THE RELATIONSHIP BETWEEN IFRS EXPERIENCE AND AUDIT FEES IN CHINA

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ABSTRACT

This study intended to provide evidence of the effect of the IFRS convergence process on audit fees in China. Moreover, the study investigates whether the integration of IFRS would increase audit costs by studying the relationship between IFRS experience and audit fees for Chinese listed companies. This study gathered data from annual reports of 30 A-share and 30 A+H shares of Chinese manufacturing firms listed in Shanghai and Shenzhen stock exchange and Hong Kong stock exchange, respectively for the period 2016 to 2018. Meanwhile, this study quantitatively studies the relationship between the IFRS experience of the auditor and IFRS experience of company and audit fees of the company. Based on an analysis of the study, when the company implement IFRS, it needs to pay auditors with IFRS expertise, higher audit fees, thus increasing the audit cost of the company. However, the study shows that a company with IFRS experience does not affect audit fee. Moreover, this study offers additional evidence for the study of the audit fees generated by the IFRS convergence in China. Therefore, this study also puts forward suggestions that Chinese firms and local audit firms must pay attention to their IFRS-related auditing skills.

Keywords: IFRS convergence, audit fees, audit experience

ABSTRAK

Kajian ini bertujuan untuk memberikan bukti tentang kesan proses penumpuan IFRS terhadap yuran audit di China. Selain itu, kajian itu menyiasat sama ada penumpuan IFRS akan meningkatkan kos audit dengan mengkaji hubungan antara pengalaman IFRS dan yuran audit untuk syarikat tersenarai China. Kajian ini mengumpulkan data laporan tahunan 30 saham-A dan 30 saham A + H syarikat pembuatan China yang tersenarai di bursa Shanghai dan Shenzhen dan bursa saham Hong Kong masing-masing bagi tempoh 2016 hingga 2018. Sementara itu, kajian ini secara kuantitatif mengkaji hubungan antara pengalaman IFRS juruaudit dan pengalaman IFRS syarikat dan yuran audit syarikat. Menurut analisis kajian, apabila syarikat melaksanakan IFRS, mereka perlu membayar yuran yang lebih tinggi kepada juruaudit dengan kepakaran IFRS, yang meningkatkan kos audit syarikat. Walau bagaimanapun, kajian ini menunjukkan bahawa syarikat dengan penumpuan IFRS tidak menjejaskan yuran audit. Selain itu, kajian ini menawarkan bukti tambahan untuk mengkaji yuran audit yang dihasilkan oleh penumpuan IFRS di China. Oleh itu, kajian ini juga mengemukakan cadangan bahawa syarikat China dan firma audit tempatan perlu memberi perhatian kepada kemahiran pengauditan yang berkaitan dengan IFRS mereka.

Kata kunci: penumpuan IFRS, yuran audit, pengalaman audit

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LIST OF ABBREVIATIONS

IFRS	International Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles
G20	Group of Twenty
WTO	World Trade Organization
MOF	Ministry of Finance
IASB	International Accounting Standards Board
ASBE	Accounting Standards for Business Enterprises
CASC	China Accounting Standards Board
CAS	China Accounting Standards
CSRC	China Securities Regulatory Commission
U.S.	United States
EU	European Union
OECD	Organization for Economic Co-operation and Development
KPMG	Klynveld Peat Marwick Goerdeler
PwC	Price waterhouse Coopers
EY	Ernst & Young
Deloitte	Deloitte Touche Tohmatsu
TA	Total Asset
NI	Net Income
TL	Total Liability
LEV	Leverage
IV	Independent Variable
DV	Dependent Variable
CV	Control Variable

CHAPTER ONE

INTRODUCTION

Due to the rapid development of economic globalization, a large number of transnational trading activities and transnational financing activities have taken place in China. For transnational trade, accurate information of accounting is vital for consumers, including investors and creditors. Previous literature has shown that IFRS convergence process would improve the accuracy of accounting information to some extent (Barth, Landsman, & Lang, 2008). Nevertheless, in the convergence phase of China's IFRS, there will be many challenges and problems. The focus of this study is the issues about audit cost.

Firstly, the audit process is very significant and necessary for companies' development. Auditing is a significant part of financial reporting because it can enhance the accountability and credibility of financial information provided by the company (Sloan, 2001). The process of corporate audit can assist in organizational transparency, monitoring and governance, and provide consumers of annual financial statements with reassurance, such as investors, lenders, management, authorities and the public (Lee & Welker, 2007). Secondly, the process of corporate audit is indispensable, because the corporate audit is an integral part of conducting business and is a legal requirement in many countries (Gray, Manson, & Crawford, 2007). For the development of a company, the audit of high quality means high audit cost. So, when companies are required to use a higher standard to finish their auditing, they have to pay auditors more audit fees, especially for auditors who are from Big 4 accounting firms. Studying the audit process of IFRS convergence for corporations and the audit costs produced by this process are therefore necessary.

Besides, different from previous research directions, this study verifies whether IFRS convergence will affect audit costs by studying the relationship between IFRS experience and fees for auditing. Moreover, the data adopted in this research has been collected over the past three years from listed Chinese companies. The latest data have higher research value and reference significance. In addition, the research object of this study for China. As is known to all, China is presently the world's second-largest economy. In 2018, China's total exports amounted to $2.48 trillion, up 9.9 per cent year-on-year, according to the General Administration of Customs. In 2018, China's imports totaled $2.14 trillion, up 15.8% year-on-year (Shen, 2018). As a consequence, considering China as the research focus of this report can provide strong evidence to analyze the challenges facing IFRS in the context of international convergence.

