Accounting Research Workshop (ARW) – summer term 2019

Speaker: Professor Ole-Kristian Hope
University: Professor of Accounting, Rotmann School of Management, University of Toronto
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Subject: "Information Sharing Between Mutual Funds and Auditors"

Abstract:

This paper examines whether there is information sharing between mutual funds and their auditors about the auditors' other listed firm clients. Using detailed hand-collected data from the Chinese market and employing levels, changes, and PSM analyses, we find that mutual funds earn higher profits from trading in firms that share the same auditors. The effects are more pronounced when firms have a more opaque information environment and when the audit partners for the fund and the partners for the listed firm share school ties. The evidence is consistent with information flowing from auditors to mutual funds, providing mutual funds with an information advantage in firms that share the same auditors. We further find that auditors benefit by charging higher audit fees for mutual fund clients and by improving their audit quality for listed firm clients. Our study provides evidence of bi-directional information sharing between two important market intermediaries.

We were pleased, that we could welcome Professor Ole-Kristian Hope at the Accounting Research Workshop at the faculty of Business Administration and wish him all the best for his future work and research projects.