

Strategic Radiation, Customer Importance and Auditing Cost Literature Review

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Abstract

This paper is mainly to combat and summarize the relevant literature related to strategic radiation, customer importance and auditing costs, and review the theoretical view of relevant practitioners at home and abroad. By reviewing, a certain reference and reference can be provided in a wide range of research that can be widely in-depth in this field. I hope to provide reference for the development of the accounting firm.

Keywords

Strategic Radiation; Customer Importance; Auditing Cost; Literature Review.

1. Introduction

With the social and economic development, modernization, corporate strategy has become an important part of the process of enterprise development. In general, companies in growth are often inclined to choose a radical development strategy, and for mature companies, the company's development strategy that is often chosen will gradually conserve. Different corporate development strategies often bring unpredictable future development, increase the risk of business operations, which will affect the risk assumption of the CPA for the audit of enterprises, thus affecting the auditing cost of the enterprise. By providing the auditing customers with authentication services and non-judgment services to obtain income sources, in order to obtain long-term cooperation with audit customers, the business is mainly carried out around the audit customer, it is easy to audit Customers have economic dependence, which affects the relationship between strategic radiation and auditing costs. This study provides a reference for future research based on the research.

2. Strategic Radical Related Research

For the economic consequences of the company's strategic ratification, current research in major domestic and foreign research is wide. Inner et al (1997) mainly has been related from the company's cash flow, its research finds that the demand for funds will affect the company's strategy, and the business methods of companies with developmental strategies are more radical, and the defensive company's strategy is more Tended to be conservative; the cash flow level of the development strategy company is generally inferior to the defensive strategy, so the defense strategy company is relatively less likely to fall into financial dilemmas. Of course, other scholars have also studied the economic consequences of the company's strategy different from different angles. For example, when the strategic radiation is higher, the higher the company's tax avoidance level (Higgins et al, 2015), the higher the level of surplus management (Jian Sun et al, 2016), the more serious excessive investment (huacheng Wang et al, 2016), the lower the accounting, the lower level (Xing Liu et al, 2016), the stock price collapsed is high (Jian Sun, 2016). Of course, there is a good impact. Lirong Yuan and huacheng Wang et al. (2020) Those believed that the high and low level of company strategic radiation can be reflected in the management incentive level, and the strategic radical improvement will encourage the

company's management, which will prompt the company's failure tolerance and threshold, innovation. The more results, the company's performance is better.

3. Research on Audit Costs

The audit cost is an important area of research in the field of auditors at home and abroad. The existing literature is based primarily on the auditing costs, based on audited units, accounting firms and external environments.

In terms of auditing units, Simunic (1980) firstly examined to affect the top ten factors that may affect the audit costs, and found that the scale of assets is the most critical factor in determining the audit costs. Francis (1984) took the Australian audit market with amending the Simunic model, and found that the asset size and audit costs of the audited unit were significantly related. Weifeng He(2015) conducted an empirical test of listed companies in Shanghai and Shenzhen 2007-2012 found in listed companies in state-owned controlling listed companies, product market competition and low enterprise risk, and the stronger of managers can More advantageous and auditing game audit charges, thus paying lower auditing costs, but non-state-owned controlling listed companies, product market competition and listed companies with high enterprise risk have not found this relationship. Mingxiu Zhu and Yuting Jin (2017) believe that the degree of surplus management has a forward influence on auditing charges, which is adjusted by internal control level, the lower the internal control level, the stronger the forward relationship between the two. Zhongsheng Zhou et al. (2020) found that the average audit cost of my country's listed company was significantly increased after the implementation of the new audit report, and the increase in audit costs of non-Central Enterprises' controlled listed companies were more obvious compared to central enterprises holding listed companies.

In terms of affairs, Lina Wu (2003) draws on the model used by SIMUNIC, the model used in 1994, and found that the size of the firm has a significant impact on audit costs, "five major" is higher than "non-five". Audit fees. Jiangna Qi et al. (2004) studied in 2002, Shanghai and Shenzhen stock market data, found that the audit costs charged by "four" are higher than "non-four". Johnson et al. (1955) studied the New Zealand audit market on the basis of Firth, and Francis (1984) examined the Australian audit market, the larger the size of the firm, the higher the audit costs received, and other domestic scholars have also concluded in conclusion. Listed companies are more inclined to pay high audit costs to reputable services (Yunguo Liu, 2006).

