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GENDER, ETHNICITY AND AUDIT FEES IN MALAYSIA



Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the
Master of Sciences (International Accounting)



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ABSTRACT

The objective of this paper is to examine the relationship between the gender and ethnicity of the auditor and the audit fees in Malaysia and to investigate the effect of Big 4 auditors, auditee size, profitability, complexity and riskiness in determining audit fees for companies in Malaysia. Factors that are hypothesized to have significant influences on audit fees are gender, ethnicity, Big 4 auditors, auditee's size, auditee's complexity, auditee's financial risk and auditee's profitability. Multiple regression analysis was used to analyze data from annual reports of 100 listed companies in Malaysia for financial year ended 2015. The main finding of this study is that only size of auditee and Big 4 auditors has a significant impact on audit fees for companies. However, there is no strong evidence to support gender, ethnicity, firm's profitability, firm's complexity, and auditee's financial risk having any relationship with audit fees.

Keywords: audit fees, gender, and ethnicity.



ABSTRAK

Objektif kertas ini adalah untuk mengkaji hubungan antara jantina dan etnik juruaudit dengan yuran audit di Malaysia serta untuk menyiasat kesan juruaudit “Big 4”, saiz firma, keuntungan, kerumitan dan risiko kewangan dalam menentukan yuran audit bagi syarikat-syarikat di Malaysia. Faktor-faktor yang telah dihipotesis mempunyai pengaruh besar ke atas yuran audit adalah jantina, etnik, saiz firma, kerumitan firma, risiko kewangan firma, dan keuntungan bagi firma yang diaudit itu. Analisis regresi berganda telah digunakan untuk menganalisis data daripada 100 laporan tahunan syarikat yang tersenarai di Malaysia bagi tahun kewangan berakhir 2015. Dapatan utama kajian mendapati hanya saiz firma yang diaudit dan juruaudit “Big 4” mempunyai kesan besar ke atas penentuan yuran audit bagi firma-firma. Namun, tidak ada bukti yang kukuh untuk menyokong jantina, etnik, keuntungan firma, kerumitan firma, dan risiko kewangan firma mempunyai apa-apa hubungan dengan yuran audit.

Kata kunci: yuran audit, jantina, dan etnik.



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LIST OF ABBREVIATIONS

MIA	Malaysian Institute of Accountants
ROA	Return of Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment



CHAPTER 1

INTRODUCTION

1.1 Introduction to the study

Auditing is a process of assessing financial statement of the companies, performed by auditors. Issues relating to how audit fees are determined and how auditor decided the amount of audit fees to be charged to auditee firm has been debated commonly in accounting and auditing literature. Audit fees is a fees that company must pay to an external auditor in exchange of performing an audit. This type of fees represent reputation of quality of audit services and represent cost to companies. Under requirement by law, it is compulsory for companies to provide their audited account at reasonable fees and emphasizes on audit quality. According to Sekhar and Fatima (2013), in order to maintain audit services at a satisfactory level, auditors expected to receive appropriate fees for their services.

Under MIA By-Law guidelines, it is stated that companies should not be charged too low audit fees because it can affect the quality of audit performed. Che Ahmad and Houghton (1996), argue that the determination of audit fees is important to market regulator as previous studies have shown the audit fees charged does not match with the

