the reactions of auditors will vary for different forms of earnings management. The results in Table 7 also show that the relations between the marginal ROE and MAOs remain fairly steady in the two periods.

As for the relation between income from non-operating activities and MAOs, Table 7 shows that the coefficient of *IRRPRGLF* is 0.048 and is not significant for the full sample in 1999-2000. But the coefficient increases to 0.135 (significant at the 10 per cent level) in 2001-2002, suggesting that the auditors are more likely to reveal this form of earnings management through issuing an MAO following the release of the 2001 regulatory policies.

The scenario changes, however, when we consider the relation between MAOs and abnormal accruals. Between 1999 and 2000, the coefficient of *DA_PERF* is positive and insignificant, yet becomes significantly negative between 2001 and 2002. These results suggest that firms with high abnormal accruals (meaning they use above-the-line items to manage their earnings) are more likely to receive a clean audit opinion than firms with low abnormal accruals. The causes for this anomaly may be as follows. First, the way firms manage their earnings through above-the-line items is more concealed and therefore more difficult to detect for both regulators and auditors. Thus, auditors are more likely to ignore these signs of earnings management with low auditing risk. And second, firms generally manage their earnings for specific purposes. Following the release of Document No. 14 and the deterioration in firm financial conditions (see descriptive evidence in Table 3), firms with a high degree of earnings management may pressure their auditors to avoid an MAO; therefore, auditors facing pressure are more likely to issue a clean audit opinion to those firms with a strong motivation to manage earnings in order to help eliminate any clues that might draw the regulators' attention. After all, abnormal accruals have a lower regulation risk relative to other forms of earnings management using below-the-line items.

Table 8 reports the coefficient of four earnings management measures for different auditors. We do not present the coefficients of other control variables for simplicity. The findings in Table 8 show that changes in the association between earnings management measures and MAOs over the two periods vary among different auditors. For example, the coefficients of *SPE_DUM* increase for Top Ten auditors and non-local auditors, but decline slightly for non-Top Ten auditors and local auditors. For the variable *IRRPLGRF*, the coefficient has a trend of increase for Top Ten auditors but no such trend for non-Top Ten auditors. In addition, non-local auditors are less likely to respond to *IRRPLGRF* in the post-regulation period, which our previous analysis did not expect. Finally, for abnormal accruals, in the post-regulation period the coefficient of *DA_PERF* is significantly negative for non-Top Ten auditors, local auditors, and local small auditors, suggesting that these auditors are less likely to respond to abnormal accruals. Table 8 also indicates that although the reactions to abnormal accruals for Top Ten auditors and non-local auditors decrease, the decline slows down relative to non-Top Ten auditors and local auditors. These results are consistent with our argument that auditor size and locality can influence auditor behaviour.

From the above empirical analysis, we find that auditors have different responses to different forms of earnings management. Specifically, they are more likely to respond to below-the-line items by issuing an MAO, and less likely to respond to abnormal accruals. After the release of the 2001 regulatory policies, although auditors adopt more

conservative reporting strategies towards income from non-operating activities, they are likely to compromise with their clients on high abnormal accruals. We attribute this behaviour to auditors making a reasonable trade-off between increased pressure from clients and increased regulatory risk induced by the regulatory polices of 2001.

Table 7 Logistic Regression of Earnings Management to MAOs Before and After the Regulatory Policies of 2001: Full Sample

