

法制环境、政治关系、审计师选择与审计定价

—来自中国民营上市公司的经验证据¹

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摘要

本文以中国民营上市公司为研究对象，基于审计师选择的研究视角，沿着“制度环境—客户与审计师双向选择—审计定价”的逻辑推理来研究制度环境对审计师行为的影响，检验中国法制环境和政治关系如何影响上市公司的审计需求。结果发现，客户与审计师双向选择都要受到法制环境和政治关系的影响，政治关系促进了民营企业对高质量审计的有效需求，具体表现为更偏好选择本地大型审计师进行审计，在法制环境发达的地区，这种促进效应更为明显，在选择本地大型审计师后支付了审计溢价，进一步控制自选择的内生性问题后，结论仍然成立。本文结论说明了审计服务定价具有高度复杂性，但随着法制环境的逐步改善，强法制环境和政治关系对高质量审计的有效需求表现出更强的促进效应，证实了加强法制环境建设对提高目前中国审计师行业健康发展的重要性和必要性。

关键词：法制环境、政治关系、审计师选择、审计定价

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一、引言

独立审计的鉴证、保证功能，是现代资本市场正常运转的重要基石之一，独立、客观、公正的鉴证服务为财务信息的相关性、可靠性提供了合理保证。长期以来，政府有关部门是通过采取一系列针对审计师和事务所的监管措施，试图提高审计质量，但是实践的结果并不理想，特别是国内外一系列会计欺诈案件的曝光及其引发的审计失败问题，迫使理论界重新开始反思审计师行业的发展方向和法制监管的模式(Simunic and Stein, 1996；葛家澍等，2002)。

Fisman(2001)和Faccio(2006)指出，政治关系在世界范围内的普遍存在，并发挥着重要作用。国外很多研究发现，政治关系可以帮助企业获得更优惠待遇、纳税条件以及处于危机时获取政府补助(Agrawal and Knoeber, 2001；Faccio, 2006)，更多融资便利(Khwaja and Mian, 2004)，进而有助于公司价值的提高(Fisman, 2001；Johnson and Mitton, 2003)。但也有相反的证据表明政治联系给企业带来负面的影响(Faccio, 2004；Fan *et al.*, 2007；Goldman *et al.*, 2009)。由此可见，上市公司的政治关系对公司经营和企业行为产生了较大的影响，基于这个逻辑，Gul(2006)指出，在一定的制度环境和宏观经济环境下，政治关系可能会影响上市公司财务报告的可靠性和风险程度，并进而影响企业对审计师的选择以及审计师的应对行为。Chaney *et al.*(2011)利用Faccio(2006)研究采用的来自47个国家的上市公司为样本，发现有政治关系的公司由于能得到更多的利益而面临较小的市场压力，因而普遍具有较低的盈余质量。而Guedhami *et al.*(2010)采用与上文相同的样本却发现政治关系的公司为了向外部投资者传递一个良好的信号用来说明公司不会转移资源以侵害投资者利益，因而更偏好选择大型审计师。因此，关于政治关系对审计师选择及审计师的反应的研究还没有得出一致的结论。正如Hellman *et al.*(2003)指出，在不同法律环境下，政治关系对企业价值的影响程度不同，政府对企业经营活动干预程度的高低对公司业绩与价值的影响也相差甚远。因此，上文研究所得出的相关结论相矛盾可能囿于研究样本中不同国家制度背景的多样性和股权结构的差异性，反过来，以中国资本市场为研究对象，则为我们提供了一个共同的制度背景和独特的股权结构。

中国作为一个新兴与转轨并存的市场经济国家，实践和经验已经证明政府行为对资源配置有重要影响，这种政府与市场的复杂关系导致中国企业往往谋求和政府建立政治关系，企业家参与政治已成为企业发展的重要战略。并且，尽管中国开始的市场化改革取得举世瞩目成功，但各地区的经济发展水平与法治化水平并不平衡，市场化进程差异明显。法治化水平越低，市场化进程越慢的地区，可供地方政府获取资源的渠道较少，地方政府为实现其政治目标，包括对经济与司法实施干预的程度就越大，地方政府控股的上市公司中，政治关系对公司经营活动的影响越大(陈冬华，2003)，从而包括干预审计师选择在内的政府行为更难以受到法律的有效约束(雷光勇等，2009)。那么，审计师的选择是否受地区法制环境及政治关系的影响？而审计师对地区法律环境和有政治关系的客户会做出如何反应？当前，很多研究发现国有企业由于其“天生的”政治关联，其对审计师选择行为以及审计师的独立性的影响具有其显著的特征，如有更低的审计需求(雷光勇等，2009)，具体表现为偏向于选择本地小所，并与本地小所合谋等(Wang *et al.*, 2008；刘启亮等，2010；

杜兴强等, 2011), 而本地小所的审计独立性也更低(Chan *et al.*, 2006; Gul *et al.*, 2007)。相比之下, 民营企业的政治关系如何影响审计师的选择行为及其审计师将作出如何反应, 目前尚未形成较为一致的研究结论。本文以中国2003至2008年的非国有民营化的上市公司为样本, 基于审计师选择的视角, 沿着“制度环境—客户与审计师双向选择—审计定价”这个逻辑链条, 检验中国法制环境和政治关系如何影响上市公司的审计需求。结果发现, 客户与审计师双向选择都要受到法制环境和政治关系的影响, 政治关系促进了民营企业对高质量审计的有效需求, 具体表现为更偏好选择本地大型审计师进行审计, 在法制环境发达的地区, 这种促进效应更为明显, 在选择本地大型审计师后支付了审计溢价, 进一步控制自选择的内生性问题后, 结论仍然成立。本文结论说明了审计服务定价具有高度复杂性, 但随着法制环境的逐步改善, 强法制环境和政治关系对高质量审计的有效需求表现出更强的促进效应, 证实了加强法制环境建设对提高目前中国审计师行业健康发展的重要性和必要性。

本文的贡献主要体现在以下两个方面: 第一, 相对于以前的研究发现国有企业的产权性质和民营企业的政治关系抑制了其对高质量审计的有效需求(Chan *et al.*, 2006; Wang *et al.*, 2008; 雷光勇等, 2009; 杜兴强等, 2010; Srinidhi *et al.*, 2010; 杜兴强等; 2011), 我们则发现民营企业家的政治关系在一定程度上促进了其对高质量审计的有效需求, 这也和潘克勤(2010)和Guedhami *et al.*(2010)的研究结论相一致, 进一步本文也发现随着法制环境的改善, 这种促进作用越明显, 说明法制环境和政治关系能在一定程度上提高民营企业审计需求的信号传递作用, 从而进一步丰富了制度环境影响企业审计需求的研究文献; 第二, 相对于以往仅从供给的角度(陈小林等, 2007; 王良成等, 2010)考察审计定价, 本文同时从审计需求和审计供给两个相关方面展开, 发现本地大型审计师对法制环境发达地区有政治关系的民营企业收取了更高的审计费用, 说明法制环境和政治关系对企业的高质量审计的有效需求产生的“促进”效应要大于其“挤出”效应, 在一定程度上揭示出宏观的法律制度状态如何影响审计师对不同特质客户风险感知的微观路径, 如果把审计行为视为一种企业经济活动的话, 则本文的研究在一定程度上也间接验证了Acemoglu *et al.*(2005)提出的关于经济与政治互动理论的部分观点。

本文其他部分安排如下: 第二部分是文献回顾; 第三部分是制度背景和假设提出; 第四部分是研究设计; 第五部分是实证分析; 最后是对全文的总结。

二、文献回顾

Watts and Zimmerman(1983)指出, 独立审计是因为市场自发需求产生的; 从审计需求的角度来看, 在一个良性的、自发需求的资本市场上, 总是存在对高质量审计服务的有效需求, 并且代理成本越大的公司越倾向于聘任高质量的审计师进行审计, 作为一种绑定机制向市场传递信号(Watts and Zimmerman, 1983), 以及在审计失败时提供“深口袋”保险价值(Dye, 1993), 更能得到外部投资者的认同, 有助于提高公司价值(Beatty, 1989)。从审计供给的角度来看, 如果市场制度设计合理, 独立审计师也必然会通过提供高质量的审计服务来占领市场(刘峰等, 2002)。和西方成熟资本市场不同的是, 虽然很多文献都提供了中国上市公司对审计质量的需求具有

异质性的证据，但结论却并不一致，⁵值得注意的是，尽管很多文献指出中国上市公司对审计师的选择符合代理理论，即委托代理问题越严重的公司，越倾向于选择高质量的审计师(吴联生等，2008)，但是也有研究发现了代理成本并没有因为审计师的关注而有所降低，反而通过选择低质量的审计师的方式来规避审计监督(周中胜等；2006)。究其根源，可能是忽略了中国转轨经济背景下的特殊制度禀赋及其衍生出来的中国上市公司选择审计师的行为特征，也可能是既有研究结论受到了内生性问题的困扰，难以提供直接的证据，正如Chaney *et al.*(2004)指出，客户和审计师最后达成的审计协议是一个内生的结果，这取决于审计师和客户的双向选择和博弈对比，因而对审计师和客户进行双向联合分析可能是个更为有效的视角。

国有企业的政治联系和其所处的地区的制度环境对审计师的选择行为和审计师的反应已经有了较为一致的结论。而以民营企业为关注对象，探讨其政治关系对审计师选择及审计师反应的研究还不多见。潘克勤(2010)发现有政治身份的民营企业家更希望向资本市场传递一个良好信号，因此更偏好选择大型审计师并支付了审计溢价，并且随着政治身份的级别越高，这种偏好越明显，作者认为是民营企业家的政治身份提升了企业对高质量审计的有效需求。而Srinidhi *et al.*(2010)却发现，在法律环境差、政府干预高的地区，相对于其他民营企业而言，具备政治关系的家族企业因为能获取了更多的利益和更少的管制，因此更希望保持较低的信息透明度，以避免不合时宜监管，具体表现为更不偏好选择大型审计师。黄新建等(2011)也发现，在制度环境差的地区，民营企业更有动机寻求政治关系，也更偏好选择小型审计师，并且选择小型审计师的民营企业往往对应着更大程度的盈余管理。和以上关注民营企业审计需求不同的是，从审计供给的角度，陈小林等(2007)发现政治关系的强弱影响了审计师对剩余诉讼风险的判断，相对于国有企业“天生”附带的政治关系，审计师对政治关系相对较弱的民营企业收取了更高的审计定价。李敏才等(2009)也发现具有政治关系的民营企业更偏好选择本地小所，而审计师对于有政治关系的民营企业降低了其审计独立性，具体表现为那些有政治关系的民营企业因为较低的盈余质量却能够获得更清洁的审计意见。

上述研究表明，与国外学者一样，国内的学者关于政治关系影响民营企业审计需求的研究还没有得出统一的结论。上述研究仅仅分别从审计需求或者供给的单方面视角进行了分析，更基本的是，也没有考虑制度环境和政治关系如何作用于上市公司的审计师选择行为及其与审计师的反应之间的相互关系，因为地区环境的差异可能导致民营企业在谋求政治关系上存在差异，因而可能进一步影响民营企业的审计师选择行为，反过来，审计师是否对具有政治关系的客户实行差别对待以及如何进行差别对待都可能会影响到最后的结论。

三、理论分析和假设提出

(一)法制环境、政治关系与审计师选择的地域偏爱：信号传递抑或信息掩盖

很多文献指出，转型经济国家缺乏良好的价格体系和完善的法律系统，企业面临的外部不确定性很高，交易成本昂贵，因此经济转型中的企业更倾向于利用人

⁵ 具体可参见吴联生等(2008)对中国审计研究的综述性回顾和总结。

际关系网络作为自身经营战略的一部分，而不是通过市场去获取资源或开展战略联盟(Choi *et al.*, 1999)。中国是典型的转轨经济国家，政府行为对资源配置有重要影响，因此，政府和法律因素交织作用，构成了中国上市公司所处制度环境的主要特征，在制度变迁过程中利用政治关系寻求政府保护和政策支持等非正式保护手段，成为中国企业特别是民营企业持续经营和发展的主要保证机制(边燕杰等，2000)。Allen *et al.*(2005)认为，中国之所以能够在法律对投资者的保护不完善的情况下取得高速的经济发展，原因在于中国有替代的机制对投资者进行保护。而政治关系可能就是在我国存在的替代法律保护机制之一，并有利于企业获取资源或发展企业(胡旭阳，2006)。罗党论等(2009)的经验证据也发现在产权保护水平低下、政府干预程度较高及金融市场水平较低的市场环境下，民营企业的政治参与动机更加强烈。利用中国的企业调查数据，Li *et al.*(2006)的研究发现，越是市场制度发育不完善的地方，民营企业就越可能参政议政，因而，参政议政也被视为在转型国家的市场和制度不完善条件下民营企业家的一种积极的应对措施。

从审计需求来看，Ball *et al.*(2003)指出，东南亚国家这种“关系”文化，显著的降低了企业的会计信息质量和对高质量审计的有效需求。按照这个逻辑推演，一方面，由于民营企业家依靠政治联系建立的优惠和特权，往往是依靠“潜规则”、通过寻租、地下交易获取的，即便不是见不得阳光或违反国家相关法律，但至少是灰色的、擦边球性质甚至是不合规的。为此，具有政治关系的民营上市公司往往主动降低信息披露的透明度，且并不希望高质量的审计服务(杜兴强等，2010；Srinidhi *et al.*, 2010)。另一方面，对民营企业家个人来说，政治关系作为一种重要的声誉资本或者声誉信号机制，企业家个人都非常珍视和爱惜企业的这种“资源”。并且，由于缺乏转让市场或者转让的交易成本十分高昂，民营企业家有很强意识进行自我约束，以保护这种不可转让的资源不被贬值(Fan *et al.*, 2008)。因此，为了取信于资本市场和监督部门，促使外部投资者相信公司的经营能力，更有可能聘请大型审计师进行审计鉴证，传递对自身有利的信号(潘克勤，2010)。

从审计供给来看，审计师的地域性也可能影响有政治关系的民营企业的审计师选择行为。与外地审计师相比，本地审计师对本地客户更熟悉，因而更具有信息优势(朱红军等，2004)。一方面，这种信息上的优势和沟通上的便利减轻了本地审计师与本地客户之间的信息不对称，因而有助于其识别客户财务报告中的错误和舞弊，这也意味着，本地审计师的审计质量可能会高于外地审计师，能更好的帮助有政治关系的民营企业改善公司治理机制，进而保持竞争优势。另一方面，距离上的临近可能会损害本地审计师的独立性(李奇凤等，2007)，这是因为，本地审计师与客户之间的关系更为密切，因而更有可能迫于来自客户和有关方面的压力而对客户的舞弊行为保持沉默。在中国，事务所基本上是由政府部门或事业单位发起设立的。尽管1997年的脱钩改制在很大程度上提高了审计师的独立性，但是与外地审计师相比，本地审计师和地方政府仍具有一定的“渊源”，地方政府对本地审计师依然具有一定的影响力(刘峰等，2000，白云霞等，2009)，为此本地审计师特别是本地小型审计师更易于屈服地方政府和具有政治关系的民营企业。

本文关注的另一个问题是法制环境如何影响具有政治关系的民营企业对审计师的选择行为。来自跨国研究的证据表明，一国(或地区)的法制环境是影响企业的审计师选择和审计质量的一个重要因素(Fan and Wong, 2005；Francis and Wang,

2008)。具体到本文的研究，在法制发展水平不同的环境中，民营企业追求政治关系的动机强弱程度存在差异，因此政治关系也会对企业的审计师选择行为显现出不同的影响形式，而不同地域的审计师也会根据不同地区的法制环境状况，调整所提供的审计服务的质量。可以预期，在法制环境欠发达的地区，经济发展水平和市场化程度都较低，可供地方政府获取资源的渠道较少，地方政府为实现其政治目标，对经济与司法实施干预的程度就越大。为了减少政府干预，民营企业往往需要比国有企业付出更多的“贿赂”(Hellman *et al.*, 2002)。为了提高效率，方便企业的运作，民营企业往往更愿意寻求政治关系的庇护，以减少企业的交易成本(罗党论等，2009)，降低经营的不确定性(张建君等，2005)。因此，为了掩盖企业的寻租行为，以及降低“关系资源”和“政府渊源”所引起关注，所以相比较于其它不具有政治联系的民营企业而言，其并不愿意聘请高质量的审计师进行审计。但是，需要强调的是，以上分析并不能排除有政治关系的民营企业希望借助高质量的审计师向外界传递良好信号的动机，只是从成本和收益的角度分析，传递良好信号所获取的收益可能小于寻租行为曝光所招致的管制成本。Srinidhi *et al.*(2010)的研究也提供了这方面的证据，在法律环境差、政府干预高的地区，相对于其他民营企业而言，具备政治关系的家族企业因为要减少政府的管制和舆论的监督，因此更不偏好于选择大型审计师进行审计。

同样，由于较发达的法制环境往往和较高的市场化程度以及较少的政府干预联系在一起，可以预期，在一个法制环境发达的地区，由于政府干预程度较小，民营企业利用“行贿”来减轻政府干预的动机降低，因此有政治关系的民营企业更希望树立公司依靠自身的有效经营与公司治理机制的改善来提升公司价值的形象，也为了取信外部投资者，就更有可能会聘请高质量的外部审计师传递对自身有利的信号(潘克勤，2010；Guedhami *et al.*, 2010)。从另外一个角度来看，有政治身份的民营企业企业家往往是当地的“政治明星”，享有较高的社会声誉，如果其所在上市公司却聘请了没有名气的小型审计师进行审计，则向市场传递了消极的信号，给资本市场上的投资者一个不愿意购买高质量审计，不希望高质量审计监督的不良印象(杜兴强等，2010)。另外，从审计师的角度来看，法制发达地区往往也是媒体舆论监督较好、信息更透明的地区，公众的法制观念和维权意识比较强，审计师和有政治关系的民营企业公司之间的共同舞弊被媒体曝光的可能性更高，对审计师声誉的损害也更为严重，而良好的声誉是审计师的核心竞争力之所在。因此，在法制发达地区，市场和媒体等方面对审计师执业的约束力也更强(白云霞等，2009)。王艳艳等(2006)通过理论模型推导也证实了新闻媒体的舆论监督不但可以直接有效保护投资者，还可以提高审计独立性，降低审计合谋动机，提高审计质量。