4. Research on the Relationship between Strategic Radiation and Auditing Costs

The research of corporate strategic radiation and auditing charges is based on Miles and Snow (1978) to the classification method of corporate strategy. According to the speed of enterprises to change its product portfolio, the company is divided into offensive strategy, analysis strategy and defensive strategy. Among them, companies that perform offensive strategies often change their product portfolios. Enterprises that are more strategically, and companies carrying out defense strategies rarely change their product portfolios, strategically, and the company in which analyzing strategies are located between the two. Many scholars also studied the relationship between enterprise strategy and auditing charges from the perspective of strategic radiation, such as Bentley et al.(2013) to measure discrete variables from six dimensions to measure corporate strategic radiation, research enterprise strategy and auditing fees and enterprises The relationship between strategic and financial report violations. The results show that the more radical enterprise strategy, the more litigation and the higher audit fees, the more possible financial statements, and financial fraud. Habib (2018) research finds that companies with offensive strategies have high possible resources in companies that adopt defensive strategies, and to respond to more resources in response to this risk auditor. Rui Zhang et

al.(2019) whether the accounting firm has changed as a perspective, and studies the business strategy and auditing pricing, whether or not the accounting firm changes, the company's auditing pricing is significantly improved in the next year; if the accountant If the firm has changed, the successful accounting firm will understand the audited units to understand and perceive the audit risk through as many ways, and the hidden auditing risks behind the radical company will be identified and responded by the accounting firm, thus investing more. The audit resource, the audit charge is more. Jinfeng Yang et al. (2019) creatively verified the impact of corporate strategy on auditing fees, and the company's strategy can reflect the risk of business operations in an aspect. The more radical enterprise strategy, the higher the audit cost, the CEO power is a business strategy and auditing charge the larger the adjustment variable, the greater the CEO power, the stronger the forward relationship between the two.

5. Customer Importance Research

Research on customers at home and abroad is generally in the research of customer importance for auditing quality. One point of view believes that the weaken impact on the independence of the accountant and the registered accountant is very small, and even improving the quality of auditing. Reynolds and Francis (2000) studied from the distribution level, found that if the customer's economic importance is higher, the auditor will not be subject to the temptation of the economic interests of the major customers, the higher the quality of the audit report. A small number of scholars such as Junxiong Fang, etc. (2004) and Keqin Pan (2007) have drawn similar conclusions with foreign scholars: As customers have become important, the reputation protection motives gradually increase the economic dependent motivation, so that the quality of audit is improved. Yongzhen Yang et al. (2019) found that an audit customer is important to accountant, the greater the possibility of financial rear reporting, the customer's management, reputation maintenance mechanism for customers importance and financial rear report This relationship has a restrictive role. Minghui Li, etc. (2013) found, the higher the importance of customers, the higher the quality of the audit; but when the company's governance level is low, the two have a significant negative relationship.

According to the rental theory of Deangelo (1981), when facing a customer, the independence of the auditor depends on the importance of the customer. The higher the total number of leased rents from a customer, the higher the auditor May lose independence. CHI W (2012) believes that the more important customer company, the lower the independence of the auditor. Wei Lu et al. (2009) found that the stronger the economic dependence of important customers, the easier the firm is easily eliminated, the worse the quality of the audit report; the more important customers, the more "tolerance", the more "tolerant" Radical Financial Report (Jixun Zhang, etc.). Minghui Li et al.(2013) believed that important customers are the main economic benefits of the audit firm. The firm has economic dependence on important customers in order to maintain relationships with important customers, and maintain important customers to give the actual economic benefits. The proposed audit report that can meet the needs of important customer needs, which will have a negative impact on audit independence of auditors, and the more economically important customers, the more damage to the independence of audit work, and ultimately make financial reports decline in quality. From the perspective of financial reappearance, with the importance of customers, the more do not tend to have a severe audit opinion (Qiang Cao et al, 2012).

6. Summary

Through the combing of the above literature, the first, a large number of scholars developed research around the influencing factors of auditing fees, found companies, corporate business complexity, financial risk, internal control effectiveness, etc., and company violations, legal

environment The risks of litigation are important factors affecting auditing charges. In the company's strategy, most scholars mainly studied the different types of company strategy have different impact on the company's operations. It is found that the company's strategy difference can significantly affect the company's earnings management level and method for accounting information value and company performance. It has different effects. Some scholars extend the company's impact to the company to the audit field, and the study of the relationship between strategic radiation and auditing charges is relatively small. Second, the study of the importance of the academic community is mainly affecting the type of audit opinion, which in turn affects the quality of audit. But scholars are inconsistent with the views of the impact. For audit fees, few literature examine the impact of customers' importance, the customer's importance has no extensive research on auditing charges. Therefore, it is necessary to conduct in-depth research on this.

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