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Appendix A: SPSS Results

Correlations

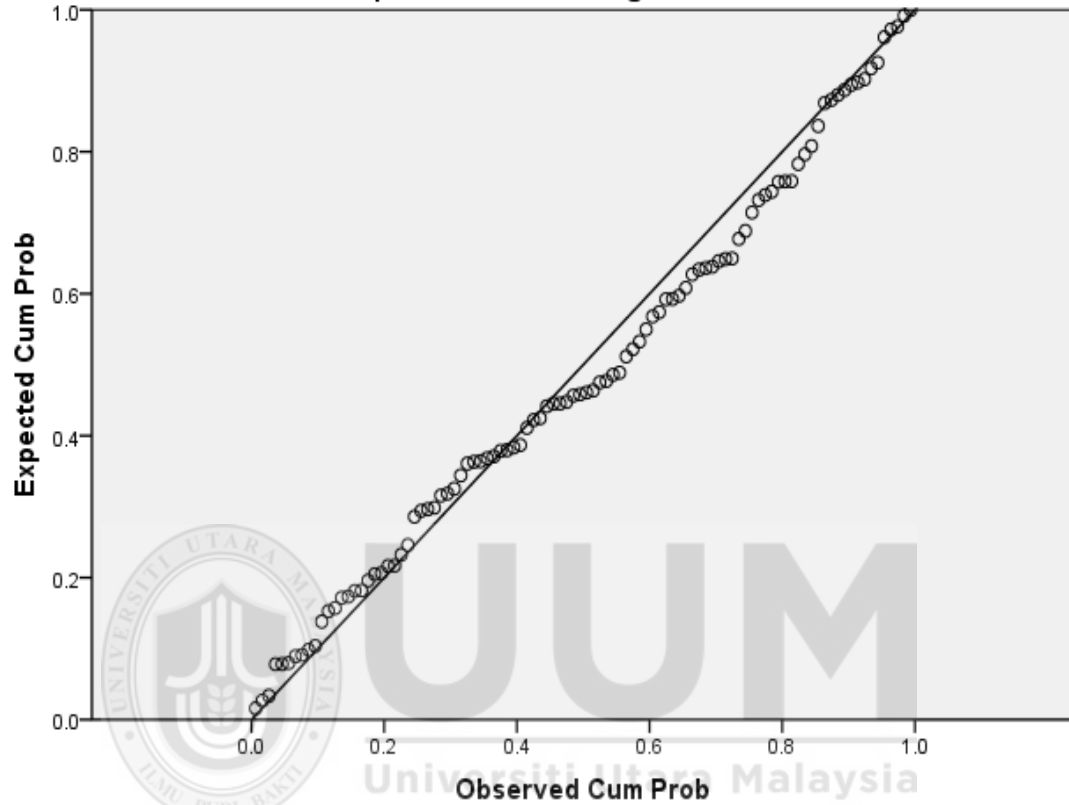
		lgaudfee	Gender	ethnic	size	finrisk	complex	profit	b4
lgaudfee	Pearson	1	.100	.127	.784**	.617**	-.248*	.085	.459**
	Correlation								
	Sig. (2-tailed)		.323	.209	.000	.000	.013	.402	.000
	N	100	100	100	100	100	100	100	100
gender	Pearson		1	.152	.054	-.004	.067	.097	-.099
	Correlation								
	Sig. (2-tailed)			.130	.597	.969	.509	.339	.329
	N			100	100	100	100	100	100
ethnic	Pearson			1	.113	.099	.027	-.080	.156
	Correlation								
	Sig. (2-tailed)				.261	.327	.787	.430	.121
	N				100	100	100	100	100
size	Pearson				1	.806**	-.349**	.070	.441**
	Correlation								
	Sig. (2-tailed)					.000	.000	.489	.000
	N					100	100	100	100
finrisk	Pearson					1	-.322**	.122	.363**
	Correlation								
	Sig. (2-tailed)						.001	.227	.000
	N						100	100	100
complex	Pearson						1	-.014	-.252*
	Correlation								
	Sig. (2-tailed)							.889	.011
	N							100	100
profit	Pearson							1	.062
	Correlation								
	Sig. (2-tailed)								.540
	N								100
b4	Pearson								1
	Correlation								
	Sig. (2-tailed)								
	N								

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: lgaudfee



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
gender	100	0	1	.81	.394
lgaudfee	100	1.82	4.26	2.6362	.49659
size	100	4.78	7.75	6.0097	.61962
finrisk	100	1.38	7.17	4.7805	1.16558
complex	100	.00	.80	.2561	.18076
profit	100	-.40	.51	.0684	.08923
ethnic	100	0	1	.09	.288
b4	100	0	1	.53	.502

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.103	.401		-2.752	.007		
	gender	.086	.082	.068	1.048	.297	.927	1.078
	ethnic	.020	.112	.011	.176	.860	.927	1.079
	size	.604	.090	.754	6.732	.000	.313	3.197
	finrisk	-.016	.046	-.038	-.352	.725	.341	2.929
	complex	.102	.186	.037	.546	.586	.852	1.174
	profit	.122	.356	.022	.343	.733	.957	1.045
	b4	.152	.071	.153	2.134	.035	.761	1.315

a. Dependent Variable: lgaufee

R-squared = 0.644



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