综上所述，在法制欠发达地区，审计师受到的执业约束本身就比较弱，而本地审计师特别是本地小型审计师更可能屈服于地方政府官员和有政治关系的民营企业，更容易丧失独立性，进而可能和客户同谋。但是，在法制发达地区，审计行业市场化程度更高，来自政府和其他方面对审计师行为的干预也比较低，更严密的执业约束和更少的干预使审计师更有可能恪守职业规范，而不是与客户合谋进行财务舞弊。同时，在法制发达地区，有政治关系的民营企业传递良好信号所获取的收益可能大于招致的成本，因此更可能借助高质量的审计师向外界传递良好信号，因此本地审计师特别是本地大型审计师可能会因信息优势和更高的审计独立性而表现出

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更高的审计质量。因此，我们提出假设1和假设2：

H1：在其他条件相同的情况下，相对于没有政治关系的民营企业而言，有政治关系的民营企业选择本地大型审计师的概率更高。

H2：在其他条件相同的情况下，相对于法制环境欠发达地区的民营企业而言，法制环境发达地区的有政治关系的民营企业选择本地大型审计师的概率更高。

（二）法律环境、政治关系、审计风险与审计定价：挤出效应还是促进效应

审计供需关系不仅仅从审计师选择角度体现出来，在控制其他因素后，审计定价也是审计供需状况的另一个重要表征方式。根据以往文献，审计定价的决定因素主要包括三个部分，即正常成本、风险溢价和声誉溢价。在审计风险、审计正常成本等因素得到控制后，如果大型审计师还收取了相对较高费用，则主要原因是声誉溢价；被审计单位之所以愿意支付声誉溢价，主要原因在于存在内在审计需求（潘克勤，2010）。

较早期的研究发现，一国的法律制度是影响审计定价的重要因素之一，具体表现为随着法制环境的改善，审计师既可能为避免或降低审计风险带来的这种损失而加大审计投入从而提高审计定价（Simunic, 1980；Simunic and Stein, 1996），也可能为了抵消未来可能产生的巨大法律成本损失而提高审计定价（Pratt and Stice, 1994；Gramling *et al.*, 1998）。而近年来Seetharaman *et al.* (2002)、Choi *et al.* (2008)的跨国研究的证据也进一步证实了上述结论。尽管中国总的法制环境状况还不完善，执行力还较弱，但随着执业法律法规的逐步完善，中国审计师的压力逐步增加（周志诚，2002），基于中国资本市场的经验证据也表明，随着法制环境的改善，审计师的审计定价也越高（陈小林等，2007；王良成等，2010）。这里我们进一步关注的问题是，从审计定价的视角，考察法律制度和政治关系对企业审计师选择和审计师反应的影响。

在法治环境欠发达的地区，从审计需求来看，对于那些利用“寻租”建立政治关系以希望减少政府干预的民营企业而言，需要掩盖寻租获利的隐蔽性，更倾向于采取盈余管理的方式以降低信息透明度，隐藏真实的业绩和利润，因此对高质量的审计服务的需求会降低，选择溢价购买高质量审计服务的动机也会减弱。Srinidhi *et al.* (2010)以中国民营上市公司为研究对象，发现有政治关系的民营企业为了降低公司信息的透明度以避免招致管制，更可能通过选择小型审计师进行审计鉴证，并没有支付审计溢价。从审计供给来看，有政治关系的民营企业在出现困境时，可能获得政府支持的力度大，更易于通过政府干预从国有银行等金融机构获取贷款，从而降低经营失败的可能性，也就降低审计师因此而受牵连的声誉损失，并且有政治关系的客户，即使存在财务报告舞弊等行为，但能利用政治关系获取政府的保护，避免或减轻处罚，因此政治关系降低了审计师的剩余诉讼风险，进而降低了审计定价。Gul (2006)以马来西亚的上市公司为研究对象，发现在1997年的亚洲金融危机中，有政治关系的公司在政府救助开始之前，具有较大的错报盈余风险，因此审计师对其收取了审计溢价，而在政府救助开始后，这种风险降低，审计师的审计定价也降低。陈小林等 (2007)和Wang *et al.* (2008)以中国上市公司为研究对象，发现相对于具有弱政治关系的民营企业而言，具有强政治关系的国有企业并没有被收取了审

计溢价。一定程度上这可能说明，弱法制环境和政治关系对企业的高质量审计的有效需求产生了“挤出”效应(又称替代效应)，因此我们观察不到审计溢价。

在法治环境发达的地区，从审计需求来看，对于那些存在信号传递审计需求的有政治关系民营企业而言，需要借助审计师声誉传递企业信号，增强企业披露的财务信息可信度，也需要借助外部审计监管以加强公司治理，维护政治关联带来的利益，因此对高质量审计服务的需求会提高，选择溢价购买高质量审计服务的动机也会增强。潘克勤(2010)发现具备政治关系的民营上市公司在聘请大型审计师后支付了显著高的审计溢价，作者认为原因主要在于声誉溢价，动机主要在于利用大型审计师声誉传递信号。从审计供给来看，法律环境发达的地区媒体舆论监督较好、信息更透明，审计师受到干预程度更小，有政治关系的公司未来一旦出现问题，可能更受公众关注，而随着对腐败案的深入调查，这些有政治关系的公司可能又会有新的违法或舞弊行为被揭露，正所谓“拔出萝卜带出泥”，这些不确定的因素可能使得审计师在审计这些客户时面临的审计风险增加；并且，随着客户牵涉腐败案后，这些客户与腐败官员原有的政治关系也可能失去价值，从而其经营管理、资金周转等可能受到一定影响，而这也会增加审计风险。夏立军等(2009)以上海社保案所涉及的上市公司为研究对象，发现涉案公司及未涉案但有政治关系的公司确实增加了审计师的风险感知，本地审计师都对其收取了更高的审计定价。这可能在一定程度上说明，强法制环境和政治关系对企业的高质量审计的有效需求产生了“促进”效应(又称补充效应)，因此我们可以观察到审计溢价。

综上所述，在对审计定价的影响上，法制环境和政治关系两者存在相互挤出与相互促进两种不同的效应，这两种效应最终对审计师的审计定价如何影响，取决于“挤出”效应和“促进”效应的两者相互作用的力度，最终哪个作用占据主导可能还是个经验命题。据此，我们提出两个竞争性的假设：

H3a：在其他条件相同的情况下，相对于法律环境欠发达地区的民营企业而言，法制环境发达地区的有政治关系的民营企业更偏好选择本地大型审计师，本地大型审计师也收取审计溢价。

H3b：在其他条件相同的情况下，相对于法律环境欠发达地区的民营企业而言，法制环境发达地区的有政治关系的民营企业更不偏好选择本地大型审计师，本地大型审计师没有收取审计溢价。

四、研究设计

(一) 样本选择

本文所采用的初选样本为2003至2008年在沪深两市上市的民营企业，首先剔除了国有民营化的样本，因为这些企业的政治关系可能是国有企业产权纽带引致的，而不是企业自己主动寻求的；进一步进行以下筛选：(1)剔除金融、保险行业公司样本；(2)剔除样本期间ST和PT的公司；(3)剔除最终控制人信息披露不详的公司；(4)剔除财务信息缺失的公司。最终得到有效样本观测值共1514个，分布于11个行业，其中2003年156个，2004年205个，2005年216个，2006年254个，2007年329个，

2008年354个,其他财务数据来自于CCER和Wind,数据处理主要使用了STATA 9.0。

(二) 模型和变量选择

为了验证假设1和假设2,参考Wang *et al.*(2008)和杜兴强等(2010)构建了如下模型(1):

$$\begin{aligned} BIGLOCAL_{it} = & \beta_0 + \beta_1 PC_{it} + \beta_2 MEASURE_{it} + \beta_3 PC_{it} * MEASURE_{it} \\ & + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 CR_{it} + \beta_7 LOSS_{it} + \beta_8 ROA_{it} \\ & + \beta_9 SHRI_{it} + \beta_{10} PLU1_{it} + \beta_{11} INDP_{it} + \beta_{12} PLU2_{it} \\ & + \beta_{13} RECA_{it} + \beta_{14} INVA_{it} + \beta_{15} GROWTH_{it} + \beta_{16} RIGHT_{it} \\ & + \beta_{17} MARKET_{it} + \sum \text{年度行业地区} + \varepsilon_{it} \end{aligned} \quad (1)$$

模型(1)中因变量为事务所选择BIGLOCAL,具体取值方法见表1。

本文借鉴Fan *et al.*(2007)的做法,以PC代表民营企业政治家关系变量,具体赋值见表1所述;根据余明桂等(2008)和Srinidhi *et al.*(2010)的做法,以MEASURE代表法制发展环境状况,考察变量是PC及与MEASURE的交叉项。

模型(1)还引入了以下控制变量。根据Wang *et al.*(2008),引入公司规模SIZE、应收项目RECA、存货项目INVA、财务杠杆LEV以及公司盈利能力ROA和公司成长性GROWTH等财务变量;根据刘启亮等(2010),亏损公司风险相对较大,影响事务所对客户的选择,因此引入LOSS二分变量;根据杜兴强等(2010),引入大股东持股比例SHRI,独立董事比例INDP,最终控制人是否担任总经理或董事长PLU1,董事长是否和总经理为同一人PLU2,以及公司所在地区的市场化进程指数MARKET,作为控制公司治理结构和外部制度环境对审计师选择的影响;根据李爽等(2002),中国上市公司存在为了“微利”和“保配”进行盈余管理的现象,因此引入RIGHT控制盈余管理;根据潘克勤(2010),大型审计师多处于经济发达地区,而民营企业也多处于此类地区,为了控制地域相近造成的交通、交流沟通等业务便利因素对审计师选择的影响,模型中加入了地域控制变量,将整个审计市场按照经济发达程度分为五个大区域,然后分别赋值,并将四个二分变量引入模型;⁶为了控制年度和行业的影响,本文进一步引入了年度和行业二分变量。

为了验证假设3,参考陈小林等(2007)、潘克勤(2010)构建了如下模型(2):

$$\begin{aligned} LNFE_{it} = & \gamma_0 + \gamma_1 PC_{it} + \gamma_2 BIGLOCAL_{it} + \gamma_3 MEASURE_{it} + \gamma_4 PC_{it} * BIGLOCAL_{it} \\ & + \gamma_5 PC_{it} * MEASURE_{it} + \gamma_6 MEASURE_{it} * BIGLOCAL_{it} \\ & + \gamma_7 MEASURE_{it} * PC_{it} * BIGLOCAL_{it} + \gamma_8 OP_{it} + \gamma_9 PROOP_{it} \\ & + \gamma_{10} SIZE_{it} + \gamma_{11} LEV_{it} + \gamma_{12} CR_{it} + \gamma_{13} LOSS_{it} + \gamma_{14} ROA_{it} + \gamma_{15} CFO_{it} \\ & + \gamma_{16} RECA_{it} + \gamma_{17} INVA_{it} + \gamma_{18} SQSUB_{it} + \gamma_{19} RIGHT_{it} + \gamma_{20} GDP_{it} \\ & + \sum \text{年度行业} + \varepsilon_{it} \end{aligned} \quad (2)$$

⁶ 四个二分变量依次为D₁、D₂、D₃和D₄,若上市公司的注册地为上海、北京、天津、广东和浙江,D₁=1,否则为0;若上市公司的注册地为福建、江苏、山东、辽宁,则D₂=1,否则为0;若上市公司的注册地为黑龙江、吉林、新疆、海南、湖北、河北,D₃=1,否则为0;若上市公司的注册地为贵州、青海、甘肃、宁夏、陕西,D₄=1,否则为0;

模型(2)中因变量为 $LNFEET$ ，用年报审计费用的自然对数表示；考察变量为 PC 、 $BIGLOCAL$ 和 $MEASURE$ 的交乘项。

Simunic(1980)指出，客户资产规模、纳入合并报表的子公司数目、应收项目及存货项目占资产比例、企业盈利能力、是否发生亏损以及审计意见等对审计定价具有重要影响；Francis(1984)发现合并报表中子公司数目、客户应收款项和存货占资产比例是影响审计定价的重要因素，而且发现以客户财务状况表示的审计风险与审计定价也存在显著相关性；冯彦超等(2010)也发现上年度审计意见和本年度公司经营活动现金流也影响本年度审计定价；因此，引入了以下控制变量：公司规模 $SIZE$ 、应收项目比例 $RECA$ 、存货项目比例 $INVA$ 、财务杠杆 LEV 、资产报酬率 ROA 、公司是否发生亏损 $LOSS$ 、纳入合并报表子公司数目的平方根 $SQSUB$ 、上年度审计意见 $PROOP$ 和本年度审计意见 OP 。

另外，已有的研究表明，经济发达地区的审计定价明显高于内地(李连军等，2007)。因此，本文进一步将中国省级行政区域的人均 GDP 纳入模型，这样做的目的在于控制不同省份经济发展程度以及物价水平对于审计定价的影响。最后本文还引入了年度、行业变量，以控制时间因素和行业因素对审计定价的影响。

表1 变量定义表

变量名称	变量代码	变量定义
审计师选择	$BIGLOCAL$	虚拟变量，以上市公司的注册地为本地标准，如果公司年末聘请的是本地首次获得IPO专项复核资格的事务所或者其在本地的分所，则认为是本地大型审计师，取值1，否则为0
	$LADTGVN$	虚拟变量，以上市公司的注册地为本地标准，如果公司年末聘请的是国际“四大”在本地的分所，以及本地的国内前“五大”或者其在本地的分所，则认为是本地大型审计师，取值1，否则为0
	$LBIG10$	虚拟变量，以上市公司的注册地为本地标准，如果公司年末聘请的是国际“四大”在本地的分所，以及本地的国内前“十大”或者其在本地的分所，则认为是本地大型审计师，取值1，否则为0
审计定价	$LNFEET$	公司当年审计费用取自然对数
民营企业家 政治关系	PC	以公司实际控制人现在或曾经在政府机关(包括中央政府和地方政府)、军队、金融机构等任职，或者担任各级人大代表、政协委员作为拥有政治关系的衡量标准，如有政治关系， $PC=1$ ，否则为0

变量名称	变量代码	变量定义
法制环境	<i>MEASURE</i>	<i>LAW</i> 采用樊纲等(2007, 2010)发布的市场化进程指数中的律师人数占当地人口数的比例
		<i>LEGAL</i> 虚拟变量, 如果公司所在地区的法制环境水平超过整体法制环境水平的中位数, 取值为1; 其他为0
		<i>INTERV</i> 虚拟变量, 采用樊纲等(2007, 2010)发布的市场化进程指数, 如果公司所在地区的政府干预水平低于整体政府干预水平的中位数, 取值为1; 其他为0
公司治理	大股东持股比例	<i>SHR1</i> 公司第一大股东持股比例
	最终控制人是否担任董事长或总经理	<i>PLU1</i> 虚拟变量, 如果公司实际控制人担任公司的董事长或总经理, 取值为1, 其他为0
	独董比例	<i>INDP</i> 独立董事占董事会比例, 衡量独立董事制衡效率
	董事长和总经理是否为同一人	<i>PLU2</i> 虚拟变量, 如果公司董事长和总经理为同一人, 取值为1, 其他为0
市场化进程	<i>MARKET</i>	采用樊纲等(2007, 2010)发布的地区市场化进程指数
本年度审计意见	<i>OP</i>	虚拟变量, 公司当年获取非标审计意见, 取值为1, 其他为0
上年度审计意见	<i>PROOP</i>	虚拟变量, 公司上一年度获取非标审计意见, 取值为1, 其他为0
事务所变更	<i>SWITCH</i>	虚拟变量, 公司本年度发生审计师变更, 取值为1, 其他为0
公司规模	<i>SIZE</i>	年度账面总资产取自然对数
财务杠杆	<i>LEV</i>	年末账面总负债/年末账面总资产
总资产报酬率	<i>ROA</i>	本年总资产报酬率
经营活动净现金流	<i>CFO</i>	公司的经营活动净现金流量/年末营业收入的比例
成长性	<i>GROWTH</i>	本年营业收入减上年营业收入再除以上年营业收入
是否亏损	<i>LOSS</i>	虚拟变量, 如果公司当年亏损, 取值为1, 其他为0

变量名称	变量代码	变量定义
流动比例	<i>CR</i>	本年流动资产余额/年末流动负债
应收账款	<i>RECA</i>	本年应收账款余额/年末总资产
存货	<i>INVA</i>	本年存货余额/年末账面总资产
子公司数目	<i>SQSUB</i>	本年纳入合并报表的子公司个数的平方根
总资产周转率	<i>ATURN</i>	本年总资产周转率
盈余管理	<i>RIGHT</i>	虚拟变量，若公司的净资产报酬率在0-1%或者6%-7%之间，取值为1，其他为0
区域经济发展水平	<i>GDP</i>	上市公司的注册地所在的省级行政区的当年人均GDP取自然对数
行业变量	<i>IND</i>	虚拟变量，以证监会规定的行业分类为标准，样本分布于11个行业(去掉金融保险业和文化传播业)，如果样本公司属于该行业，取值为1，否则取0
年度变量	<i>YEAR</i>	虚拟变量，如果样本属于被观察期间，取值为1，否则取0

五、实证分析

(1) 描述性统计

表2列示了主要变量的描述性统计，分析结果显示：16%的样本公司选择了本地 *BIG10*，27%的样本公司选择了本地 *BIG15*，34%的样本公司选择了本地 *ADTGVN*；31%的样本公司具有政治关系；8%的样本公司发生亏损；*LAW*和 *MARKET*的最小值和最大值相差比较大，说明中国各地区法制环境和市场化进程发展差异较大；平均每家公司拥有子公司数目的平方根接近3家；4%的样本公司获取非标审计意见。⁷

在表3中，我们进行了单变量检验，按照民营上市公司最终控制人有无政治关系进行划分，分析结果显示：相对没有政治关系的民营企业而言，具有政治关系的民营企业更偏好选择本地大所，支付了更高的审计定价，更不倾向于被出具非标意见，公司规模更大，资产负债率更低，更不容易发生亏损，获利能力也更强。另外，处于法制环境欠发达地区的民营企业更可能谋求和“经营”政治关系。

⁷ 由于本文样本去掉了PT和ST公司和财务数据不全的公司，可能使得样本中出现非标意见较少。而近年来，政府监管部门对非标意见年报一直保持着高度重视，这也是历年年报审核重点工作之一。有研究也指出，证监会的监管实践也主要以非标审计意见的核查为重点，密切跟踪被出具非标意见的上市公司情况，并要求相关上市公司做出说明或者纠正其不当行为，因此可能导致上市公司和审计师都对非标意见很谨慎(李爽等，2005)，这也可能使得本文样本中的非标意见进一步减少。

