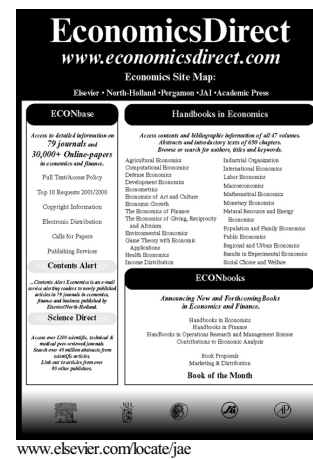


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Daniel Aobdia, Nemit Shroff



PII: S0165-4101(17)30014-9
DOI: <http://dx.doi.org/10.1016/j.jacceco.2017.03.001>
Reference: JAE1136

To appear in: *Journal of Accounting and Economics*

Received date: 28 June 2016
Revised date: 10 March 2017
Accepted date: 20 March 2017

Cite this article as: Daniel Aobdia and Nemit Shroff, Regulatory Oversight and Auditor Market Share, *Journal of Accounting and Economics* <http://dx.doi.org/10.1016/j.jacceco.2017.03.001>

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Regulatory Oversight and Auditor Market Share*

Daniel Aobdia^a, Nemit Shroff^b

^aNorthwestern University

^bMassachusetts Institute of Technology

d-aobdia@kellogg.northwestern.edu

shroff@mit.edu

Abstract

We examine whether auditor regulatory oversight affects the value of financial statement audits. Using the PCAOB international inspection program as a setting to generate *within country variation* in regulatory oversight, we find that non-U.S. auditors inspected by the PCAOB gain 4 to 6% market share from competing auditors after PCAOB inspection reports are made public. When inspection findings reveal that an auditor has many engagement-level deficiencies, market share gains following inspection reports are significantly smaller. Our evidence suggests that regulatory scrutiny increases the assurance value of an audit and highlights the role of public regulatory oversight in the audit market.

Keywords: Auditing; PCAOB; Regulation; Assurance; Financial Reporting

* We appreciate a number of helpful comments from Michelle Hanlon, Phil Lamoreaux, Clive Lennox (the referee), Bharat Sarath (discussant), Terry Shevlin (discussant), Paddy Sivadasan (discussant), Andrew Sutherland, Rodrigo Verdi, Mike Willenborg, Joanna Wu (the editor), and workshop participants at the 2016 FEA Conference, the 2016 *Journal of Law, Finance, and Accounting* Conference, the 2016 LBS Symposium, MIT, Northwestern University and the PCAOB Center for Economic Analysis. We also thank Michael Gurbutt and the PCAOB staff for helpful comments on prior versions of this paper. We thank Michael Nohrden and Audit Analytics for sharing data on the content of PCAOB inspection reports. Nemit Shroff and Daniel Aobdia gratefully acknowledge financial support from the MIT Junior Faculty Research Assistance Program and the Lawrence Revsine Research Fellowship, respectively. While Daniel Aobdia was a Senior Economic Research Fellow at the PCAOB between September 2014 and September 2016, he co-wrote this paper in his personal capacity. The views expressed in this paper are the views of the authors and do not necessarily reflect the views of the Board, individual Board members or the staff of the PCAOB. All errors are our own.

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