Variable	<i>EM = SPE_DUM</i>		<i>EM = RIGHT_DUM</i>		<i>EM = IRRPGLF</i>		<i>EM = DA_PERF</i>	
	99-00	01-02	99-00	01-02	99-00	01-02	99-00	01-02
<i>EM</i>	1.131 *** (3.20)	1.106 *** (3.35)	-0.220 (-0.67)	-0.157 (-0.32)	0.048 (0.70)	0.135 * (1.70)	1.430 (1.02)	-3.837 ** (-2.50)
<i>SIZE</i>	-0.276 * (-1.95)	-0.038 (-0.22)	-0.249 * (-1.78)	-0.033 (-0.19)	-0.402 ** (-2.55)	-0.297 (-1.17)	-0.234 * (-1.62)	-0.008 (-0.05)
<i>ROE</i>	-1.211 (-1.18)	-2.242 *** (-3.62)	-1.135 (-1.25)	-2.113 *** (-3.51)	-10.68 ** (-3.94)	-11.81 ** (-2.30)	-1.309 (-1.20)	-2.274 *** (-3.84)
<i>LEVERAGE</i>	0.540 *** (3.85)	0.297 *** (2.70)	0.503 *** (3.60)	0.261 ** (2.42)	0.716 *** (4.44)	0.487 *** (3.76)	0.514 *** (3.58)	0.231 ** (2.19)
<i>CURRENT_RATIO</i>	-1.945 * (-1.95)	-0.138 (-0.12)	-2.146 ** (-2.11)	-0.281 (-0.25)	-1.755 * (-1.73)	0.466 (0.35)	-2.524 ** (-2.28)	-0.594 (-0.52)
<i>RECEIVABLE</i>	4.319 *** (6.40)	2.857 *** (3.64)	4.507 *** (6.67)	3.083 *** (3.81)	3.746 *** (5.20)	3.254 *** (3.06)	4.628 *** (4.34)	3.460 *** (4.09)
<i>INVENTORY</i>	0.651 (0.41)	1.200 (0.86)	1.216 (0.75)	1.351 (0.97)	0.058 (0.04)	-0.631 (-0.40)	1.579 (0.92)	1.941 (1.40)
<i>AGE</i>	0.093 * (1.95)	0.024 (0.38)	0.100 ** (2.15)	0.033 (0.53)	0.077 (1.47)	-0.074 (-0.85)	0.120 ** (2.46)	0.025 (0.40)
Intercept	2.312 (0.80)	-3.361 (-0.93)	1.849 (0.65)	-3.315 (-0.92)	5.721 * (1.78)	2.474 (0.46)	1.482 (0.50)	-3.815 (-1.09)
N	1122	1122	1122	1122	1063	970	1062	1120
Wald Chi-Square	114.0 ***	83.9 ***	107.4 ***	77.9 ***	94.2 ***	61.7 ***	106.9 ***	83.4 ***
Pseudo-R ²	0.202	0.215	0.191	0.200	0.186	0.192	0.198	0.210

Note: The dependent variable is MAOs. Numbers in the table are coefficients and Z-statistics (in brackets). All Z-statistics are completed based on the clustered standard errors and the heteroscedasticity-corrected covariance matrix (White, 1980). All continuous variables are winsorised at the 1st and 99th percentiles of their distributions. ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively.

Table 8 Logistic Regression of Earnings Management to MAOs Before and After the Regulatory Policies of 2001: Comparisons for Various Auditors