表2 主要变量描述性统计

变量	观测值	均值	中位数	最小值	最大值	标准差
<i>LBIG10</i>	1514	0.16	0	0	1	0.36
<i>LBIG15</i>	1514	0.27	0	0	1	0.45
<i>LADTGVN</i>	1514	0.34	0	0	1	0.47
<i>LNFEET</i>	1514	13.02	12.95	11.06	15.32	0.51
<i>PC</i>	1514	0.31	0	0	1	0.46
<i>LAW</i>	1514	2.56	2.03	-0.43	10.31	2.53
<i>SHR1</i>	1514	0.34	0.30	0.04	0.86	0.14
<i>PLU1</i>	1514	0.60	1	0	1	0.49
<i>INDP</i>	1514	0.36	0.33	0	1	0.05
<i>PLU2</i>	1514	0.21	0	0	1	0.41
<i>MARKET</i>	1514	8.18	8.63	0.79	10.41	1.95
<i>SWITCH</i>	1514	0.06	0	0	1	0.25
<i>CFO</i>	1514	0.05	0.05	-0.49	1.02	0.05
<i>SIZE</i>	1514	20.99	20.91	18.99	24.29	0.88
<i>LEV</i>	1514	0.47	0.47	0.01	2.94	0.22
<i>ROA</i>	1514	0.03	0.03	-0.79	1.70	0.08
<i>LOSS</i>	1514	0.08	0	0	1	0.26
<i>PROOP</i>	1514	0.04	0	0	1	0.21
<i>OP</i>	1514	0.04	0	0	1	0.19
<i>CR</i>	1514	1.94	1.37	0	42.25	2.43
<i>RECA</i>	1514	0.10	0.09	0.00	0.61	0.08
<i>INVA</i>	1514	0.18	0.14	0.00	0.90	0.15
<i>SQSUB</i>	1514	2.66	2.45	0	15.36	1.59
<i>ATURN</i>	1514	0.13	0.14	0.0001	0.4666	0.07
<i>RIGHT</i>	1514	0.10	0	0	1	0.30

由表4可以看出，主要变量之间的相关系数都不超过0.5，说明不存在多重共线性问题，审计定价和企业规模、公司拥有的子公司数目之间的相关系数较高，这是因为中国的审计定价政策是以客户的资产规模为基准来确定，并且拥有的子公司数目越多，表示审计业务越复杂，审计定价较高；而民营企业家的政治关系与本地大型审计师、审计定价正相关，说明有政治关系的民营企业家更可能聘请本地大型审计师，支付了较高的审计定价；同时，民营企业家的政治关系与公司规模正相关，与偿债风险负相关，与盈利能力正相关，说明政治关系给民营企业带来了资源，改善了企业绩效，促进了企业的发展。

表3 单变量分析

变量名		PC=1 (N=470)	PC=0 (N=1044)	DIFFERENCE	t/Z值
LBIG10	平均值	0.204	0.136	0.068	3.386***
	中位数	0	0	0	3.374***
LBIG15	平均值	0.334	0.247	0.087	3.520***
	中位数	0	0	0	3.507***
LADTGVN	平均值	0.402	0.313	0.088	3.388***
	中位数	1	0	1	3.376***
LAW	平均值	2.375	2.637	-0.262	-1.865*
	中位数	1.76	2.03	-0.27	-1.363
LEGAL	平均值	0.477	0.495	0.018	0.67*
	中位数	0	0	0	0.67
INTERV	平均值	0.474	0.514	0.04	1.44*
	中位数	0	1	-1	1.44
LNFEF	平均值	13.079	12.998	0.091	2.619***
	中位数	12.948	12.936	0.012	1.990**
OP	平均值	0.013	0.047	-0.034	-3.297***
	中位数	0	0	0	-3.287***
PROOP	平均值	0.130	0.046	-0.033	-4.652***
	中位数	0	0	0	-4.617***
SWITCH	平均值	0.075	0.063	0.012	0.885
	中位数	0	0	0	0.885
SIZE	平均值	21.099	20.945	0.154	3.167***
	中位数	20.960	20.886	0.074	2.528**
LEV	平均值	0.447	0.481	-0.034	-2.832***
	中位数	0.447	0.487	-0.04	-2.852***
LOSS	平均值	0.049	0.087	-0.036	-2.612***
	中位数	0	0	0	-2.607***
ROA	平均值	0.043	0.031	0.012	2.646***
	中位数	0.037	0.027	0.01	3.438***
CR	平均值	1.871	1.977	-0.106	-0.783
	中位数	1.419	1.350	0.069	0.867
REC	平均值	0.107	0.101	0.006	1.266
	中位数	0.096	0.086	0.01	2.734***
INV	平均值	0.175	0.187	-0.012	-1.3610
	中位数	0.148	0.140	0.008	1.263
RIGHT	平均值	0.072	0.117	-0.045	-2.641***
	中位数	0	0	0	-2.635***

注：***、**、*分别表示在1%、5%、10%水平上显著。

表4 主要变量相关系数表

	<i>LADTGVN</i>	<i>LBIG10</i>	<i>LBIG15</i>	<i>LAW</i>	<i>PC</i>	<i>LNFEET</i>	<i>SIZE</i>	<i>LEV</i>	<i>RECA</i>	<i>INVA</i>	<i>SQSUB</i>	<i>CFO</i>
<i>LADTGVN</i>	1.00											
<i>LBIG10</i>	0.47 ^c	1.00										
<i>LBIG15</i>	0.51 ^c	0.70 ^c	1.00									
<i>LAW</i>	0.20 ^c	0.26 ^c	0.20 ^c	1.00								
<i>PC</i>	0.09 ^c	0.09 ^c	0.09 ^c	0.05 ^a	1.00							
<i>LNFEET</i>	0.22 ^c	0.20 ^c	0.20 ^c	0.11 ^c	0.07 ^c	1.00						
<i>SIZE</i>	0.11 ^c	0.17 ^c	0.17 ^c	0.01	0.08 ^c	0.67 ^c	1.00					
<i>LEV</i>	-0.03	-0.01	-0.01	-0.09 ^c	-0.07 ^c	0.25 ^c	0.28 ^c	1.00				
<i>RECA</i>	0.11 ^c	0.03	0.03	0.01	0.03 ^c	-0.12 ^c	-0.17 ^c	-0.02	1.00			
<i>INVA</i>	0.05 ^a	-0.01	-0.01	0.02	-0.04	0.06 ^b	0.19 ^c	0.27 ^c	-0.18 ^c	1.00		
<i>SQSUB</i>	0.06 ^b	0.08 ^b	0.08 ^b	0.15 ^c	0.03	0.52 ^c	0.48 ^c	0.10 ^c	-0.15 ^c	0.03	1.00	
<i>CFO</i>	0.02	0.06 ^b	0.06 ^b	0.02	0.08 ^c	0.38 ^c	0.37 ^c	0.07 ^b	-0.09 ^c	-0.13 ^c	0.42 ^c	1.00

注：表中列示的是 Pearson 检验，a、b、c 分别表示在 10%、5%、1% 水平上显著。

(2) 多元回归分析

1. 法制环境、民营企业家政治关系与审计师选择

从表5可以看出，在每个模型的第二行，民营企业家政治关系*PC*的系数在5%的水平上显著为正，说明具有政治关系的民营企业更愿意聘请本地大型审计师，假设1得到支持。进一步在考虑到法制环境的因素后，可以发现法制环境和民营企业家政治关系两者的交叉项*LAW*PC*的系数在10%的水平上显著为正，这表明在法制环境发达的地区，有政治关系的民营企业更愿意聘请本地大型审计师，以向资本市场和监管机构传递一个良好信号，⁸这一结果支持研究假设H2。

在控制变量中，研究发现公司规模*SIZE*越大，第一大股东持股比例*SHR1*越高，企业成长能力*GROWTH*越强，越倾向于选择本地大型审计师；而民营企业实际控制人担任公司的董事长或总经理的概率*PLUI*越高，也更倾向于选择本地大型审计师，其他的控制变量和*BIGLOCAL*的回归结果在三个模型下都不是很稳定。

2. 进一步检验

如表6所示，我们重点考察了法制环境的改善是否促进了有政治关系的民营企业更偏爱选择本地大型审计师。在每个模型的第三行和第五行，我们都发现法制环境和民营企业家政治关系两者的交叉项*LEGAL*PC*和*INTERV*PC*的回归系数都显著为正，这表明相对于法制环境欠发达地区和政府干预程度高的地区的民营企业而言，在法制环境发达和政府干预程度低的地区，有政治关系的民营企业更愿意聘请本地大型审计师，进一步证明假设2成立。

⁸ 本文进一步加入法制环境和民营企业家政治关系两者的交叉项*LAW*PC*，以考察在当前法制环境发展不平衡的情况下，有政治关系的民营企业是否在法制环境发展好的地区而更偏好选择本地大型审计师。

表5 法制环境、民营企业政治家关系与审计师选择 (Logistic 回归)

自变量	因变量: <i>BIGLOCAL</i>					
	<i>LADTGVN</i>		<i>LBIG10</i>		<i>LBIG15</i>	
截距	-12.54*** (-5.44)	-12.74*** (-5.46)	-16.40*** (-6.16)	-15.20*** (-5.79)	-15.83*** (-7.04)	-15.58*** (-6.86)
<i>PC</i>	0.33** (2.24)	0.49** (2.30)	0.28** (2.06)	0.31** (2.11)	0.26** (2.18)	0.34** (2.19)
<i>LAW</i>		0.01* (1.76)		0.18* (1.91)		0.08** (2.26)
<i>PC*LAW</i>		0.06* (1.89)		0.01* (1.73)		0.02* (1.84)
<i>SIZE</i>	0.33*** (3.44)	0.33*** (3.47)	0.56*** (4.71)	0.51*** (4.44)	0.51*** (5.46)	0.50*** (5.37)
<i>LEV</i>	-0.02 (-0.04)	-0.02 (-0.03)	-1.08 (-1.10)	-0.52 (-0.90)	-0.16 (-0.40)	-0.28 (-0.70)
<i>ROA</i>	0.51 (0.40)	0.61 (0.47)	0.42 (0.73)	0.24 (0.70)	0.25 (0.20)	0.29 (0.24)
<i>SHR1</i>	0.02*** (3.72)	0.02*** (3.73)	0.01** (1.98)	0.01** (2.34)	0.01* (1.73)	0.01* (1.77)
<i>PLU1</i>	0.14 (0.93)	0.14 (0.94)	0.64*** (3.31)	0.80*** (3.95)	0.58*** (3.83)	0.62*** (4.05)
<i>INDP</i>	0.52 (0.35)	0.58 (0.40)	1.83 (1.32)	1.00 (0.68)	1.88 (1.33)	1.63 (1.13)
<i>PLU2</i>	0.03 (0.16)	0.02 (0.11)	0.28* (1.67)	0.30* (1.69)	0.09 (0.57)	0.09 (1.54)
<i>RECA</i>	0.82 (0.85)	0.87 (0.90)	1.34 (1.14)	1.29 (1.15)	-2.89** (-2.87)	-2.85*** (-2.88)
<i>INVA</i>	-0.05 (-0.09)	-0.10 (-0.17)	1.51** (2.15)	1.56** (2.16)	-0.55 (-0.92)	-0.56 (-0.93)
<i>GROWTH</i>	0.01* (1.65)	0.01* (1.65)	0.02* (1.88)	0.02** (2.26)	0.01* (1.74)	0.01* (1.93)
<i>RIGHT</i>	-0.06 (-0.27)	-0.07 (-0.29)	0.36* (1.66)	0.45* (1.86)	0.30 (1.40)	0.32 (1.49)
<i>MARKET</i>	0.18* (1.72)	0.19* (1.70)	0.17 (1.44)	0.04 (0.36)	0.30*** (2.85)	0.25** (2.34)
年度/行业/地域	控制	控制	控制	控制	控制	控制
Pseudo-R ²	0.2420	0.2426	0.1550	0.1890	0.1777	0.1818
Wald 值	295.38	290.79	173.79	197.98	234.87	241.94
P 值	0.000	0.000	0.000	0.000	0.000	0.000
观测值	1514	1514	1514	1514	1514	1514

注：表中Z值经过White异方差调整，***、**、*分别表示在1%、5%、10%水平上显著。

3. 法制环境、民营企业政治关系、审计师选择与审计定价

Chan *et al.*(1993)认为公司当年审计定价可能要受到以前年度审计定价的影响,因此,为了减轻数据间的相关性问题,本文参照Seetharaman *et al.*(2002)的做法,用所有年度的混合数据对模型(2)进行回归。在考虑到民营企业家的政治关系后,可以发现,在表7中的每个模型的第四行,法制环境和民营企业家政治关系两者的交叉项 $LAW*PC$ 的系数都至少在5%的水平上显著为正,这表明在法制环境发达的地区,有政治关系的民营企业支付了审计溢价;⁹进一步,在考虑了公司政治关系和审计师选择因素后,在每个模型的第八行,法制环境、民营企业家政治关系和审计师三者的交叉项 $LAW*PC*BIGLOCAL$ 的回归系数都至少在5%的水平上显著为正,这表明在相对于法制环境不发达地区的民营企业而言,法制环境发达地区的有政治关系的民营企业在选择本地大型审计师后,被收取了审计溢价,回归结果支持研究假设H3a。¹⁰

就控制变量而言,公司规模 $SIZE$ 、子公司数目的平方根 $SQSUB$ 、资产负债率 LEV 和经营活动产生的现金流量 CFO 均与审计定价显著正相关,这一结果与国内外的研究结果一致。客户盈利能力 ROA 与审计定价负相关,说明民营企业盈利能力越好,企业经营失败风险越小,审计师的审计定价也越低;衡量地区经济发展程度的人均 GDP 与审计定价显著正相关,说明民营企业所处的地区经济发展状况越好,审计师的审计定价也越高;而应收账款占总资产比例 $RECA$ 、存货占总资产比例 $INVA$ 与审计定价显著负相关,与理论预期相反,表明审计师可能并没有过多考虑此方面的审计成本增加,这与钱春杰等(2007)的研究结果一致。本年度事务所是否变更 $SWITCH$ 、是否发生亏损 $LOSS$ 、流动比率 CR 、上年审计意见 $PROOP$ 和本年度审计意见 OP 以及盈余管理动机 $RIGHT$ 等与审计定价关系不显著,既可能是因为这些因素对审计定价没有影响或影响有限(Low *et al.*, 1990; 冯延超等, 2010),也可能潜在了说明中国上市公司的审计风险与西方发达国家有所差异,客户盈利能力、审计意见类型、长短期财务结构并不能准确度量审计师的审计风险,中国审计师面临的主要审计风险并非源于企业的资不抵债,而是来可能来自于政府的监管政策(张奇峰等, 2006)。

4. 内生性检验

在本研究中,审计师选择可能存在严重的自选择问题,如有政治关系的企业“摆平问题”的能力会强一些,审计师知道客户的这些优势,因此审计师更愿意选择和这类客户保持密切的“合作”关系,进而降低审计风险(陈小林等, 2007; 刘启亮等, 2010)。为了克服回归模型中可能存在的审计师自选择的内生性问题,因此我们借鉴Chaney *et al.*(2004)的方法,参考了Wang *et al.*(2008)、王良成等(2010)和杜兴强等(2011)的模型构建了如下模型(3),采用Heckman(1979)两阶段回归,第一阶段先对事务所选择模型进行回归,如模型(3)所示,然后在第二阶段把第一阶段自选择模型估计得到的Lambda (Inverse Mills Ratios)放到模型(2)进行回归。

⁹ 本文进一步加入法制环境和政治关系两者的交叉项 $LAW*PC$,以考察在当前法制环境发展不平衡的情况下,法制环境发达地区的有政治关系的民营企业是否支付了审计溢价。

¹⁰ 另外,我们也将 $LEGAL$ 和 $INTERV$ 分别替代 LAW 进行回归,发现法制环境、民营企业家政治关系和审计师规模三者的交叉项 $LEGAL*PC*BIGLOCAL$ 和政府干预、民营企业家政治关系和审计师规模三者的交叉项 $INTERV*PC*BIGLOCAL$ 的回归系数都显著为正,结果保持稳定。

表6 法制环境、民营企业政治家关系与审计师选择 (Logistic 回归)

自变量	因变量： <i>LADTGVN</i>		因变量： <i>LBIG10</i>		因变量： <i>LBIG15</i>	
	高法制环境	低政府干预	高法制环境	低政府干预	高法制环境	低政府干预
截距	-12.06*** (-5.26)	-13.43*** (-5.77)	-17.39*** (-6.24)	-16.49*** (-5.95)	-15.83*** (-7.04)	-17.44*** (-7.37)
<i>PC</i>	0.33** (1.97)	0.28* (1.66)	0.96** (3.82)	0.19* (1.71)	0.26** (2.18)	0.33* (1.87)
<i>LEGAL</i>	0.32* (1.92)		0.11* (1.92)		0.02* (1.94)	
<i>PC*LEGAL</i>	0.05* (1.89)		1.21*** (3.63)		0.88*** (3.12)	
<i>INTERV</i>		0.51* (1.90)		0.11* (1.83)		0.93*** (3.32)
<i>PC*INTERV</i>		0.13* (1.72)		0.26* (1.78)		0.63** (2.16)
<i>SIZE</i>	0.33*** (3.43)	0.33*** (3.47)	0.55*** (4.54)	0.55*** (4.63)	0.51*** (5.46)	0.51*** (5.40)
<i>LEV</i>	-0.01 (-0.01)	0.06 (0.12)	-1.17* (-1.86)	1.08* (1.77)	-0.16 (-0.40)	0.32 (0.79)
<i>ROA</i>	0.49 (0.38)	0.47 (0.37)	2.12 (1.44)	2.44 (1.62)	0.25 (0.20)	0.19 (0.15)
<i>SHRI</i>	0.02*** (3.79)	0.02*** (3.68)	0.01* (1.79)	0.01* (1.75)	0.01* (1.73)	0.01* (1.77)
<i>PLU1</i>	0.13 (0.87)	0.14 (0.95)	0.62*** (3.16)	0.63*** (3.21)	0.58*** (3.83)	0.58*** (3.74)
<i>INDP</i>	0.61 (0.42)	0.43 (0.29)	1.91 (1.37)	1.70 (1.23)	1.88 (1.33)	1.66 (1.14)
<i>PLU2</i>	0.03 (0.17)	0.02 (0.15)	0.25* (1.69)	0.27* (1.74)	0.09 (0.57)	0.08 (1.52)
<i>RECA</i>	0.73 (0.76)	0.89 (0.92)	1.28 (1.08)	1.32 (1.12)	-2.89** (-2.87)	-2.80*** (-2.88)
<i>INVA</i>	-0.05 (-0.09)	-0.01 (-0.03)	1.54** (2.17)	1.56** (2.21)	-0.55 (-0.92)	-0.49 (-0.82)
<i>GROWTH</i>	0.01* (1.65)	0.01* (1.67)	0.02* (1.68)	0.02* (1.69)	0.01* (1.74)	0.01* (1.74)
<i>RIGHT</i>	-0.05 (-0.22)	-0.04 (-0.17)	0.31* (1.66)	0.38* (1.76)	0.30 (1.40)	0.35 (1.64)
<i>MARKET</i>	0.08* (1.71)	0.28** (2.34)	0.38** (2.46)	0.20* (1.69)	0.30*** (2.85)	0.45*** (4.01)
年度/行业/地域	控制	控制	控制	控制	控制	控制
Pseudo-R ²	0.2433	0.2449	0.1701	0.1559	0.1777	0.1931
Wald 值	298.07	294.60	173.67	172.19	234.87	231.93
P 值	0.000	0.000	0.000	0.000	0.000	0.000
观测值	1514	1514	1514	1514	1514	1514

