

**FACTORS AFFECTING AUDITOR CHANGE DECISION IN
YEMEN: A SURVEY**

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A SURVEY**

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of the degree of Master of Science (International Accounting)
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**By
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ABSTRACT

Auditor changes are alarmingly high in Yemen and have been rising of late and the driving factors in this regard could be particular to Yemen. This study examines the motivations for public firms in Yemen to change auditors. In this paper, a questionnaire instrument is used to elicit perceptions of behavioral, economic or other factors that influence auditor-client realignments in Yemen.

The study concludes primarily that economic factors provide the principal motivators of auditor changes in Yemen. Behavioral forces albeit influential factors of auditor change, come only secondary in importance. Dissatisfaction with audit quality, use of inexperienced audit engagement staff feature and poor working relationships with audit partner/staff feature as foremost concerns.

Underlying this, there is evidence of significant associations between the reasons for change and type of change. Also, there is a significant relationship between the auditor change and size of companies. In particular, larger and medium companies, and companies changing from a non-Big Four to Big Four firm, were more likely to change due to dissatisfaction with audit quality, and the need for a wider range of services.

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CHAPTER ONE

BACKGROUND OF STUDY

1.1 Introduction

This study aims to identify the factors that influence the decision of auditor changes among Yemeni companies. An increasing concern over auditor independence makes auditor changes an important area of research. Many different users depend on the external auditor's reports in their decisions making, such as stockholders, investors, suppliers and government authorities. However, the confidence of owners and investor in the financial statements may decrease if they notice negative connotations in the change and hence question the auditor's independence. The decline in the confidence of users in the independence of the auditor will lead to weaken in the purpose of audit and undermine the credibility of the audit function. Moreover, it can also prevent the flow of capital in the stock markets and increase the costs of capital (Woo & Koh, 2001).

Internationally, in recent years, the interest of phenomenon of auditor changes has growing among both academics and practitioners. In the US ,for example the Securities and Exchange Commission (SEC) has expressed concern over auditor switching in a number of Accounting Series Releases , which required increased disclosure as a means for discouraging corporate management from changing CPA firms to obtain an unqualified audit opinion or more favorable accounting treatment (Schwart & Menon, 1985).

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