Variable	Period	Non-		Local auditors	Non-local auditors	Non-	
		Top Ten auditors	Top Ten auditors			Local small Auditors	local small auditors
<i>SPE_DUM</i>	99-00	0.851	1.103 ***	1.065 ***	2.271 ***	1.111 **	1.378 **
		(1.18)	(2.64)	(2.73)	(2.64)	(2.42)	(2.51)
		N=254	N=868	N=900	N=222	N=709	N=413
	01-02	1.680 ***	0.971 **	0.916 **	2.523 ***	0.856 *	1.703 ***
		(2.85)	(2.49)	(2.36)	(2.80)	(1.91)	(3.50)
		N=280	N=842	N=907	N=215	N=713	N=409
<i>RIGHT_DUM</i>	99-00	-0.245	-0.217	-0.217	-0.249	-0.116	-0.579
		(-0.39)	(-0.56)	(-0.64)	(-0.20)	(-0.30)	(-0.92)
		N=254	N=868	N=900	N=222	N=709	N=413
	01-02	0.091	0.278	-1.521	1.485 **	-1.155	0.553
		(0.35)	(0.56)	(-1.47)	(2.21)	(-1.09)	(0.91)
		N=280	N=842	N=907	N=215	N=713	N=409
<i>IRRGLPRF</i>	99-00	-0.091	0.104	-0.006	0.372 **	-0.021	0.071
		(-0.75)	(1.09)	(-0.07)	(2.35)	(-0.21)	(0.75)
		N=242	N=821	N=852	N=211	N=671	N=392
	01-02	0.242 **	0.123	0.194 **	-0.016	0.181	0.100
		(2.04)	(1.09)	(2.37)	(-0.06)	(1.45)	(0.92)
		N=257	N=713	N=784	N=186	N=606	N=364
<i>DA_PERF</i>	99-00	0.729	1.673	1.856	-0.652	1.874	0.693
		(0.30)	(0.95)	(1.22)	(-0.19)	(0.98)	(0.32)
		N=247	N=815	N=852	N=210	N=667	N=395
	01-02	-4.001 *	-3.921 **	-3.966 **	-3.633	-4.342 **	-3.331
		(-1.64)	(-2.13)	(-2.36)	(-1.15)	(-2.20)	(-1.56)
		N=280	N=840	N=905	N=215	N=711	N=409

Note: The dependent variable is MAOs. We use the same models as in Table 7. We do not report the regression results of the control variables. Numbers in the table are coefficients and Z-statistics (in brackets). All Z-statistics are completed based on the clustered standard errors and the heteroscedasticity-corrected covariance matrix (White, 1980). All continuous variables are winsorised at the 1st and 99th percentiles of their distributions. ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively.

V. Additional Tests

1. Information Content of MAOs in the Pre-regulation and Post-regulation Periods¹⁷

If Document No. 14 indeed increases the adverse consequences of MAOs to listed firms, and if investors can perceive this, then MAO information content should increase after the release of Document No. 14.¹⁸ To examine this prediction, we calculate the 3-day cumulative abnormal return from day-1 to day 1 around the disclosure day of the audit opinion (i.e. the announcement day of the annual report). Following Chen, Su, and Zhao (2000), we use two measures of abnormal returns. One is *CAR*, based on the CAMP model estimated over a 120-day period and ending 30 days before the announcement date of the audit opinion, and the other is *CMR*, which is the market-index-adjusted cumulative abnormal return.

First, we conduct a univariate analysis for MAO information content by classifying the full sample into two groups, one consisting of listed firms issued clean audit opinions, and the other of listed firms issued MAOs. Panel A of Table 9 presents the univariate analysis results. We find no significant difference in market response between clean opinions and modified opinions between 1999 and 2000. But between 2001 and 2002, firms issued MAOs have significantly lower 3-day cumulative abnormal returns relative to those issued clean audit opinions, suggesting that the information content of MAOs increases after the release of Document No. 14.

¹⁷ We appreciate one referee for his suggestion of comparing the information content of MAOs in the two periods.

¹⁸ Auditor conservatism can also influence the information content of MAOs. If the regulatory policies of 2001 have no effect on the information content of MAOs, and if investors are able to perceive the change in auditor conservatism, then the market should react more weakly to MAOs when regulatory risk promotes auditor conservatism; in contrast, the market should react more strongly to MAOs when auditors relax conservative reporting strategies under client pressure. Therefore, taking into account the effect of changes in auditor conservatism, we are unable to predict precisely the direction of change in the information content of the MAOs. But because investors are more likely to perceive the impact of Document No. 14 in the form of the adverse consequences of MAOs than in changes in auditor conservatism, we still expect that the information content of MAOs should increase after the issue of Document No. 14.