注：表中Z值都经过White异方差调整；***、**、*分别表示在1%、5%、10%水平上显著。

表7 法制环境、民营企业政治家关系、审计师选择和审计定价 (OLS 回归)

变量	因变量: <i>LNFE</i>					
	<i>LADTGVN</i>		<i>LBIG10</i>		<i>LBIG15</i>	
截距	6.58*** (21.17)	6.61*** (21.39)	5.54*** (13.22)	5.63*** (13.19)	5.76*** (13.63)	6.39*** (20.48)
<i>PC</i>	0.06* (1.69)	0.07* (1.75)	0.04* (1.79)	0.01* (1.74)	0.04* (1.73)	0.01* (1.70)
<i>LAW</i>	0.02*** (3.02)	0.03** (2.37)	0.03*** (3.69)	0.03*** (2.67)	0.03*** (3.32)	0.02** (2.06)
<i>PC*LAW</i>	0.03*** (2.90)	0.01 (0.04)	0.02** (2.45)	0.01 (0.48)	0.02*** (2.57)	0.01 (0.71)
<i>BIGLOCAL</i>	0.15*** (5.98)	0.15*** (3.36)	0.09*** (2.73)	0.16*** (2.71)	0.11*** (3.41)	0.15*** (3.10)
<i>PC*BIGLOCAL</i>		-0.07 (-1.04)		-0.08 (-0.84)		-0.05 (-0.99)
<i>LAW* BIGLOCAL</i>		-0.01 (-0.56)		-0.03 (-0.86)		-0.03 (-0.95)
<i>LAW*PC*BIGLOCAL</i>		0.04** (2.41)		0.06*** (2.94)		0.06*** (3.10)
<i>SWITCH</i>	-0.04 (-0.62)	-0.04 (-0.64)	-0.05 (-0.78)	-0.05 (-0.87)	-0.04 (-0.68)	-0.04 (-0.75)
<i>OP</i>	-0.02 (-0.32)	-0.03 (-0.35)	-0.03 (-0.64)	-0.03 (-0.73)	-0.03 (-0.76)	-0.04 (-0.61)
<i>PROOP</i>	0.03 (1.21)	0.04 (1.17)	0.04 (1.60)	0.04 (1.60)	0.04 (1.53)	0.08 (1.51)
<i>SIZE</i>	0.25*** (15.86)	0.25*** (15.52)	0.26*** (16.27)	0.26*** (16.13)	0.26*** (16.04)	0.26*** (16.13)
<i>RECA</i>	-0.32** (-2.31)	-0.29** (-2.05)	-0.25* (-1.75)	-0.19* (-1.65)	-0.19* (1.75)	-0.16* (-1.85)
<i>INVA</i>	-0.25*** (-2.93)	-0.22*** (-2.62)	-0.24*** (-2.79)	-0.22** (-2.53)	-0.22*** (-2.63)	-0.21** (-2.45)
<i>SQSUB</i>	0.09*** (10.26)	0.09*** (10.04)	0.09*** (10.03)	0.09*** (9.74)	0.09*** (10.09)	0.01*** (9.66)
<i>LEV</i>	0.28*** (4.81)	0.30*** (4.84)	0.27*** (4.72)	0.26*** (4.69)	0.27*** (4.66)	0.26*** (4.63)
<i>CR</i>	-0.01 (-0.39)	-0.01 (-0.36)	-0.01 (-0.02)	-0.01 (-0.46)	-0.01 (-0.09)	-0.01 (-0.34)
<i>LOSS</i>	0.01 (0.25)	0.01 (0.30)	0.02 (0.51)	0.02 (0.43)	0.02 (0.41)	0.03 (0.64)
<i>RIGHT</i>	0.03 (0.88)	0.03 (0.97)	0.03 (0.82)	0.03 (0.94)	0.03 (0.89)	0.03 (0.95)
<i>ROA</i>	-0.27** (-2.14)	-0.29** (-2.12)	-0.26** (-2.04)	-0.22* (-1.87)	-0.28** (-2.07)	-0.24* (-1.88)
<i>CFO</i>	0.01*** (3.96)	0.01*** (4.03)	0.01*** (3.63)	0.01*** (3.66)	0.01*** (3.73)	0.01*** (3.75)
<i>GDP</i>	0.01*** (3.65)	0.01*** (3.70)	0.01*** (5.49)	0.01** (5.15)	0.01*** (4.85)	0.01*** (4.65)
年度/行业	控制	控制	控制	控制	控制	控制
Adj-R ²	0.6268	0.6434	0.6198	0.6350	0.6313	0.6365
F 值	71.57	73.18	62.16	66.59	63.86	65.36
P 值	0.000	0.000	0.000	0.000	0.000	0.000
观测值	1514	1514	1514	1514	1514	1514

注：表中 t 值都经过 White 异方差调整；***、**、* 分别表示在 1%、5%、10% 水平上显著。

$$\begin{aligned}
 \text{BIGLOCAL}_{it} = & \beta_0 + \beta_1 \text{SIZE}_{it} + \beta_2 \text{LEV}_{it} + \beta_3 \text{CR}_{it} + \beta_4 \text{LOSS}_{it} + \beta_5 \text{ROA}_{it} \\
 & + \beta_6 \text{SHR1}_{it} + \beta_7 \text{PLU1}_{it} + \beta_8 \text{INDP}_{it} + \beta_9 \text{PLU2}_{it} + \beta_{10} \text{RECA}_{it} \\
 & + \beta_{11} \text{INVA}_{it} + \beta_{12} \text{RIGHT}_{it} + \beta_{13} \text{GROWTH}_{it} + \beta_{14} \text{ATURN}_{it} \\
 & + \sum \text{年度行业地域} + \varepsilon_{it}
 \end{aligned} \tag{3}$$

与表7中的OLS的结果相比，表8显示所有回归方程中第一阶段模型的Chi2值都显著为正，说明在中国审计服务市场上，存在审计师自选择效应；并且Lambda的回归系数都在1%的水平上显著为正，也说明在本文的审计定价的研究过程中，需要控制审计师自选择效应(Chancy *et al.*, 2004；陈冬华等，2006)。在控制住审计师自选择效应后，我们发现与表7中的OLS的结果相比，表8中2SLS检验显示回归结果没有发生实质性的变化，说明内生性的问题对本文结论影响不大，这也支持了本文的假设H3a。¹¹

(3) 稳健性检验

为了增强实证结论的稳健性，本文进行了下列敏感性分析：

(1) 漆江娜等(2004)研究发现，“国际”四大审计师在中国审计市场上的审计定价显著高于中国其他类型的审计师，因此“国际”四大审计师的高审计定价可能影响到本文的结论，本文将所有选择“国际”四大审计师的样本删除后，发现文中研究结论基本不受影响；

(2) 由于本文认定审计师规模是依据两个标准：第一个标准，依据的是公司是否聘请证监会2003年公布的首次获得专项复核资格的事务所，因为这个标准是2003年公布的，后来又被终止，最近几年审计市场发生了许多变化，政府推动事务所做大做强进行的很快，可能这个标准不能准确衡量近几年的审计师规模发生的变化；而对于第二个标准，依据的是证监会公布的2003至2008年度的排名，已有研究发现，现行综合评价方法质量不高，存在行为引导偏差，会引致事务所陷入盲目扩大收入规模，出现“大而不强”的局面(孙永军等，2009)，因此这个按照中注协的排名可能会影响到本文的结论，基于此，本文根据Wang *et al.*(2008)的做法，以审计师所审计的所有客户的资产总额进行排序，以前十位的审计师作为大型审计师的替代衡量指标，发现文中研究结论基本不受影响；

(3) 我们借鉴Wang *et al.*(2008)和杜兴强等(2011)的研究方法，采纳Ordered LOGIT模型对审计师的地域性问题进行考察，发现说明相对于法制环境欠发达地区的民营企业而言，法制环境发达地区有政治关系的民营企业往往显著地倾向于按照如下顺序选择审计师：本地大型审计师、异地大型审计师和本地小型审计师以及异地小型审计师。

(4) 本文参考王良成等(2010)的做法，将法制环境指数LAW按从高到低进行排序(LAW-RANK)，发现文中研究结论基本不受影响。

(5) 本文也进一步Winsorize了总样本的上下1%和3%的极端值，发现文中研究结论基本不受影响。

¹¹ 另外，我们也将LEGAL和INTERV分别替代LAW进行回归，发现法制环境、民营企业政治关系和审计师规模三者的交叉项LEGAL*PC*BIGLOCAL和政府干预、民营企业政治关系和审计师规模三者的交叉项INTERV*PC*BIGLOCAL的回归系数都显著为正，结果没有发生实质性变化。

表 8 法律环境、民营企业家政治身份、事务所选择和审计定价 (2SLS)

自变量	因变量: LNFEF								
	LADTGVN			LBIG10			LBIG15		
截距	5.08*** (10.88)	5.01*** (10.54)	5.27*** (11.29)	4.37*** (9.54)	4.40*** (9.46)	4.62*** (10.22)	4.63*** (9.95)	4.65*** (9.85)	4.84*** (10.55)
PC	0.07* (1.87)		0.02* (1.69)	0.06* (1.83)		0.01* (1.76)	0.06* (1.89)		0.01* (1.69)
LAW	0.02*** (2.76)	0.02* (1.95)	0.02** (2.17)	0.03*** (3.48)	0.03*** (2.73)	0.03*** (2.67)	0.03*** (3.13)	0.01** (2.20)	0.01** (2.14)
PC*LAW	0.03*** (3.59)		0.01 (0.81)	0.03*** (3.21)		0.01 (0.07)	0.03*** (3.34)		0.01 (0.21)
BIGLOCAL	0.15*** (6.41)	0.14*** (3.64)	0.16*** (3.36)	0.11*** (2.88)	0.15** (2.51)	0.15** (2.44)	0.10*** (3.95)	0.12*** (3.18)	0.15*** (3.24)
PC*BIGLOCAL			-0.06 (-0.91)			-0.06 (-0.74)			-0.07 (-0.97)
LAW*BIGLOCAL		0.01 (0.76)	-0.01 (-0.50)		-0.01 (-0.51)	-0.03 (-0.59)		-0.01 (-0.52)	-0.06 (-0.75)
LAW*PC*BIGLOCAL			0.04** (2.21)			0.06*** (2.78)			0.06*** (3.00)
SWITCH	-0.05 (-1.20)	-0.05 (-1.24)	-0.05 (-1.23)	-0.06 (-1.30)	-0.06 (-1.40)	-0.06 (-1.46)	-0.05 (-1.20)	-0.06 (-1.20)	-0.05 (-1.25)
OP	-0.02 (-0.41)	-0.02 (-0.35)	-0.03 (-0.52)	-0.03 (-0.44)	-0.03 (-0.45)	-0.04 (-0.61)	-0.03 (-0.55)	-0.03 (-0.52)	-0.05 (-0.70)
PROOP	0.08 (1.46)	0.08 (1.40)	0.09 (1.54)	0.08 (1.47)	0.08 (1.41)	0.09 (1.55)	0.08 (1.39)	0.07 (1.32)	0.08 (1.43)
SIZE	0.30*** (18.70)	0.31*** (18.70)	0.30*** (18.62)	0.31*** (19.01)	0.31*** (18.99)	0.31*** (19.18)	0.31*** (18.77)	0.31*** (18.77)	0.31*** (19.12)
RECA	-0.35** (-2.31)	-0.33** (-2.11)	-0.31** (-2.01)	-0.22* (-1.81)	-0.27* (-1.76)	-0.21 (-1.35)	-0.24 (-1.58)	-0.24 (-1.52)	-0.17 (-1.12)
INVA	-0.20** (-2.22)	-0.22** (-2.41)	-0.20** (-2.22)	-0.19** (-2.14)	-0.22** (-2.37)	-0.20** (-2.25)	-0.18** (-1.96)	-0.20** (-2.19)	-0.19** (-2.16)
SQSUB	0.01*** (8.28)	0.01*** (8.37)	0.01*** (8.06)	0.01*** (7.98)	0.01*** (8.05)	0.01*** (7.85)	0.01*** (8.10)	0.01*** (8.18)	0.01*** (7.83)
LEV	0.20*** (2.73)	0.20*** (2.67)	0.20*** (2.78)	0.20*** (2.72)	0.20*** (2.65)	0.20*** (2.76)	0.20*** (2.67)	0.19*** (2.58)	0.20*** (2.69)
CR	-0.01 (-0.48)	-0.01 (-0.70)	-0.01 (-0.62)	-0.01 (-0.19)	-0.01 (-0.53)	-0.01 (-0.59)	-0.01 (-0.10)	-0.01 (-0.48)	-0.01 (-0.52)
LOSS	0.01 (0.24)	0.01 (0.27)	0.02 (0.29)	0.03 (0.64)	0.04 (0.70)	0.04 (0.83)	0.03 (0.49)	0.03 (0.54)	0.03 (0.65)
RIGHT	0.01 (0.33)	0.01 (0.31)	0.02 (0.58)	0.12 (0.34)	0.01 (0.32)	0.02 (0.57)	0.01 (0.36)	0.01 (0.34)	0.02 (0.57)
ROA	-0.50** (-2.01)	-0.45* (-1.80)	-0.44* (-1.77)	-0.36 (-1.46)	-0.32 (-1.26)	-0.28 (-1.13)	-0.43* (-1.71)	-0.38 (-1.53)	-0.33 (-1.33)
CFO	0.01*** (4.04)	0.01*** (3.88)	0.01*** (4.13)	0.01*** (3.65)	0.01*** (3.52)	0.01*** (3.64)	0.01*** (3.77)	0.01*** (3.65)	0.01*** (3.81)
GDP	0.14*** (4.09)	0.14*** (3.97)	0.14*** (3.59)	0.20*** (5.80)	0.19*** (5.29)	0.17*** (5.13)	0.18*** (5.13)	0.17*** (4.75)	0.15*** (4.44)
Lambda	0.18*** (3.35)	0.19*** (3.60)	0.17*** (3.05)	0.18*** (3.22)	0.19*** (5.42)	0.16*** (2.98)	0.18*** (3.18)	0.19*** (3.61)	0.21*** (2.91)
年度/行业	控制	控制	控制	控制	控制	控制	控制	控制	控制
Chi2值	8.78	9.98	7.16	7.19	8.57	5.92	8.18	9.88	6.40
P值	0.003	0.001	0.007	0.007	0.003	0.014	0.004	0.001	0.011
观测值	1514	1514	1514	1514	1514	1514	1514	1514	1514

注: ***, **, * 分别表示在 1%、5%、10% 水平上显著。

六、启示及政策意义

理论上一个完善的审计市场制度安排应当能够促使审计市场质量的提高,具体表现为审计服务提供方—审计师愿意提供高质量的审计服务,审计服务的需求方—直接表现为上市公司需要高质量的审计服务。由于审计制度安排本身是否能够达成高质量的审计服务,尚缺乏直接的判断标准,因而,从需求和供给两个角度联合判断和检验中国法制环境的改善是否显著提高审计定价来判断审计需求和审计独立性,不失为一个权宜的方法。因此,本文以2003至2008年的民营上市企业为研究对象,结果发现,客户与审计师双向选择都要受到法制环境和政治关系的影响,政治关系促进了民营企业对高质量审计的有效需求,具体表现为更偏好选择本地大型审计师进行审计,在法制环境发达的地区,这种促进效应更为明显,在选择本地大型审计师后支付了审计溢价,进一步控制自选择的内生性问题后,结论仍然成立。本文结论说明了审计服务定价具有高度复杂性,但随着法制环境的逐步改善,强法制环境和政治关系对高质量审计的有效需求表现出更强的促进效应,证实了加强法制环境建设对提高目前中国审计师行业健康发展的重要性和必要性。

因此,本文的政策意义在于,财政部、中注协推动事务所做大做强,实施规模化与审计质量相结合对中国审计市场的发展有着重要的意义,但也有必要关注如何改善和提高法律制度环境,提供一个倡导公平的竞争机制和竞争环境,进而通过法律和市场共同强化对审计师执业的约束力,凭借法律之手支撑起公众对审计质量的信心,使国内事务所在“法律风险—声誉积累—规模发展”的共生互动中真正走上做大做强的发展之路。同时,这里需要强调的是,本文虽然揭示出民营企业家的政治关系在一定程度上会提升民营企业的高质量审计需求进而提高了审计定价,从积极的意义来看,本文的结论可能肯定了政治关系对民营企业的发展的积极作用,进而也肯定了政治关系在中国的市场经济改革中的积极作用,但本文的目的并不是提倡企业家刻意去通过建立与政府(官员)的密切关系而谋取资源,也无意赞扬那些已经通过关系资源发展起来的企业(家),¹²而是希望通过实证检验以提供政治关系是否能提高审计需求的直接证据,以期提供民营企业家寻求政治关系效果的另一种新的认识和观点。

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¹² 正如张建君等(2005)、罗党论等(2009)所指出的那样,目前尽管很多民营企业取得了不错的发展,但是民营企业大多都是受时事和环境的影响,“无奈”地必须处理好与政府(官员)之间的关系。因此,他们的结论已经显示出,改进政府治理机制,提高法制化建设水平,公正执法,建立公平的竞争环境来切实提高本地区的整体竞争优势才是首选。

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Legal Environment, Political Connections, Auditor Choice, and Audit Pricing – Evidence from Chinese Private Listed Firms*

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Abstract

Taking Chinese private listed firms as the research sample, this paper adopts the perspective of auditor choice to investigate the influence of legal environment and political connections on the audit demands of private firms based on the logical chain of “institutional environment – self-selection of clients and auditors – audit price”. The results show that the two-way choice of customers and auditors is affected by both legal environment and political connections. Political connections can enhance a private firm’s demand for high quality audit services; in particular, the firms of private entrepreneurs with such connections prefer to choose big local auditors, with the enhancement effect being more obvious in regions with a more developed legal environment. In addition, the big local auditors for such clients charge a higher audit price. When we further control for the endogenous problem of self-selection, we find that the conclusion remains robust. This paper concludes that in China’s securities markets, the pricing of audit services is highly complex, but with gradual improvement in the legal environment, a sound legal system and political connections could effectively enhance the demand of private firms for high quality audit services. This in turn confirms the importance and necessity of strengthening the legal environment to promote the healthy development of the auditor industry in China.