We further examine the information content of MAOs using multivariate analysis in Panel B of Table 9. To control for the effects of other factors on the stock abnormal returns, we introduce the change in firm earnings (ΔEPS and ΔROE) and prior year audit opinion (*REPEAT*) in the stock abnormal return model, where ΔEPS is the change in earnings per share scaled by the beginning price at day -1, and ΔROE is the change in return on equity from year $t-1$ to year t . $\Delta REPEAT$ is a dummy variable that equals 1 for observations receiving MAOs for both years $t-1$ and t , and 0 otherwise.

Panel B shows that the coefficient for the MAOs is insignificant for all specifications. This is not consistent with the findings of Chen, Su, and Zhao (2000), but is consistent with Chen (2002).¹⁹ Although we find that the coefficient for the MAOs declines (insignificantly) in 2001-2002 relative to 1999-2000, this evidence, together with the results of the univariate analysis, suggests that the information content of MAOs declines slightly after the release of Document No. 14.

¹⁹ Chen, Su, and Zhao (2000) find that the market response to MAOs is significantly negative in 1997 and 1998. Why do we not observe this phenomenon in our settings? We consider two possibilities. First, since 1998 the CSRC has required firms reporting a loss for 3 consecutive years or a significant loss for the current year to release the notice of loss in advance. In 2000, the Shanghai Stock Exchange required that firms should release the notice in advance if they expect a loss for the current year. Since then, similar policies have been extended continuously, and thus the information content of MAOs has been weakened. Second, since 1998, the numbers of institutional investors have been growing in China. Because institutional investors have a stronger ability to obtain and understand the information about listed firms, they can perceive a firm's financial condition and audit opinions before the annual reports are released, resulting in weak information content for MAOs.

Table 9 Information Content of MAOs Before and After the Regulatory Policies of 2001

Panel A: Univariate Analysis								
Group	<i>CAR</i>				<i>CMR</i>			
	1999-2000		2001-2002		1999-2000		2001-2002	
<i>MAOs</i> = 0	0.0009		-0.0021		-0.0004		-0.0024	
<i>MAOs</i> = 1	-0.0006		-0.0144		-0.0001		-0.0119	
Difference	0.0015		0.0122 ***		-0.0003		0.0095 **	
(t-stat.)	(0.35)		(3.15)		(-0.06)		(2.43)	
Panel B: Multivariate Analysis								
Variable	Dependent variable: <i>CAR</i>				Dependent variable: <i>CMR</i>			
	1999-2000		2000-2001		1999-2000		2000-2001	
<i>MAOs</i>	0.003	0.006	-0.003	-0.006	0.007	0.008	-0.001	-0.003
	(0.45)	(0.97)	(-0.35)	(-0.83)	(0.94)	(1.22)	(-0.10)	(-0.51)
ΔEPS	0.372 ***		0.324 **		0.304 ***		0.311 **	
	(3.26)		(2.24)		(2.69)		(2.12)	
$\Delta EPS \times MAOs$	-0.208		0.061		-0.132		0.034	
	(-0.81)		(0.24)		(-0.54)		(0.15)	
ΔROE	0.025		0.034 **		0.022 *		0.032 **	
	(1.22)		(2.03)		(1.68)		(2.01)	
$ROE \times MAOs$	0.014		0.002		0.009		0.001	
	(0.70)		(0.17)		(0.34)		(0.05)	
<i>REPEAT</i>	-0.010	-0.007	0.001	0.007	-0.014	-0.012	0.001	0.006
	(-1.07)	(-0.82)	(0.15)	(0.71)	(-1.45)	(-1.35)	(0.08)	(0.58)
Intercept	0.001	-0.0011	-0.002	-0.003 **	0.001	0.001	-0.002 *	-0.004 **
	(0.82)	(-0.44)	(-1.54)	(-2.31)	(0.58)	(0.45)	(-1.85)	(-2.37)
N	878	1063	1007	1120	878	1063	1007	1120
F_stat.	3.00 **	2.06 *	3.33 **	4.18 ***	2.38 *	1.49	2.35 *	3.11 **
Adjusted R ²	0.014	0.011	0.035	0.042	0.011	0.007	0.025	0.031