Keywords: Legal Environment, Political Connections, Auditor Choice, Audit Pricing

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I. Introduction

The attestation and assurance function of independent auditors is one of the cornerstones of modern capital markets. Independent, objective, and fair attestation services can provide reasonable assurance of the relevance and reliability of accounting information. For some time, relevant government departments have promulgated a series of regulatory measures aimed at auditors and accounting firms to improve audit quality, but in practice the results have been less than satisfactory. Especially in recent years, many cases of accounting fraud have occurred in China and other countries, thereby raising the issue of audit failure. Many scholars have thus begun to re-consider the direction in which the audit industry is developing as well as modes of regulation (Simunic and Stein, 1996; Ge and Huang, 2002).

Fisman (2001) and Faccio (2006) find that political connections are relatively widespread and very important. Various findings indicate that politically connected firms receive preferential treatment and tax policy, are more likely to receive government bailouts when they exhibit significantly poorer operating performance (Agrawal and Knoeber, 2001; Faccio, 2006), and obtain preferential access to debt financing (Khwaja and Mian, 2004). All these can add to company value (Fisman, 2001; Johnson and Mitton, 2003). But other studies argue that a company's operating performance is negatively related to political connections (Faccio, 2004; Fan *et al.*, 2007; Goldman *et al.*, 2009). So it would appear that political connections have great influence on a firm's operations and behaviour. Consistent with this rationale, Gul (2006) finds that political connections can influence the reliability and risk level of financial reporting, as well as affect a firm's auditor choice and the auditor response. Using non-Chinese data from Faccio's (2006) database on political connections in 47 countries, Chaney *et al.* (2011) show that politically connected firms have lower earnings quality because they typically derive more gains from their connections than the payments insiders make. In a closely related paper, Guedhami *et al.* (2009) also use the data from Faccio's (2006) database and find that politically connected firms choose higher quality (big) auditors to signal to outside investors that they do not use political connections to divert corporate resources. But the evidence regarding the effect of political connections on auditor choice and the response of auditors remains mixed. Just as Hellman *et al.* (2003) point out, different relationships between business people and politicians vary in value under different legal environments. Hence, we argue that the diversity of institutional features among different countries and differences in ownership structures among samples could result in the mixed findings between Chaney *et al.* (2011) and Guedhami *et al.* (2010). In contrast, we focus on China, which provides a common institutional environment and ownership structure for all firms in our sample.

China is an emerging economy undergoing a market transition. Practice and experience have proved that the government has strong influence on the distribution of resources. This has complicated the relationship between the government and

the market, resulting in Chinese firms often seeking to build political connections. More and more private entrepreneurs are considering participation in political affairs as a major development strategy in China. Moreover, although China has achieved remarkable success since its market reforms began, development of the economic and legal environment remains uneven among different regions, in which differences in marketisation are apparent. In those regions where the legal environment is poorer and markets are less developed, local governments lacking alternative channels for acquiring resources have stronger incentives to try to intervene in economic disputes and judicial affairs in order to realise their political goals. Thus, in those state-owned enterprises (SOEs) controlled by the local government, business activities are more influenced by political connections (Chen, 2003), making it more difficult for the legal system to restrain the government's behaviour, including intervening in auditor choice (Lei *et al.*, 2009).

Are the auditor choices of Chinese listed firms influenced by differences in the legal environment and political connections? Also, how do auditors respond to the legal environment and those clients with political connections? Many studies now suggest that SOEs have a distinct influence on auditor choice and auditor independence because of their inherent political connections. For example, they have lower audit demands (Lei *et al.*, 2009), which is reflected in a tendency to choose small local auditors and form an audit conspiracy (Wang *et al.*, 2008; Liu *et al.*, 2010; Du *et al.*, 2011), while small local audit firms have less independence (Chan *et al.*, 2006; Gul *et al.*, 2007). In comparison with SOEs, unresolved questions remain as to how the political connections of private firms affect their auditor choice, and how auditors respond to such clients. Using Chinese private listed firms that were privatised before their initial public offerings (IPOs) between 2003 and 2008 as the sample, this paper adopts the perspective of auditor choice to investigate how the legal environment and political connections affect the audit demands of private firms based on the logical chain of “institutional environment – self-selection of clients and auditors – audit pricing”. The results show that the two-way choice of customers and auditors is affected by the legal environment and political connections, and that such connections can enhance a private firm's demand for high-quality audit services; this is demonstrated by the preference of private entrepreneurs firms with political connections to choose big local auditors. Moreover, this enhancement effect is more obvious in regions with a more developed legal environment, where the big local auditors for such clients charge a higher audit price. When we further control for the endogenous problem of self-selection, we find that the conclusion remains robust. We conclude that the pricing of audit services is highly complex in China's securities markets, but as the legal environment gradually improves, a strong legal institution plus political connections could effectively enhance the demand of private firms for high-quality audit services. This in turn confirms the importance and necessity of strengthening the legal environment in promoting the healthy development of the auditor industry in China.

Our paper contributes to the auditing literature in two ways. First, previous studies have found that the property rights characteristics of SOEs and the political connections of private firms suppress their demand for audits of higher quality (Chan *et al.*, 2006; Wang *et al.*, 2008; Lei *et al.*, 2009; Du *et al.*, 2010; Srinidhi *et al.*, 2010; Du *et al.*, 2011). But consistent with the results of Pan (2010) and Guedhami *et al.* (2010), we find that the political connections of private entrepreneurs enhance their demand to some extent for audits of higher quality. We also find that the enhancement effect is more obvious with gradual improvement in the legal environment, suggesting that this environment, together with political connections, promotes the signal transmission function of a private firm's audit demands; this finding in turn extends the auditor choice research, which has focused on the political and economic institutional factors driving audit demand. Second, previous studies have examined audit pricing from the angle of auditor supply (Chen and Pan, 2007; Wang and Chen, 2010). But analysing and extending this from the two perspectives of auditor demand and auditor supply, we find that big local auditors charge higher audit fees to politically connected private listed firms in regions with a developed legal environment. This suggests that the aforementioned enhancement effect is stronger than the crowding-out effect, revealing in part the micro-path of how the macro legal system affects how the auditor perceives the risk of different client characteristics. If we look at audit engagement as an economic activity, our paper also indirectly validates in part Acemoglu *et al.*'s (2005) theory of interaction between economic and political institutions.

The remainder of this paper is organised as follows. Related literature is discussed briefly in the next section. The third section provides our research framework, measures of legal institutions and political connections, and arguments with regard to the potential effects of such institutions on auditor choice and audit pricing. The fourth section presents our models, analysis, and results, and in the final section we discuss our findings and draw conclusions.

II. Literature Review

Watts and Zimmerman (1983) point out that the appearance of independent auditors is an inherent choice of the market. On the one hand, from the perspective of audit demand, an effective demand always exists for higher quality audit services in a healthy and spontaneous demand market. Also, firms with higher agency costs are more likely to hire high-quality auditors as a bonding mechanism to send signals to the capital market (Watts and Zimmerman, 1983) and to provide the assurance function of a "deep pocket" in the event of an audit failure (Dye, 1993); this is also more acceptable to outside investors and further adds to company value (Beatty, 1989). On the other hand, from the perspective of audit supply, independent auditors will surely gain more market share through providing high-quality audit services under rational legal institutions and reasonable market rules (Liu *et al.*, 2002). In contrast to Western countries with mature

capital markets, many studies provide evidence that Chinese listed firms are typically heterogeneous in their demand for audit quality, but the conclusions remain mixed.⁴ Although several studies find that the auditor choice of Chinese listed firms is consistent with agency theory – that is, those firms with more severe agency problems are more likely to choose high-quality auditors (Wu and Liu, 2008) – others suggest that agency costs do not decrease even though auditors show considerable concern; this is because insiders may avoid auditor supervision by choosing lower-quality auditors (Zhou and Chen, 2006). But this discrepancy may arise because these studies ignore the special institutional endowment in China's transitional economy and the consequent behavioural characteristics of Chinese listed firms in auditor choice; also, existing conclusions are affected by the endogenous problem of self-selection, making it harder to provide direct evidence. As Chaney *et al.* (2004) point out, the final engagement between clients and auditors is likely to be an endogenous decision, depending on self-selection and a power play between auditors and clients. So it is possible that using conjoint analysis in the context of demand side and supply side could be an effective solution.

Although consistent conclusions have been obtained to the effect that both the political connections of SOEs and the political and economic institutions affect auditor choice and auditors' responses, an unresolved question remains. This concerns how both the political connections of private firms and political and economic institutions drive cross-regional variations in auditor choice decisions, and, more specifically, how these all combine to affect audit pricing. On the one hand, Pan (2010) finds that politically connected private listed firms tend to choose big auditors in order to send a good signal to the capital market; they also pay higher audit fees for the big auditors. Moreover, the higher the entrepreneur's political status, the stronger the above effects. This result suggests that political connections increase demand for high-quality audit services. On the other, Srinidhi *et al.* (2010) find that politically connected family-owned firms are significantly less likely to choose higher quality (big) auditors than non-connected similar firms so as to avoid undesirable scrutiny and the risk of very severe penalties. The likelihood of engaging big auditors is further reduced for these same firms in situations where the benefit of opacity is higher, such as in regions of weaker legal institutions and higher government intervention. Huang and Zhang (2011) also find that in regions with a poor market environment, private firms are more motivated to seek political connections, and politically connected firms prefer to choose low-quality auditors; they also often engage in more earnings management. In contrast to previous studies that put more attention on audit demand, Chen and Pan (2007) choose the audit supply view and find that the strength of political connections affects auditor judgments of litigation risks; also, compared with SOEs that "naturally" enjoy political connections, auditors charge audit premiums to private firms that have only weak political connections. Li and Luo (2009) also find that private listed firms with political connections hire small

⁴ Please refer to the general review of Wu and Liu (2008).

local auditors and are more likely to receive clean opinions than firms without political connections, although the former's earnings quality is poorer or their level of earnings management is higher.

The above conclusions illustrate that Chinese studies of the effect of political connections on audit demand provide mixed evidence. Moreover, many studies make their analyses separately from the perspective of only audit demand or audit supply. More fundamentally, previous research has paid little attention to investigating the effect of institutional environment and political connections on a listed firm's choice of auditor and their relationship to auditor response; this is because different regional environmental factors may create differences in seeking political connections among private firms, and may further affect auditor choice decisions. On the other hand, whether auditors discriminate in their treatment of politically connected private firms and how they decide the treatment may both affect final conclusions.

III. Theory Analysis and Research Hypotheses

3.1 Legal Environment, Political Connections, and Regional Preference for Auditor Choice: Signal Transmission or Information Suppression?

Many studies suggest that since good pricing systems and sound legal institutions for governing and facilitating business exchanges are lacking in emerging economies, firms must face much outside uncertainty and transaction costs are high. Therefore, firms may prefer or actively seek to design networks of relationships in countertrade transactions as part of their business strategy, rather than going through the market to obtain resources or carry out strategic alliances (Choi *et al.*, 1999). China, however, is a typical transitional country in that its government has strong influence on resource distribution, so that the government and legal institutions interact in complex ways; this in turn forms the major characteristic of the institutional environment of Chinese listed firms. In the course of institutional change, private firms seek political connections for policy support and government protection, which becomes their major protection mechanism to promote operations and development (Bian and Qiu, 2000). Allen *et al.* (2005) indicate that although neither China's legal nor its financial system is well developed, yet its economy is growing fast because its system of alternative mechanisms and institutions plays an important role in supporting economic growth; these are also good substitutes for standard corporate governance mechanisms and investor protection. One of these alternative substitution mechanisms is political connections, which help firms to obtain resources or promote development (Hu, 2006). Luo and Tang (2009) provide evidence that in regions with weaker property rights protection, more local government intervention occurs and the financial market is less developed; private firms thus have greater motivation to participate politically. Using Chinese enterprise survey

data, Li *et al.* (2006) find that in regions where market institutions are not well developed, private entrepreneurs are more motivated to take part in politics, which is also seen as a positive response to a less developed market and institutions in an emerging economy.

From the perspective of audit demand, Ball *et al.* (2003) point out that the unique “relationship” culture in Southeast Asian countries significantly lowers the quality of corporate accounting information and the effective demand for high-quality audit services. Consistent with this rationale, private entrepreneurs on the one hand obtain advantages and privileges through political connections by way of “hidden rules”, rent-seeking, and underground deals. Although these means may not violate the relevant laws, they are at least within the grey area or are non-standard. For this reason, compared with similar unconnected firms, politically connected firms are less transparent and are less likely to engage big auditors (Du *et al.*, 2010; Srinidhi *et al.*, 2010). On the other hand, most private entrepreneurs personally cherish political connections very much as an important reputation-capital or reputation-signal mechanism. In addition, since a transfer market is lacking or else the transaction costs of transfers are very high, all entrepreneurs have a strong self-disciplinary incentive to safeguard their non-transferable political reputation from depreciation (Fan *et al.*, 2008). Therefore, they prefer to choose big auditors in order to win the trust of the capital market and government regulators, to encourage outside investors to trust their capability, and to send a good signal to the capital market (Pan, 2010).

From the audit-supply perspective, the regional characteristics of auditors also affect their choice by politically connected firms. Compared with non-local auditors, local auditors are more familiar with local clients and have a far greater information advantage (Zhu *et al.*, 2004). On the one hand, this information advantage and convenient communication reduce information asymmetry between local auditors and local clients, helping the former to identify mistakes and irregularities in the latter’s financial statements. This suggests that the financial statements audited by local auditors may be of better quality than those audited by non-local auditors, and could better help politically connected firms improve corporate governance and sustain competitive advantages. On the other hand, proximity may also impair local auditor independence (Li and Song, 2007), because such auditors are more likely to keep silent about the financial fraud of their clients, especially when they are under constant pressure by the clients and the authorities. In China, audit firms were established and initially owned by government bodies or institutional organisations. Subsequently, the Auditor Disaffiliation Program, introduced by the Chinese government in 1997, improved audit independence. But compared with non-local auditors, local auditors still retain certain relations with their sponsoring bodies, such as the local government, meaning that the latter can still influence the former (Liu and Lin, 2000; Bai *et al.*, 2009). Therefore, local auditors, especially the small ones, are more likely to yield to local governments and politically connected private firms.

This paper also discusses how legal institutions affect the auditor choice of politically connected private firms. Many studies use a cross-country setting and find that a country's legal regime plays an important role in auditor choice and audit quality (Fan and Wong, 2005; Francis and Wang, 2008). As for our paper, under different levels of development in the legal environment, private firms will differ in the strength of their motivations to seek political connections, and so these connections may affect auditor choice in different forms. Moreover, auditors in different regions will adjust audit quality according to their legal environment. We can expect that since levels of economic development and marketisation are lower in regions with weak legal systems, and since alternative channels for acquiring resources are limited, local governments wishing to achieve their political objectives will have stronger incentives to intervene in economic disputes and judicial affairs. To reduce such government intervention, private firms will often pay more "bribes" than SOEs (Hellman and Schankerman, 2002); they will also prefer to seek protection from political connections to improve efficiency and facilitate operations, and to reduce transaction costs (Luo, 2009) and the uncertainty of business (Zhang and Zhang, 2005). To hide rent-seeking and ease any regulatory concerns arising from "relationship resources" and "government origin", politically connected private firms are less likely to engage big auditors compared with similar unconnected firms. It is, of course, possible that politically connected firms will have a demand for quality audits for signalling purposes. But from the perspective of costs and benefits, as shown by Guedhami *et al.* (2010), the cost of exposure of rent-seeking behaviour incurred by politically connected private firms outweighs the benefits of signalling non-exploitation of resources. Srinidhi *et al.* (2010) also provide evidence that politically connected family-owned firms are significantly less likely to choose higher quality (big) auditors than non-connected such firms so as to ease government regulation and media supervision in regions of weaker legal institutions and higher government intervention.

Similarly, since strong legal institutions are often associated with high marketisation and less local government intervention, we can expect the latter to be lower in regions with more developed legal institutions, and private firms to be less motivated to use bribes to reduce government intervention. Thus, politically connected private firms will want to establish a good corporate image by improving their operation and corporate-governance abilities, and they will be more likely to engage higher quality auditors so as to send a good signal and win the confidence of outside investors (Pan, 2010; Guedhami *et al.*, 2010). In addition, private entrepreneurs with political status are often local "political stars" enjoying high social status as well. If their listed firms engage unknown small auditors, this will send a passive signal to outside investors, who may think the company is unwilling to purchase high-quality audit services (Du *et al.*, 2010). Moreover, from the auditor perspective, regions with stronger legal institutions are often associated with more developed media supervision, higher information transparency, and stronger consciousness of legal concepts and vindication of the rights of the public. Audit

conspiracies between auditors and politically connected private firms are thus more likely to be exposed by the media, which in turn would severely impair auditor reputation since a good reputation is the core competitive quality of auditors. Hence, in regions with strong legal institutions, the market and the media will impose much tighter constraints on auditors (Bai *et al.*, 2009). Using a theoretical model, Wang and Yu (2006) find that media supervision not only directly protects outside investors, but also promotes audit independence, reduces audit conspiracies, and improves audit quality.

In summary, auditors face looser constraints in regions with less developed legal institutions, and local auditors, especially small ones, are more likely to yield to local government and politically connected private firms, impairing their audit independence more easily. But in regions with more developed legal institutions, the degree of marketisation in the audit industry will be higher, and intervention among auditors from the local government and other organisations will be relatively lower. Auditors will thus be more likely to adhere to professional standards because of more rigorous professional restraints and less intervention, than conspire with their clients. At the same time, in regions with developed legal institutions, the benefits of giving good signals may outweigh the incurred costs for politically connected private firms, and thus they will have a stronger tendency to choose high-quality auditors. Thus, local auditors, especially big local auditors, may perform high-quality audits with the benefit of their information advantage and higher audit independence. As a result, we develop the first two hypotheses as follows:

H1: *Ceteris paribus*, politically connected private firms will be more likely to hire big local auditors than similar non-connected firms.