Note: Numbers in Panel A are the means of stock cumulative abnormal returns. Numbers in Panel B are coefficients and T values (in brackets). All t-statistics are completed based on the clustered standard errors and the heteroscedasticity-corrected covariance matrix (White, 1980). All continuous variables are winsorised at the 1st and 99th percentiles of their distributions. ***, **, and * denote significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively.

2. Analysis of Regulatory Enforcement by the CSRC for Clients of Different Auditors

Between 1994 and 2005, more than 600 listed firms were penalised by the CSRC for breaches of accounting quality. If auditor size and locality influences the quality of auditing services, which in turn influences accounting quality, then the CSRC will be more likely to penalise the clients of small auditors or local auditors than those of big auditors or non-local auditors. To examine this argument, we collect and identify the sample with enforcement actions carried out by the CSRC for breaches of accounting quality from the CSMAR database, and classify the observations into various groups according to auditor size and locality. Panel A of Table 9 shows that the clients of either non-Top Ten auditors or local auditors are indeed more likely to suffer regulatory enforcement actions by the CSRC, suggesting that auditor size and locality can influence auditing quality.

We further test the difference in frequency of enforcement actions between the pre-regulation and post-regulation periods. We expect that if auditors relax their conservative reporting strategies in the post-regulation period, the frequency of enforcement actions will increase. Panel B of Table 10 shows that indeed the frequency of enforcement actions increases for all groups. But we also find that relative to the period between 1999 and 2000, the frequency of enforcement actions increases significantly for clients of non-Top Ten auditors or local auditors, but remains relatively stable between 2001 and 2002 for clients of Top Ten auditors or non-local auditors. These results indicate that the impact of audit regulation on auditor conservatism varies for different types of auditors.

3. Robustness Checks

To enhance the reliability of the above conclusions, we perform several robustness checks. First, we redefine the research periods to examine the impact of the regulatory policies of 2001. Specifically, we take two research periods: one from 2000 to 2001 (year 2000 vs. year 2001), and the other from 2000 to 2002 (year 2000 vs. year 2001-2002). Because China's auditing market experienced a wave of mergers in 2000, which may have influenced market structure and auditor behaviour, we delete the observations for 1999 to reduce the effects of audit firm mergers in our study. Second, we use alternative measures for several variables and consider more control variables for the audit opinion model. For example, we (1) redefine the Top Ten auditors according to the number of clients, (2) use ROA as the proxy for firm performance, (3) introduce the prior-year audit opinion into the audit opinion model, (4) use below-the-line items divided by equity and adjusted by the industry median to measure income from non-operating activities according to Chen and Yuan(2004), and (5) use abnormal accruals

based on the modified Jones model. Third, we delete the observations in which auditors changed their registry regions from 2000 to 2002 in the empirical analysis on the impact of auditor locality. Fourth, we exclude earnings management measures in client risk characteristics when decomposing the changes in the probability an MAO will be issued. To alleviate this problem, we include each earnings management measure into the client risk characteristics, and then re-decompose the changes in the probability an MAO will be issued. The conclusions drawn from the above analyses continue to hold qualitatively.