H2: *Ceteris paribus*, compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions will be more likely to hire big local auditors.

3.2 Legal Environment, Political Connections, Audit Risk, and Audit Pricing: Crowding-Out Effect or Enhancement Effect?

The audit supply-demand relationship is reflected not only in auditor choice but also in audit pricing, which is another important representation of such a relationship after controlling for other factors. According to prior studies, the main factors determining audit pricing include normal cost, risk premium, and reputation premium. After audit risk and normal cost are controlled, if big auditors continue to charge higher audit fees, it will mainly be on account of the reputation premium; client firms will be willing to pay for such a premium because there is an inherent audit demand (Pan, 2010).

Prior studies have found that a country's legal regime plays an important role in audit pricing, which reflects the auditor's increased effort in defending against the larger likelihood of future litigation as the legal liability regime becomes stronger (Simunic,

1980; Simunic and Stein, 1996). Or the auditor may charge an insurance premium to cover possible future litigation losses (Pratt and Stice, 1994; Gramling *et al.*, 1998). Seetharaman *et al.* (2002) and Choi *et al.* (2008) use a cross-country setting that provides evidence further supporting the above conclusions. Although general legal conditions in China are still not perfect and law enforcement remains weak, auditors are generally facing increasing pressure as professional laws and regulations gradually improve (Zhou, 2002). Many studies of the Chinese capital market indicate that as the legal regime grows stronger, auditors will be more likely to bear legal liability in case of an audit failure, leading them to charge higher audit fees to compensate for the expected increase in legal liability costs (Chen and Pan, 2007; Wang and Chen, 2010). From the perspective of audit pricing, the main objectives of our study are to provide evidence for how political connections and a region's legal regime affect both auditor choice and audit pricing, and how these pricing effects change as the legal regime shifts across regions.

In regions with a less developed legal environment, and from the perspective of audit demand, private firms will use rent-seeking to establish political connections in order to reduce government intervention. Because they wish to mask the nature of benefits received through rent-seeking, they are more likely to manage earnings in order to reduce information transparency and hide real performance and profits; at the same time, they are less likely to engage high-quality auditors or choose to pay a premium to purchase high-quality audit services. Using Chinese private listed firms as the research object, Srinidhi *et al.* (2010) find that politically connected family firms reduce transparency to avoid government regulation, and so are less likely to engage big auditors or pay the audit premium. From the perspective of audit supply, however, politically connected private firms are more likely to obtain government bailouts during a financial crisis; they also achieve preferential debt financing from banks or other financial agencies through government intervention so as to reduce the probability of business failure. This in turn decreases auditor reputational costs resulting from problems that such failure may cause. Moreover, even if politically connected clients engage in practices of financial fraud, auditors can obtain government protection to avoid or mitigate punishment. In a word, political connections can help reduce litigation risk, thereby lowering audit pricing. Taking the Malaysian capital market as the study object, Gul (2006) finds that during the Asian crisis in 1997, politically connected firms had a higher risk of misstatements before the introduction of capital controls, and auditors were expected to expend relatively more effort, leading to higher audit fees. But after capital controls were introduced, the likelihood of business failure was lowered and incentives to misreport and overstate earnings were reduced, leading to less audit effort and lower audit fees. Chen and Pan (2007) and Wang *et al.* (2008), focusing on the Chinese capital market, find that compared with private firms with weaker political connections, SOEs are not charged an audit premium by auditors because of their stronger political connections. Consequently, this may help explain how the presence of political connections and weak

legal institutions may crowd out demand for high-quality audit services, and so we cannot expect to see an audit premium. This is called the crowding-out effect, also known as the substitutive effect.

But in regions with a developed legal environment, and from the perspective of audit demand, politically connected private firms need to make use of the auditor's reputation to send a good signal and increase the reliability of accounting information. They also need audit supervision to strengthen corporate management and sustain their political reputation and competitive advantages, and thus their demand for high-quality auditors and willingness to pay a premium may increase. Pan (2010) provides evidence supporting the above discussion. From the perspective of audit supply, a better legal environment is often associated with more developed media supervision, higher information transparency, and less intervention with auditors; consequently, politically connected private firms may receive extra attention from the public if problems are found. As corruption cases are investigated further, more illegal or corrupt practices may be exposed, and these uncertainties may increase audit risk as well. Also, once the client is involved in a corruption case, all old political connections between the client and related corrupt officials may lose value, which will further affect its business operation and cash flow, thereby increasing audit risk. Xia *et al.* (2009) examine listed firms involved in the Shanghai social security fund scandal and find that firms either involved or not involved but with political connections increased perceptions of auditor risk, and local auditors charged them a premium. This may therefore help to explain how strong legal institutions and political connections can enhance the demand for high-quality audit services, and we can thus expect to see an audit premium. This is called the enhancement effect, also known as the complementary effect.

In summary, legal institutions and political connections have two different effects on audit pricing, which are the crowding-out and the enhancement effects, but the final result depends on which effect will prevail, which requires empirical resolution. As a result, we develop our remaining hypotheses as follows:

H3a: *Ceteris paribus*, compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions will be more likely to hire big local auditors and pay a premium.

H3b: *Ceteris paribus*, compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions will be more likely to hire big local auditors and not pay a premium.

IV. Research Design

4.1 Sample Selection

The initial sample for our study consists of private listed firms in China from 2003 to 2008. We first exclude firms set up from privatising SOEs, because their political connections may derive from the property rights of SOEs, and not from the firms' active search. Further, we apply the following selection criteria: excluding firms in the financial industry, firms that are formed by "particular transfer" (PT) or that have been "specially treated" (ST), and firms that have not disclosed information on ultimate controlling owners or financial information. Finally, we obtain a total of 1514 firm-year observations located in 11 industries, comprising 156 for year 2003, 205 for 2004, 216 for 2005, 254 for 2006, 329 for 2007, and 354 for 2008. The financial data are taken from the CCER and Wind databases.

4.2 Models and Variables

To test H1 and H2, we follow Wang *et al.* (2008) and Du *et al.* (2010) and set up model 1 as follows:

$$\begin{aligned}
 BIGLOCAL_{it} = & \beta_0 + \beta_1 PC_{it} + \beta_2 MEASURE_{it} + \beta_3 PC_{it} * MEASURE_{it} \\
 & + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 CR_{it} + \beta_7 LOSS_{it} + \beta_8 ROA_{it} \\
 & + \beta_9 SHR1_{it} + \beta_{10} PLU1_{it} + \beta_{11} INDP_{it} + \beta_{12} PLU2_{it} \\
 & + \beta_{13} RECA_{it} + \beta_{14} INVA_{it} + \beta_{15} GROWTH_{it} + \beta_{16} RIGHT_{it} \\
 & + \beta_{17} MARKET_{it} + \sum \text{Year/Industry/Region} + \varepsilon_{it}
 \end{aligned} \tag{1}$$

The dependent variable *BIGLOCAL* represents local big auditor *i* at year *t*, and whose definition is given in Table 1.

We follow Fan *et al.* (2007) and use the variable *PC* to measure the political connections of private entrepreneurs. Following Yu *et al.* (2008) and Srinidhi *et al.* (2010), we further use the variable *MEASURE* to measure the development level of the legal environment. We also focus on the interaction terms between political connections and the legal institutional environment, that is, *PC*MEASURE*.

Model 1 also introduces the following control variables. Following Wang *et al.* (2008), the model includes the client assets variable *SIZE*, financial leverage *LEV*, receivables ratio *RECA*, inventory ratio *INVA*, profitability *ROA*, and growth capacity *GROWTH*. According to Liu *et al.* (2010), the risk of firms in financial distress is higher, which affects auditor choice, and so we introduce the variable *LOSS* to control for financial health. Following Du *et al.* (2010), *SHR1* represents the stock proportion of the largest shareholder, *INDP* the proportion of independent directors, *PLU1* the ultimate controlling owner working as general manager or chairman, *PLU2* the same person acting as general manager and chairman, and *MARKET* the index of marketisation for each province or provincial level region. We introduce the above variables for corporate

governance structure and external institutional environment to control for their effect on auditor choice. According to Li and Wu (2010), Chinese listed firms use earnings management to obtain a rights issue or to avert a loss, and so we introduce the variable *RIGHT* to control for earnings management. According to Pan (2010), big auditors are located mostly in economically developed regions, as are private firms; hence, to control for the effects of transportation and communication and other convenient factors on auditor choice caused by proximity, we include four regional dummy variables as *REGION*.⁵ Finally, we control the model for industry, which is set according to the industry classification list issued by the China Securities Regulatory Commission (CSRC), and for year (dummy *YEAR*).

To test H3, we follow Chen and Pan (2008) and Pan (2010) to establish model 2 as follows:

$$\begin{aligned}
 LNFE_{it} = & \gamma_0 + \gamma_1 PC_{it} + \gamma_2 BIGLOCAL_{it} + \gamma_3 MEASURE_{it} + \gamma_4 PC_{it} * BIGLOCAL_{it} \\
 & + \gamma_5 PC_{it} * MEASURE_{it} + \gamma_6 MEASURE_{it} * BIGLOCAL_{it} \\
 & + \gamma_7 MEASURE_{it} * PC_{it} * BIGLOCAL_{it} + \gamma_8 OP_{it} + \gamma_9 PROOP_{it} \\
 & + \gamma_{10} SIZE_{it} + \gamma_{11} LEV_{it} + \gamma_{12} CR_{it} + \gamma_{13} LOSS_{it} + \gamma_{14} ROA_{it} + \gamma_{15} CFO_{it} \\
 & + \gamma_{16} RECA_{it} + \gamma_{17} INVA_{it} + \gamma_{18} SQSUB_{it} + \gamma_{19} RIGHT_{it} + \gamma_{20} GDP_{it} \\
 & + \sum \text{Year/Industry} + \varepsilon_{it}
 \end{aligned} \tag{2}$$

We measure the dependent variable *LNFE* by the natural logarithm of audit fee. We also focus on the interaction terms between political connections, local big auditor, and legal institutional environment, that is, *PC*BIGLOCAL*MEASURE*.

Simunic (1980) finds that client size, number of consolidated subsidiaries, receivables and inventory ratios, profitability, audit opinion type, and incurring loss all affect audit pricing decisions. Francis (1984) also suggests that these decisions are affected by the number of consolidated subsidiaries and the receivables and inventory ratios; the author also finds a significant correlation between audit pricing and audit risk as measured by a client's financial health. Therefore, we introduce the following control variables: *SIZE* for client size, *RECA* for receivables ratio, *INVA* for inventory ratio, *LEV* for financial leverage, *ROA* for the rate of return on total assets, *LOSS* for whether there is a loss, *SQSUB* for the square root of the number of consolidated subsidiaries, *PROOP* for the audit opinion of the previous year, and *OP* for the audit opinion of the current year.

In addition, prior studies have found that Chinese listed firms pay higher audit fees in more developed regions (Li *et al.*, 2007), and so we include the provincial gross domestic product (GDP) per capita to control for the effect of provincial economic development on audit pricing. Finally, we include industry and year dummies.

⁵ The four dummy variables are $D_1, D_2, D_3,$ and D_4 . D_1 equals 1 if a firm's registry province or provincial-level region is located in Shanghai, Beijing, Tianjin, Guangdong, or Zhejiang, and 0 otherwise. D_2 equals 1 if the registry province or provincial-level region is located in Fujian, Jiangsu, Shandong, or Liaoning, and 0 otherwise. D_3 equals 1 if the registry province or provincial-level region is located in Heilongjiang, Jilin, Xinjiang, Hainan, Hubei, or Hebei, and 0 otherwise. Finally, D_4 equals 1 if the registry province or provincial-level region is located in Guizhou, Qinghai, Gansu, Ningxia, or Shaanxi, and 0 otherwise.

Table 1 Definition of Variables

Variable	Variable Code	Definition
Auditor choice	<i>BIGLOCAL</i>	<i>LADTGVN</i> Dummy variable, equal to 1 if a client's registry province or provincial-level region is the same as that of its audit firm, which has obtained qualification for performing supplementary audits for initial public offerings, and 0 otherwise.
		<i>LBIG10</i> Dummy variable, equal to 1 if a client's registry province or provincial-level region is the same as that of its auditor, who is among the international Big Four or among the Top 5 auditors according to the ranking provided by CICPA, ⁶ and 0 otherwise.
		<i>LBIG15</i> Dummy variable, equal to 1 if a client's registry province or provincial-level region is the same as that of its auditor, who is among the international Big Four or among the Top 10 auditors according to the ranking provided by CICPA, and 0 otherwise.
Audit pricing	<i>LNFEET</i>	Natural logarithm of audit fee.
Political connections of private entrepreneurs	<i>PC</i>	Dummy variable, equal to 1 if the ultimate controlling owner was or is a government bureaucrat (including the central and local governments), or in military or financial agencies, or a representative of the National People's Congress or a member of the Chinese People's Political Consultative Conference, and 0 otherwise.
Legal environment	<i>MEASURE</i>	<i>LAW</i> Degree of legal environment development, measured by the number of lawyers as a percentage of the population, for each province or provincial level region according to Fan <i>et al.</i> (2007, 2010).
		<i>LEGAL</i> Dummy variable, equal to 1 if the index for a strong legal environment of the region according to Fan <i>et al.</i> (2007, 2010) is above the median of 31 jurisdictions, and 0 otherwise.
		<i>INTERV</i> Dummy variable, equal to 1 if the index for weak government intervention of the region according to Fan <i>et al.</i> (2007, 2010) is above the median of 31 jurisdictions, and 0 otherwise.
Corporate governance	<i>SHRI</i>	Stock proportion of the largest shareholder.
	<i>PLU1</i>	Dummy variable, equal to 1 if the ultimate controlling owner is the general manager or the chairman, and 0 otherwise.
	<i>INDP</i>	Proportion of independent directors on the board.
	<i>PLU2</i>	Dummy variable, equal to 1 if the general manager and the chairman are the same person, and 0 otherwise.
Marketisation	<i>MARKET</i>	Degree of resources allocated by the market for each province or provincial level region according to Fan <i>et al.</i> (2007, 2010).

⁶ The Chinese Institute of Certified Public Accountants (CICPA)

Variable	Variable Code	Definition
Audit opinion of current year	<i>OP</i>	Dummy variable, equal to 1 if the firm receives a modified opinion in the current year, including unqualified opinion with an explanatory paragraph, qualified opinion with or without an explanatory paragraph, adverse opinion, or disclaimer of opinion, and 0 otherwise.
Audit opinion of previous year	<i>PROOP</i>	Dummy variable, equal to 1 if the firm receives a modified opinion in the previous year, including unqualified opinion with an explanatory paragraph, qualified opinion with or without an explanatory paragraph, adverse opinion, or disclaimer of opinion, and 0 otherwise.
Audit switch	<i>SWITCH</i>	Dummy variable, equal to 1 if the firm switches audit firms in the current year, and 0 otherwise.
Firm size	<i>SIZE</i>	Natural logarithm of total assets.
Debt ratio	<i>LEV</i>	Ratio of total debt to total assets.
Return on assets	<i>ROA</i>	Ratio of net income to total assets.
Cash flow from operating activities	<i>CFO</i>	Ratio of cash flow from operating activities to annual operational revenue.
Growth capacity	<i>GROWTH</i>	(Total sales of following year divided by total sales of current year) – 1.
Profitability status	<i>LOSS</i>	Dummy variable, equal to 1 if a firm's net income is below zero, and 0 otherwise.
Liquidity ratio	<i>CR</i>	Year-end total current assets divided by year-end total current liabilities.
Account receivables	<i>RECA</i>	Year-end total receivables divided by year-end total assets.
Account inventory	<i>INVA</i>	Year-end inventory divided by year-end total assets.
Number of consolidated subsidiaries	<i>SQSUB</i>	Square root of the number of consolidated subsidiaries at year end.
Assets turnover	<i>ATURN</i>	Year-end total net sales divided by total assets.
Earnings management	<i>RIGHT</i>	Dummy variable, equal to 1 if a firm's return on equity is between 0 and 1 per cent or between 6 and 7 per cent, and 0 otherwise.
Development level of regional economy	<i>GDP</i>	Natural logarithm of gross domestic product per capita for each province or provincial level region where the listed company is registered.
Industry	<i>IND</i>	Dummy variable, equal to 1 if the firm belongs to one of the 11 industries classified according to the industry classification list provided by the CSRC (excluding finance, insurance, and cultural communications), and 0 otherwise.
Year	<i>YEAR</i>	Dummy variable, equal to 1 if the sample is within the observation period, and 0 otherwise.

V. Empirical Results

5.1 Descriptive Statistics

Table 2 shows the descriptive statistics of the main variables for the full sample. The average proportion of full-sample observations choosing local big auditors (*LBIG10*) is 16 per cent, that of those choosing *LBIG15* is 27 per cent, and that of those choosing *LADTGVN* is 34 per cent. The average proportion of sample firms whose ultimate controlling owners have political connections is 31 per cent, but only 8 per cent of sample firms suffering a loss. The difference between the minimum and maximum for *LAW* and *MARKET* is quite large, illustrating a substantial difference in legal environment and marketisation between different regions. The square root of the number of subsidiaries owned by each firm on average is less than 3, and observations with modified opinions account for 4 per cent.⁷

Table 2 Descriptive Statistics of the Main Variables

Variable	Sample Size	Mean	Median	Minimum	Maximum	Std. Dev
<i>LBIG10</i>	1514	0.16	0	0	1	0.36
<i>LBIG15</i>	1514	0.27	0	0	1	0.45
<i>LADTGVN</i>	1514	0.34	0	0	1	0.47
<i>LNFEET</i>	1514	13.02	12.95	11.06	15.32	0.51
<i>PC</i>	1514	0.31	0	0	1	0.46
<i>LAW</i>	1514	2.56	2.03	-0.43	10.31	2.53
<i>SHRI</i>	1514	0.34	0.30	0.04	0.86	0.14
<i>PLU1</i>	1514	0.60	1	0	1	0.49
<i>INDP</i>	1514	0.36	0.33	0	1	0.05
<i>PLU2</i>	1514	0.21	0	0	1	0.41
<i>MARKET</i>	1514	8.18	8.63	0.79	10.41	1.95
<i>SWITCH</i>	1514	0.06	0	0	1	0.25
<i>CFO</i>	1514	0.05	0.05	-0.49	1.02	0.05
<i>SIZE</i>	1514	20.99	20.91	18.99	24.29	0.88
<i>LEV</i>	1514	0.47	0.47	0.01	2.94	0.22
<i>ROA</i>	1514	0.03	0.03	-0.79	1.70	0.08
<i>LOSS</i>	1514	0.08	0	0	1	0.26
<i>PROOP</i>	1514	0.04	0	0	1	0.21
<i>OP</i>	1514	0.04	0	0	1	0.19
<i>CR</i>	1514	1.94	1.37	0	42.25	2.43
<i>RECA</i>	1514	0.10	0.09	0.00	0.61	0.08
<i>INVA</i>	1514	0.18	0.14	0.00	0.90	0.15
<i>SQSUB</i>	1514	2.66	2.45	0	15.36	1.59
<i>ATURN</i>	1514	0.13	0.14	0.0001	0.4666	0.07
<i>RIGHT</i>	1514	0.10	0	0	1	0.30

⁷ Our sample excludes PT and ST firms and firms not disclosing financial information, which may lower the number of firms with modified opinions. In recent years, government regulators have often attached great importance to financial statements with modified opinions, accounting for an important part of the work in examining annual reports. Prior studies have indicated that examining these opinions is a major portion of the CSRC's work, which consists of closely following listed firms with modified opinions and asking them to make notes or correct their misconduct. This could therefore make listed firms and auditors more cautious about modified opinions (Li and Wu, 2005), which in turn may cause a further reduction in the number of listed firms with modified opinions in our sample.