Table 10 Frequency of Regulatory Enforcement by the CSRC for Listed Firms Stemming from Accounting Quality Problems in 1999-2002

Panel A: Frequency of Regulatory Enforcement Each Year					
Year	1999	2000	2001	2002	1999-2002
Clients of Top Ten auditors	2(1.6%)	3(2.3%)	8(5.8%)	2(1.4%)	15(2.8%)
Clients of non-Top Ten auditors	12(2.7%)	29(6.7%)	36(8.5%)	24(5.7%)	101(5.9%)
Difference	(-1.1%)	(-4.5% *)	(-2.7%)	(-4.3% **)	(-3.1% ***)
Clients of local auditors	14(3.1%)	28(6.3%)	41(9.0%)	23(5.1%)	106(5.9%)
Clients of non-local auditors	0(0.0%)	4(3.4%)	3(2.8%)	3(2.8%)	10(2.3%)
Difference	(3.1% *)	(2.9%)	(6.2% **)	(2.3%)	(3.6% ***)
Clients of local small auditors	12(3.3%)	26(7.4%)	35(9.8%)	23(6.5%)	96(6.8%)
Clients of non-local small auditors	2(1.0%)	6(2.8%)	9(4.4%)	3(1.5%)	20(2.3%)
Difference	(2.3% *)	(4.6% **)	(5.4% **)	(5.0% ***)	(4.5% ***)
Full sample	14(2.5%)	32(5.7%)	44(7.8%)	26(4.6%)	116(5.2%)

Panel B: Comparisons of Frequency of Regulatory Enforcement Before and After the Regulatory Policies of 2001			
Year	1999-2000	2001-2002	Difference
Clients of Top Ten auditors	5(2.0%)	10(3.6%)	(-1.6%)
Clients of non-Top Ten auditors	41(4.7%)	60(7.1%)	(-2.4%)**
Clients of local auditors	42(4.7%)	64(7.1%)	(-2.4%)**
Clients of non-local auditors	4(1.8%)	6(2.8%)	(-1.0%)
Clients of local small auditors	38(5.4%)	58(8.1%)	(-2.8%)**
Clients of non-local small auditors	8(1.9%)	12(2.9%)	(-1.0%)
Full sample	46(4.1%)	70(6.2%)	(-2.1%)**

Note:(1) Numbers in the table are identified according to the time of violation rather than the time of enforcement action. (2) Numbers in the table are numbers of listed firms violating the regulations; numbers in brackets are the ratios of the number of listed firms violating the regulations to total number of clients for the type of auditor. (3) ***, **, and * denote significance at the 1%, 5%, and 10% levels for the Chi-square two-tailed test, respectively.

VI. Conclusions and Limitations

Focusing on the relevant regulatory policies after the collapse of Zhongtianqin in 2001, we analyse the impact of the new audit regulations on auditor conservatism. After Zhongtianqin collapsed, the regulatory environment faced by auditors became more rigorous, and we expect that the conservatism of auditor reporting would increase owing to the increased regulatory risk after 2001. But the regulatory policies of 2001 also increased the adverse consequences to clients issued MAOs; therefore, clientele motivations for avoiding an MAO should be stronger, which would in turn lead to auditors facing greater pressure from clients. Thus, auditor conservatism could also decline after 2001. We provide evidence that auditors were less likely to issue MAOs, and gave different responses to various forms of earnings management after 2001. In general, auditor conservatism declined after 2001. Additionally, our findings indicate that following the audit regulation policies of 2001, the conservatism of small auditors decreased faster than that of Top Ten auditors, while that of local auditors decreased faster than that of non-local auditors.

Our research has the following policy implications. Considering that the public governance and corporate governance environments in China are still in a transitional and emerging stage, as regulators plan to implement new regulatory policies, they should carefully consider the new issues triggered by the regulatory policy itself and incorporate them into the policies.

The main limitation in our research is that we have no way to control for the impact of other institutional changes on auditor incentives and behaviour. Because China is a transitional economy, many institutional systems change frequently. For example, the Accounting Regulations for Business Enterprises enacted by the MOF in 2001 could affect our conclusions. Although we perform empirical analyses for various study windows and test the changes in auditor conservatism from several perspectives, we are still not confident we have removed the impact of other institutional changes on the reporting behaviour of firms and auditor incentives, which would inevitably reduce the reliability of our conclusions.

References

Please refer to pp. 86-89.