Table 3 shows a statistical comparison of political connections for different levels of institutional environment, auditor choice, audit pricing, and other financial ratios. Compared with similar non-connected private firms, politically connected private firms are more likely to choose big local auditors and to pay an audit premium, and less likely to obtain modified opinions. They are bigger in size, lower in leverage, more likely to gain profits, and less likely to suffer a loss. In addition, private listed firms in regions with less developed legal institutions are more likely to seek political connections. These characteristics indicate that politically connected private listed firms experience better financial performance and much lower financial and business risks, consistent with the notion that the risks of politically connected private listed firms are much lower, and with the expectation that these firms will choose big local auditors to send a good signal. These auditors will charge significantly higher audit fees as a reputation premium rather than out of audit risk, especially in regions with a less developed legal environment.

Table 4 shows the correlation coefficient matrix of the main variables for the full sample. The Pearson correlation coefficient is less than 0.5, illustrating that multicollinearity does not pose a serious problem. The correlation coefficient is higher between audit pricing, client size, and the number of consolidated subsidiaries, since audit pricing policy in China is based on client size; the greater the number of consolidated subsidiaries, the higher the complexity of the auditee's operations, and so audit pricing can be expected to increase. Also, the political connections of private entrepreneurs are positively correlated with big local auditors and audit pricing, suggesting that such firms are more likely to engage big local auditors and to pay higher audit fees. These same political connections are positively correlated with client size and profitability status, but negatively correlated with debt risks, showing that they bring competitive advantages to private firms to enhance and promote their performance.

5.2 Regression Analysis

5.2.1 Legal Environment, Political Connections, and Auditor Choice

Table 5 investigates the relations between the auditor choice, legal environment, and political connections of private entrepreneurs through regression. The coefficients of *PC* are significantly positive at the 0.05 level in all regressions, illustrating that politically connected private firms are more likely to hire big local auditors; thus, Hypothesis 1 is supported. After considering the legal environment, the regression results reveal that for all models, the coefficients of *LAW*PC* are significantly positive at the 0.1 level, showing that compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in those regions with developed legal institutions are more likely to hire big local auditors. The results further indicate that in regions with developed legal institutions, politically connected private firms hire big local auditors to send a good signal to outside investors.⁸ Hypothesis 2 is thus supported.

⁸ Our paper further includes the interaction term of *LAW*PC* to investigate whether private entrepreneurs with political connections are more likely to hire big local auditors in regions with a developed legal environment.

Table 3 Univariate Analysis

Variable		<i>PC</i> = 1 (N = 470)	<i>PC</i> = 0 (N = 1044)	Difference	t/Z
<i>LBIG10</i>	Mean	0.204	0.136	0.068	3.386***
	Median	0	0	0	3.374***
<i>LBIG15</i>	Mean	0.334	0.247	0.087	3.520***
	Median	0	0	0	3.507***
<i>LADTGWN</i>	Mean	0.402	0.313	0.088	3.388***
	Median	1	0	1	3.376***
<i>LAW</i>	Mean	2.375	2.637	-0.262	-1.865*
	Median	1.76	2.03	-0.27	-1.363
<i>LEGAL</i>	Mean	0.477	0.495	0.018	0.67*
	Median	0	0	0	0.67
<i>INTERV</i>	Mean	0.474	0.514	0.04	1.44*
	Median	0	1	-1	1.44
<i>LNFEF</i>	Mean	13.079	12.998	0.091	2.619***
	Median	12.948	12.936	0.012	1.990**
<i>OP</i>	Mean	0.013	0.047	-0.034	-3.297***
	Median	0	0	0	-3.287***
<i>PROOP</i>	Mean	0.130	0.046	-0.033	-4.652***
	Median	0	0	0	-4.617***
<i>SWITCH</i>	Mean	0.075	0.063	0.012	0.885
	Median	0	0	0	0.885
<i>SIZE</i>	Mean	21.099	20.945	0.154	3.167***
	Median	20.960	20.886	0.074	2.528**
<i>LEV</i>	Mean	0.447	0.481	-0.034	-2.832***
	Median	0.447	0.487	-0.04	-2.852***
<i>LOSS</i>	Mean	0.049	0.087	-0.036	-2.612***
	Median	0	0	0	-2.607***
<i>ROA</i>	Mean	0.043	0.031	0.012	2.646***
	Median	0.037	0.027	0.01	3.438***
<i>CR</i>	Mean	1.871	1.977	-0.106	-0.783
	Median	1.419	1.350	0.069	0.867
<i>REC</i>	Mean	0.107	0.101	0.006	1.266
	Median	0.096	0.086	0.01	2.734***
<i>INV</i>	Mean	0.175	0.187	-0.012	-1.3610
	Median	0.148	0.140	0.008	1.263
<i>RIGHT</i>	Mean	0.072	0.117	-0.045	-2.641***
	Median	0	0	0	-2.635***

Note: ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

Table 4 Correlation Coefficients of the Main Variables

	<i>LADTGVN</i>	<i>LBIG10</i>	<i>LBIG15</i>	<i>LAW</i>	<i>PC</i>	<i>LNFEF</i>	<i>SIZE</i>	<i>LEV</i>	<i>RECA</i>	<i>INVA</i>	<i>SQSUB</i>	<i>CFO</i>
<i>LADTGVN</i>	1.00											
<i>LBIG10</i>	0.47 ^a	1.00										
<i>LBIG15</i>	0.51 ^a	0.70 ^a	1.00									
<i>LAW</i>	0.20 ^a	0.26 ^a	0.20 ^a	1.00								
<i>PC</i>	0.09 ^a	0.09 ^a	0.09 ^a	0.05 ^a	1.00							
<i>LNFEF</i>	0.22 ^a	0.20 ^a	0.20 ^a	0.11 ^a	0.07 ^a	1.00						
<i>SIZE</i>	0.11 ^a	0.17 ^a	0.17 ^a	0.01	0.08 ^a	0.67 ^a	1.00					
<i>LEV</i>	-0.03	-0.01	-0.01	-0.09 ^a	-0.07 ^a	0.25 ^a	0.28 ^a	1.00				
<i>RECA</i>	0.11 ^a	0.03	0.03	0.01	0.03 ^a	-0.12 ^a	-0.17 ^a	-0.02	1.00			
<i>INVA</i>	0.05 ^a	-0.01	-0.01	0.02	-0.04	0.06 ^b	0.19 ^a	0.27 ^a	-0.18 ^a	1.00		
<i>SQSUB</i>	0.06 ^b	0.08 ^b	0.08 ^b	0.15 ^a	0.03	0.52 ^a	0.48 ^a	0.10 ^a	-0.15 ^a	0.03	1.00	
<i>CFO</i>	0.02	0.06 ^b	0.06 ^b	0.02	0.08 ^a	0.38 ^a	0.37 ^a	0.07 ^b	-0.09 ^a	-0.13 ^a	0.42 ^a	1.00

Note: a, b, and c represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

As for the control variables, the greater the client-size variable *SIZE*, the more significantly positive is the growth-capability variable *GROWTH*. This suggests that politically connected private firms are more likely to hire big local auditors. Also, the higher the probability that the ultimate controlling owner of a private firm also works as the general manager or the chairman (*PLUI*), the more likely the firm will be to hire a big local auditor. The coefficients of the other control variables and *BIGLOCAL* are not consistent in all models.

5.2.2 Further Test

As shown by Table 6, we focus on whether improvement in the legal environment enhances the demand for big local auditors by the political connections of private listed firms. The coefficients of the interaction between *LEGAL*PC* and *INTERVE*PC* remain significantly positive, suggesting that politically connected private firms in regions with developed legal institutions are more likely to hire big local auditors compared with similar non-connected firms in regions with less developed institutions. This may be because in the former regions, there is less local government intervention, and so politically connected private firms obtain the benefits of such signalling, which may outweigh the incurred regulation costs of the exposure of rent-seeking; they also have a stronger tendency to choose high-quality auditors. The results in Table 6 therefore further support Hypothesis 2.

Table 5 Legal Environment, Political Connections, and Auditor Choice (Logistic Regression)

Independent Variable	Dependent Variable: <i>BIGLOCAL</i>					
	<i>LADTGVN</i>		<i>LBIG10</i>		<i>LBIG15</i>	
INTERCEPT	-12.54*** (-5.44)	-12.74*** (-5.46)	-16.40*** (-6.16)	-15.20*** (-5.79)	-15.83*** (-7.04)	-15.58*** (-6.86)
<i>PC</i>	0.33** (2.24)	0.49** (2.30)	0.28** (2.06)	0.31** (2.11)	0.26** (2.18)	0.34** (2.19)
<i>LAW</i>		0.01* (1.76)		0.18* (1.91)		0.08** (2.26)
<i>PC*LAW</i>		0.06* (1.89)		0.01* (1.73)		0.02* (1.84)
<i>SIZE</i>	0.33*** (3.44)	0.33*** (3.47)	0.56*** (4.71)	0.51*** (4.44)	0.51*** (5.46)	0.50*** (5.37)
<i>LEV</i>	-0.02 (-0.04)	-0.02 (-0.03)	-1.08 (-1.10)	-0.52 (-0.90)	-0.16 (-0.40)	-0.28 (-0.70)
<i>ROA</i>	0.51 (0.40)	0.61 (0.47)	0.42 (0.73)	0.24 (0.70)	0.25 (0.20)	0.29 (0.24)
<i>SHRI</i>	0.02*** (3.72)	0.02*** (3.73)	0.01** (1.98)	0.01** (2.34)	0.01* (1.73)	0.01* (1.77)
<i>PLU1</i>	0.14 (0.93)	0.14 (0.94)	0.64*** (3.31)	0.80*** (3.95)	0.58*** (3.83)	0.62*** (4.05)
<i>INDP</i>	0.52 (0.35)	0.58 (0.40)	1.83 (1.32)	1.00 (0.68)	1.88 (1.33)	1.63 (1.13)
<i>PLU2</i>	0.03 (0.16)	0.02 (0.11)	0.28* (1.67)	0.30* (1.69)	0.09 (0.57)	0.09 (1.54)
<i>RECA</i>	0.82 (0.85)	0.87 (0.90)	1.34 (1.14)	1.29 (1.15)	-2.89** (-2.87)	-2.85*** (-2.88)
<i>INVA</i>	-0.05 (-0.09)	-0.10 (-0.17)	1.51** (2.15)	1.56** (2.16)	-0.55 (-0.92)	-0.56 (-0.93)
<i>GROWTH</i>	0.01* (1.65)	0.01* (1.65)	0.02* (1.88)	0.02** (2.26)	0.01* (1.74)	0.01* (1.93)
<i>RIGHT</i>	-0.06 (-0.27)	-0.07 (-0.29)	0.36* (1.66)	0.45* (1.86)	0.30 (1.40)	0.32 (1.49)
<i>MARKET</i>	0.18* (1.72)	0.19* (1.70)	0.17 (1.44)	0.04 (0.36)	0.30*** (2.85)	0.25** (2.34)
<i>YEAR/IND/REGION</i>	Control	Control	Control	Control	Control	Control
Pseudo-R ²	0.2420	0.2426	0.1550	0.1890	0.1777	0.1818
Wald value	295.38	290.79	173.79	197.98	234.87	241.94
p value	0.000	0.000	0.000	0.000	0.000	0.000
Observations	1514	1514	1514	1514	1514	1514

Note: ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

Table 6 Legal Environment, Political Connections, and Auditor Choice (Logistic Regression)

Independent Variable	Dependent Variable: <i>LADTGVN</i>		Dependent Variable: <i>LBIG10</i>		Dependent Variable: <i>LBIG15</i>	
	High legal environment	Low government intervention	High legal environment	Low government intervention	High legal environment	Low government intervention
INTERCEPT	-12.06*** (-5.26)	-13.43*** (-5.77)	-17.39*** (-6.24)	-16.49*** (-5.95)	-15.83*** (-7.04)	-17.44*** (-7.37)
<i>PC</i>	0.33** (1.97)	0.28* (1.66)	0.96** (3.82)	0.19* (1.71)	0.26** (2.18)	0.33* (1.87)
<i>LEGAL</i>	0.32* (1.92)		0.11* (1.92)		0.02* (1.94)	
<i>PC* LEGAL</i>	0.05* (1.89)		1.21*** (3.63)		0.88*** (3.12)	
<i>INTERV</i>		0.51* (1.90)		0.11* (1.83)		0.93*** (3.32)
<i>PC*INTERV</i>		0.13* (1.72)		0.26* (1.78)		0.63** (2.16)
<i>SIZE</i>	0.33*** (3.43)	0.33*** (3.47)	0.55*** (4.54)	0.55*** (4.63)	0.51*** (5.46)	0.51*** (5.40)
<i>LEV</i>	-0.01 (-0.01)	0.06 (0.12)	-1.17* (-1.86)	1.08* (1.77)	-0.16 (-0.40)	0.32 (0.79)
<i>ROA</i>	0.49 (0.38)	0.47 (0.37)	2.12 (1.44)	2.44 (1.62)	0.25 (0.20)	0.19 (0.15)
<i>SHRI</i>	0.02*** (3.79)	0.02*** (3.68)	0.01* (1.79)	0.01* (1.75)	0.01* (1.73)	0.01* (1.77)
<i>PLU1</i>	0.13 (0.87)	0.14 (0.95)	0.62*** (3.16)	0.63*** (3.21)	0.58*** (3.83)	0.58*** (3.74)
<i>INDP</i>	0.61 (0.42)	0.43 (0.29)	1.91 (1.37)	1.70 (1.23)	1.88 (1.33)	1.66 (1.14)
<i>PLU2</i>	0.03 (0.17)	0.02 (0.15)	0.25* (1.69)	0.27* (1.74)	0.09 (0.57)	0.08 (1.52)
<i>RECA</i>	0.73 (0.76)	0.89 (0.92)	1.28 (1.08)	1.32 (1.12)	-2.89** (-2.87)	-2.80*** (-2.88)
<i>INVA</i>	-0.05 (-0.09)	-0.01 (-0.03)	1.54** (2.17)	1.56** (2.21)	-0.55 (-0.92)	-0.49 (-0.82)
<i>GROWTH</i>	0.01* (1.65)	0.01* (1.67)	0.02* (1.68)	0.02* (1.69)	0.01* (1.74)	0.01* (1.74)
<i>RIGHT</i>	-0.05 (-0.22)	-0.04 (-0.17)	0.31* (1.66)	0.38* (1.76)	0.30 (1.40)	0.35 (1.64)
<i>MARKET</i>	0.08* (1.71)	0.28** (2.34)	0.38** (2.46)	0.20* (1.69)	0.30*** (2.85)	0.45*** (4.01)
<i>YEAR/IND/REGION</i>	Control	Control	Control	Control	Control	Control
Pseudo-R ²	0.2433	0.2449	0.1701	0.1559	0.1777	0.1931
Wald value	298.07	294.60	173.67	172.19	234.87	231.93
p value	0.000	0.000	0.000	0.000	0.000	0.000
Observations	1514	1514	1514	1514	1514	1514

Note: ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

5.2.3 Legal Environment, Political Connections, Auditor Choice, and Audit Pricing

Chan *et al.* (1993) provide evidence suggesting that current-year audit pricing could be affected by previous years, and so we follow Seetharaman *et al.* (2002) to use mixed data from the full sample to test model (2), thereby relieving problems of multicollinearity. After the political connections of private entrepreneurs are considered, as shown by Table 7, the coefficients of the interaction term *LAW*PC* are significantly positive at the 0.05 level at least, indicating that compared with similar firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions are more likely to pay a premium.⁹ After further considering political connections and auditor choice, we find the coefficients of the interaction term *LAW*PC* are significantly positive at the 0.05 level at least, suggesting that compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions are more likely to hire big local auditors and to pay an audit premium. Hypothesis 3a is thereby supported.¹⁰

As for the control variables, the results are significantly positive between audit pricing and certain variables such as client size *SIZE*, the square root of the number of consolidated subsidiaries *SQSUB*, financial leverage *LEV*, and cash flow from operating activities *CFO*; this is consistent with Chinese and Western research results. But they are significantly negative between client profitability *ROA* and audit pricing, indicating that the better the profitability, the lower the business failure risk and audit pricing. The development level of the regional economy *GDP* and audit pricing is significantly positive, suggesting that in regions with a developed economy, private listed firms pay an audit premium. But the receivables ratio *RECA*, the inventory ratio *INVA*, and audit pricing are significantly and negatively correlated, inconsistent with theoretical expectations, and so suggesting that auditors may not consider that such aspects would lead to costs; nevertheless, it is consistent with Qian and Zhou (2007). *SWITCH*, *LOSS*, *CR*, *PROOP*, *OP*, and *RIGHT* are not significantly correlated with audit pricing, perhaps because these factors have no effect or only limited impact (Low *et al.*, 1990; Feng *et al.*, 2010); this may also illustrate that the audit risk of Chinese listed firms differs from that in Western countries. Since audit risk cannot be measured by client profitability, type of audit opinion, or the maturity structure of short or long-term debt, the risk faced by Chinese auditors does not stem from the debts, but from government regulation (Zhang *et al.*, 2006).

⁹ Our paper further includes the interaction term of *LAW*PC* to investigate whether private entrepreneurs with political connections are more likely to pay a premium in regions with a developed legal environment.

¹⁰ In addition, we use *LEGAL* and *INTERV* to substitute for *LAW* and find that the coefficient of the interaction of *LEGAL*PC*BIGLOCAL* and that of *INTERV*PC*BIGLOCAL* are significantly positive. The results remain consistent.

Table 7 Legal Environment, Political Connections, Auditor Choice, and Audit Pricing
(Ordinary Least Squares Regression)

Independent Variable	Dependent Variable: <i>LNFEF</i>					
	<i>LADTGVN</i>		<i>LBIG10</i>		<i>LBIG15</i>	
INTERCEPT	6.58*** (21.17)	6.61*** (21.39)	5.54*** (13.22)	5.63*** (13.19)	5.76*** (13.63)	6.39*** (20.48)
<i>PC</i>	0.06* (1.69)	0.07* (1.75)	0.04* (1.79)	0.01* (1.74)	0.04* (1.73)	0.01* (1.70)
<i>LAW</i>	0.02*** (3.02)	0.03** (2.37)	0.03*** (3.69)	0.03*** (2.67)	0.03*** (3.32)	0.02** (2.06)
<i>PC*LAW</i>	0.03*** (2.90)	0.01 (0.04)	0.02** (2.45)	0.01 (0.48)	0.02*** (2.57)	0.01 (0.71)
<i>BIGLOCAL</i>	0.15*** (5.98)	0.15*** (3.36)	0.09*** (2.73)	0.16*** (2.71)	0.11*** (3.41)	0.15*** (3.10)
<i>PC* BIGLOCAL</i>		-0.07 (-1.04)		-0.08 (-0.84)		-0.05 (-0.99)
<i>LAW* BIGLOCAL</i>		-0.01 (-0.56)		-0.03 (-0.86)		-0.03 (-0.95)
<i>LAW*PC*BIGLOCAL</i>		0.04** (2.41)		0.06*** (2.94)		0.06*** (3.10)
<i>SWITCH</i>	-0.04 (-0.62)	-0.04 (-0.64)	-0.05 (-0.78)	-0.05 (-0.87)	-0.04 (-0.68)	-0.04 (-0.75)
<i>OP</i>	-0.02 (-0.32)	-0.03 (-0.35)	-0.03 (-0.64)	-0.03 (-0.73)	-0.03 (-0.76)	-0.04 (-0.61)
<i>PROOP</i>	0.03 (1.21)	0.04 (1.17)	0.04 (1.60)	0.04 (1.60)	0.04 (1.53)	0.08 (1.51)
<i>SIZE</i>	0.25*** (15.86)	0.25*** (15.52)	0.26*** (16.27)	0.26*** (16.13)	0.26*** (16.04)	0.26*** (16.13)
<i>RECA</i>	-0.32** (-2.31)	-0.29** (-2.05)	-0.25* (-1.75)	-0.19* (-1.65)	-0.19* (1.75)	-0.16* (-1.85)
<i>INVA</i>	-0.25*** (-2.93)	-0.22*** (-2.62)	-0.24*** (-2.79)	-0.22** (-2.53)	-0.22*** (-2.63)	-0.21** (-2.45)
<i>SQSUB</i>	0.09*** (10.26)	0.09*** (10.04)	0.09*** (10.03)	0.09*** (9.74)	0.09*** (10.09)	0.01*** (9.66)
<i>LEV</i>	0.28*** (4.81)	0.30*** (4.84)	0.27*** (4.72)	0.26*** (4.69)	0.27*** (4.66)	0.26*** (4.63)
<i>CR</i>	-0.01 (-0.39)	-0.01 (-0.36)	-0.01 (-0.02)	-0.01 (-0.46)	-0.01 (-0.09)	-0.01 (-0.34)
<i>LOSS</i>	0.01 (0.25)	0.01 (0.30)	0.02 (0.51)	0.02 (0.43)	0.02 (0.41)	0.03 (0.64)
<i>RIGHT</i>	0.03 (0.88)	0.03 (0.97)	0.03 (0.82)	0.03 (0.94)	0.03 (0.89)	0.03 (0.95)
<i>ROA</i>	-0.27** (-2.14)	-0.29** (-2.12)	-0.26** (-2.04)	-0.22* (-1.87)	-0.28** (-2.07)	-0.24* (-1.88)
<i>CFO</i>	0.01*** (3.96)	0.01*** (4.03)	0.01*** (3.63)	0.01*** (3.66)	0.01*** (3.73)	0.01*** (3.75)
<i>GDP</i>	0.01*** (3.65)	0.01*** (3.70)	0.01*** (5.49)	0.01** (5.15)	0.01*** (4.85)	0.01*** (4.65)
<i>YEAR/IND</i>	Control	Control	Control	Control	Control	Control
Pseudo-R ²	0.6268	0.6434	0.6198	0.6350	0.6313	0.6365
F value	71.57	73.18	62.16	66.59	63.86	65.36
p value	0.000	0.000	0.000	0.000	0.000	0.000
Observations	1514	1514	1514	1514	1514	1514

Note: ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

5.2.4 Endogenous Test

In our paper, auditor choice may have a serious self-selection problem; for example, politically connected firms are powerfully capable of “smoothing problems”, and auditors also know of such client advantages and so prefer to sustain a close “partnership” with them, thereby reducing audit risk (Chen and Pan, 2007; Liu *et al.*, 2010). To diminish the self-selection problem of auditor choice, we borrow the method of Chaney *et al.* (2004) and refer to the models of Wang *et al.* (2008), Wang and Chen (2010), and Du *et al.* (2011) to establish the following model (3). Using the two-stage procedure of Heckman (1979), in the first stage we make consistent estimates from a probit regression of the dummy variable *BIGLOCAL*. Then in the second stage, Model (2) of the audit pricing equation is estimated by ordinary least squares (OLS) with the inverse Mills ratio.

$$\begin{aligned}
 \text{BIGLOCAL}_{it} = & \beta_0 + \beta_1 \text{SIZE}_{it} + \beta_2 \text{LEV}_{it} + \beta_3 \text{CR}_{it} + \beta_4 \text{LOSS}_{it} + \beta_5 \text{ROA}_{it} \\
 & + \beta_6 \text{SHR1}_{it} + \beta_7 \text{PLU1}_{it} + \beta_8 \text{INDP}_{it} + \beta_9 \text{PLU2}_{it} + \beta_{10} \text{RECA}_{it} \\
 & + \beta_{11} \text{INVA}_{it} + \beta_{12} \text{RIGHT}_{it} + \beta_{13} \text{GROWTH}_{it} + \beta_{14} \text{ATURN}_{it} \\
 & + \sum \text{Year/Industry/Region} + \beta_{it}
 \end{aligned} \tag{3}$$

Compared with the results of Table 7, Table 8 shows that the chi-square values of all models are significantly positive, suggesting the presence of a self-selection effect in the Chinese audit market; the coefficients of Lambda are also significantly positive at the 0.01 level, indicating that we should control for the self-selection effect (Chaney *et al.*, 2004; Chen and Zhou, 2006). Moreover, we find that the results of 2SLS in Table 8 remain qualitatively unchanged, indicating that potential endogenous problems are unable to affect the results; Hypothesis 3a is thus supported.¹¹

5.3 Robustness Checks

5.3.1 Excluding Observations Hiring the International Big Four

Qi *et al.* (2004) find that the international Big Four audit firms charge higher audit fees than other auditors in China, which may affect the results of our paper. After observations hiring the Big Four are excluded, the untabulated results show that the major findings and inferences remain qualitatively unchanged.

¹¹ In addition, we use *LEGAL* and *INTERV* to substitute for *LAW* and find that the coefficient of the interaction of *LEGAL*PC*BIGLOCAL* and that of *INTERV*PC*BIGLOCAL* in the second stage are significantly positive. The results remain consistent.

Table 8 Legal Environment, Political Connections, Auditor Choice, and Audit Pricing (2SLS)

Independent Variable	Dependent Variable: <i>LNFEF</i>								
	<i>LADTGVN</i>			<i>LBIG10</i>			<i>LBIG15</i>		
INTERCEPT	5.08*** (10.88)	5.01*** (10.54)	5.27*** (11.29)	4.37*** (9.54)	4.40*** (9.46)	4.62*** (10.22)	4.63*** (9.95)	4.65*** (9.85)	4.84*** (10.55)
<i>PC</i>	0.07* (1.87)		0.02* (1.69)	0.06* (1.83)		0.01* (1.76)	0.06* (1.89)		0.01* (1.69)
<i>LAW</i>	0.02*** (2.76)	0.02* (1.95)	0.02** (2.17)	0.03*** (3.48)	0.03*** (2.73)	0.03*** (2.67)	0.03*** (3.13)	0.01** (2.20)	0.01** (2.14)
<i>PC*LAW</i>	0.03*** (3.59)		0.01 (0.81)	0.03*** (3.21)		0.01 (0.07)	0.03*** (3.34)		0.01 (0.21)
<i>BIGLOCAL</i>	0.15*** (6.41)	0.14*** (3.64)	0.16*** (3.36)	0.11*** (2.88)	0.15** (2.51)	0.15** (2.44)	0.10*** (3.95)	0.12*** (3.18)	0.15*** (3.24)
<i>PC*BIGLOCAL</i>			-0.06 (-0.91)			-0.06 (-0.74)			-0.07 (-0.97)
<i>LAW*BIGLOCAL</i>		0.01 (0.76)	-0.01 (-0.50)		-0.01 (-0.51)	-0.03 (-0.59)		-0.01 (-0.52)	-0.06 (-0.75)
<i>LAW*PC*BIGLOCAL</i>			0.04** (2.21)			0.06*** (2.78)			0.06*** (3.00)
<i>SWITCH</i>	-0.05 (-1.20)	-0.05 (-1.24)	-0.05 (-1.23)	-0.06 (-1.30)	-0.06 (-1.40)	-0.06 (-1.46)	-0.05 (-1.20)	-0.06 (-1.20)	-0.05 (-1.25)
<i>OP</i>	-0.02 (-0.41)	-0.02 (-0.35)	-0.03 (-0.52)	-0.03 (-0.44)	-0.03 (-0.45)	-0.04 (-0.61)	-0.03 (-0.55)	-0.03 (-0.52)	-0.05 (-0.70)
<i>PROOP</i>	0.08 (1.46)	0.08 (1.40)	0.09 (1.54)	0.08 (1.47)	0.08 (1.41)	0.09 (1.55)	0.08 (1.39)	0.07 (1.32)	0.08 (1.43)
<i>SIZE</i>	0.30*** (18.70)	0.31*** (18.70)	0.30*** (18.62)	0.31*** (19.01)	0.31*** (18.99)	0.31*** (19.18)	0.31*** (18.77)	0.31*** (18.77)	0.31*** (19.12)
<i>RECA</i>	-0.35** (-2.31)	-0.33** (-2.11)	-0.31** (-2.01)	-0.22* (-1.81)	-0.27* (-1.76)	-0.21 (-1.35)	-0.24 (-1.58)	-0.24 (-1.52)	-0.17 (-1.12)
<i>INVA</i>	-0.20** (-2.22)	-0.22** (-2.41)	-0.20** (-2.22)	-0.19** (-2.14)	-0.22** (-2.37)	-0.20** (-2.25)	-0.18** (-1.96)	-0.20** (-2.19)	-0.19** (-2.16)
<i>SQSUB</i>	0.01*** (8.28)	0.01*** (8.37)	0.01*** (8.06)	0.01*** (7.98)	0.01*** (8.05)	0.01*** (7.85)	0.01*** (8.10)	0.01*** (8.18)	0.01*** (7.83)
<i>LEV</i>	0.20*** (2.73)	0.20*** (2.67)	0.20*** (2.78)	0.20*** (2.72)	0.20*** (2.65)	0.20*** (2.76)	0.20*** (2.67)	0.19*** (2.58)	0.20*** (2.69)
<i>CR</i>	-0.01 (-0.48)	-0.01 (-0.70)	-0.01 (-0.62)	-0.01 (-0.19)	-0.01 (-0.53)	-0.01 (-0.59)	-0.01 (-0.10)	-0.01 (-0.48)	-0.01 (-0.52)
<i>LOSS</i>	0.01 (0.24)	0.01 (0.27)	0.02 (0.29)	0.03 (0.64)	0.04 (0.70)	0.04 (0.83)	0.03 (0.49)	0.03 (0.54)	0.03 (0.65)
<i>RIGHT</i>	0.01 (0.33)	0.01 (0.31)	0.02 (0.58)	0.12 (0.34)	0.01 (0.32)	0.02 (0.57)	0.01 (0.36)	0.01 (0.34)	0.02 (0.57)
<i>ROA</i>	-0.50** (-2.01)	-0.45* (-1.80)	-0.44* (-1.77)	-0.36 (-1.46)	-0.32 (-1.26)	-0.28 (-1.13)	-0.43* (-1.71)	-0.38 (-1.53)	-0.33 (-1.33)
<i>CFO</i>	0.01*** (4.04)	0.01*** (3.88)	0.01*** (4.13)	0.01*** (3.65)	0.01*** (3.52)	0.01*** (3.64)	0.01*** (3.77)	0.01*** (3.65)	0.01*** (3.81)
<i>GDP</i>	0.14*** (4.09)	0.14*** (3.97)	0.14*** (3.59)	0.20*** (5.80)	0.19*** (5.29)	0.17*** (5.13)	0.18*** (5.13)	0.17*** (4.75)	0.15*** (4.44)
Lambda	0.18*** (3.35)	0.19*** (3.60)	0.17*** (3.05)	0.18*** (3.22)	0.19*** (5.42)	0.16*** (2.98)	0.18*** (3.18)	0.19*** (3.61)	0.21*** (2.91)
<i>YEAR/IND</i>	Control	Control	Control	Control	Control	Control	Control	Control	Control
α^2 value	8.78	9.98	7.16	7.19	8.57	5.92	8.18	9.88	6.40
p value	0.003	0.001	0.007	0.007	0.003	0.014	0.004	0.001	0.011
Observations	1514	1514	1514	1514	1514	1514	1514	1514	1514

Note: ***, **, and * represent statistical significance at the 1%, 5%, and 10% levels, respectively, two-tailed.

5.3.2 Changing the Identification Criteria of Auditor Size

We identify auditor size according to two standards. The first is to identify whether the firm engages an audit firm that has obtained the qualification for making a supplementary audit of initial public offerings. This stipulation, however, was released in 2003 but afterwards aborted. The audit market has changed a great deal in the past few years as the government further promotes rigorous developments in audit firms, and so the above standard may not accurately measure changes in auditor size since then. Second, regarding CICPA's rankings of top accounting firms for 2003-2008, prior studies have found deficiencies in the comprehensive evaluation method it uses to determine rank; moreover, deviations from its quality behaviour guide have led to malignant competition in the audit market (Sun *et al.*, 2009). Thus, the CICPA rankings may affect the results of our study. For all these reasons, following Wang *et al.* (2008), we adopt ranking by total client assets audited, and assign the top 10 auditors as the big auditors. The untabulated results show that the major findings and inferences remain qualitatively unchanged.

5.3.3 Additional Test for Regional Preference of Auditor Choice

Following Wang *et al.* (2008) and Du *et al.* (2011), we investigate the regional preference for auditor choice by adopting ordered logit regression. The untabulated results show that compared with similar non-connected firms in regions with less developed legal institutions, politically connected private firms in regions with developed legal institutions are more likely to hire auditors in the following order: local big auditors, non-local big auditors, local small auditors, and non-local small auditors.

5.3.4 Changing the Measure of the Legal Environment

Following Wang and Chen (2010), we sort the variable *LAW* from high to low and obtain a new variable *LAW-RANK*. The untabulated results show that the major findings and inferences remain qualitatively unchanged.

5.3.5 Winsorising the Sample

We winsorise at the 1st and 99th percentiles of the full sample, and further at the 3rd and 97th. The untabulated results show that the major findings and inferences remain qualitatively unchanged.

VI. Discussion and Conclusion

In theory, a perfect institutional arrangement should encourage high-quality audit services, which is reflected in the audit service provider – auditors' willingness to supply high-quality audit services, and in the audit service demander – listed firms' demand for high-quality audit services. Whether the audit institutional arrangement enhances high-quality audit services still lacks direct criteria for judgment. Therefore, an effective solution is to use conjoint analysis and investigation from the perspectives of demand and supply in order to test whether improvement in the legal environment significantly increases audit pricing, thereby providing a way to judge audit demand and audit independence. Using Chinese private listed firms privatised before their IPO from 2003 to 2008 as the research object, this paper finds that the two-way choice of clients and auditors is indeed subject to both the legal environment and political connections. Such connections can enhance a private firm's demand for high-quality audit services, as shown by the preference of private firms with political connections to choose big local auditors; this enhancement effect is also more obvious in regions with a more developed legal environment. The big local auditors for such clients charge a higher audit price; when we further control for the endogenous problem of self-selection, the conclusion is robust. We conclude that in the Chinese securities market, the pricing of audit services is highly complex, but with gradual improvement in the legal environment, a strong legal system and political connections could effectively enhance the demand of private firms for high-quality audit services. This confirms the importance and necessity of strengthening China's legal environment to promote the healthy development of its auditor industry.

In conclusion, the policy implication of our paper is that enhancing firm size and audit quality has special significance for the development of the Chinese audit market; although the Ministry of Finance and CICPA are actively encouraging audit firms to become bigger and stronger, it is also necessary to pay attention to improving the legal system so as to provide a fair competition mechanism and environment. To strengthen constraints on auditors, the forces of law and the market could be jointly used, such as relying on the law to prop up public confidence, and promoting local audit firms to allow them to develop through economies of scale as legal risk is reduced and reputation enhanced. At the same time, we wish to stress that although our findings show that the political connections of private entrepreneurs enhance their demand for high-quality audit services while making them pay an audit premium, on the positive side, our results may affirm that such connections play a positive role in developing private firms and further affirm their positive role in China's market economy reform. This does not,

however, mean that we advocate that entrepreneurs deliberately build close relationships with government officials to obtain resources, nor do we praise those developed private enterprises or entrepreneurs. Instead, our wish is to provide direct empirical evidence on whether political connections enhance the demand for high-quality audit services, from which we expect to provide a new perspective on examining the effect of the political connections of private firms.

References

Please refer to pp. 22-27.