This study explores the audit fees of 30 A-share and 30 A+H shares of listed Chinese corporations for the period 2016 to 2018. These sample companies mainly include Chinese manufacturing companies, excluding financial enterprises and banks. Besides, the primary analysis variables in this study include auditors' IFRS experience and the company's own IFRS experience. As for how to measure the auditor's IFRS experience, this study is entirely based as to whether the auditor is in the Big 4 accounting firms. As to how to measure the company's own IFRS experience, this study is based on analyzing whether listed Chinese companies need to prepare IFRS reporting. Generally, when issuing both A-share and H-share, they need to prepare IFRS report.

The following contributions to the literature are given in this study. After reviewing the literature, the study found that there was limited literature about the influence of IFRS audit experience on audit costs, particularly for an emerging economy, China. Moreover, this study studies the IFRS experience not only for auditors but also for the company itself. From these two perspectives, this study finds that auditors with IFRS experience in the process of auditing will be charged a higher audit fee, while companies with IFRS experience will be negatively correlated with audit fees. Hence, the findings of this study contribute to a greater understanding of the relationship between IFRS experience and audit fees of the company.

Moreover, the research object of this study is China, the largest and most dynamic emerging economy. However, according to the literature review, this study found that literature on IFRS convergence issues in China is limited, and several studies focusing primarily on developed countries such as the EU or British and American countries. Therefore, the findings of this study on IFRS convergence in China can complement and enhance the current area of study on the influence of IFRS convergence, especially onto the influence of IFRS convergence on audit fees.

The rest of the study will have the following process in place. The second chapter reviews and makes some assumptions about previous literature. The third chapter discusses the methods of research used in this study. The fourth chapter describes and discusses the results from the descriptive analysis, correlation analysis, and multiple linear regression analyses. Thus, the conclusion of the study is presented in the sixth chapter.

1.1 Background of Study

As a result of the integration of the international economy and global markets, the value of accounting information is gradually being valued as a language of business. Furthermore, in order to stabilize the global economy and financial markets following the 2008 financial meltdown, the G20 members ' summit started calling for an exceptionally high standard of international accounting. Some organizations, like that of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), also responded to either the leadership's call to enhance the quality of accounting standards. As a consequence, a new accounting standard, the International Financial Reporting Standards (IFRS), has also begun to take shape.

Nevertheless, since China has long imitated the Soviet accounting system, reporting to central planners has been structured for state-owned enterprises. So, it gives priority to value and efficiency over investment returns. In 1993, with the support of the World Bank, China started to consider formulating its accounting standards following the international standards of Western accounting systems (Deloitte, 2006). China has seized the opportunity of global industrial transformation after more than 20 years of reform and expansion, attracting huge amounts of foreign investment to improve importing and exporting trade and to maintain economic prosperity for several years. Consequently, China has become a country that attracts the world's most foreign direct investment.

Simultaneously, the current trade surplus also makes China the nation with the highest foreign exchange reserves. The rapidly growing Chinese companies have a deep desire to compete in the global market and to generate profits from foreign investment markets. Furthermore, China's participation of the World Trade Organization (WTO) will make it possible for China to enter the global economic system more quickly and make China completely to understand the importance of a better financial reporting system throughout the process of economic development. (MOF & IFRS Foundation, 2015). As a result, China has gradually adopted IFRS in order to accommodate the trend of global economic growth.

Throughout the implementation of IFRS, the Ministry of Finance (MOF) did not directly adopt IFRS but adopted the convergence method of IFRS (MOF, 2006). Although no regulations are indicating that IFRS will directly replace Chinese accounting rules, the disparity between IFRS and Chinese accounting standards will gradually be eliminated. (CASC, 2006). China and the International Accounting Standards Board (IASB) agreed on the Chinese Accounting Standards (CAS) and significantly converged International Financial Reporting Standards (IFRS) in November 2005. (CASC & IASB, 2005). In February 2006, China's Ministry of Finance (MOF) announced 39 accounting standards for commercial businesses. It adopted a framework based on International Financial Reporting Standards (IFRS) and the characteristics of the Chinese business environment. As a result, the global integration of Chinese Accounting

Standards (CAS) is essentially being obtained. Besides, The Ministry of Finance also requested that all non-listed state-owned companies implement the new standards by the end of 2008. (MOF, 2008). So, shortly, the requirement of using IFRS will be extended to all Chinese enterprises.

The Ministry of Finance (MOF) began revising the guidelines in 2010, intending to complete it in 2011. An ongoing convergence roadmap between China and IFRS was released in April 2010, promising to remain in line to IFRS. The China's Ministry of Finance (MOF) has stipulated that all medium and large businesses will implement IFRS from 2012 as well. There are still three parts of the revised Chinese company accounting system: basic standards, specific standards and guidelines. Moreover, the general guidelines remain unchanged, the specific guidelines being revised and supplemented. "Description of company accounting standards" will be re-named as "guide", the related content and description will be revised and updated as well, in order to better understand and enforce the continued and thorough integration of accounting principles for commercial enterprises. Accordingly, China's accounting standards for enterprise and International Financial Reporting Standards (IFRS) may well reach a generally stable period after 2011. In the practice of China, when transactions or incidents go beyond the reach of existing standards, they will be resolved through a continuous and detailed convergence process (CASC, 2010).

However, China will also face some difficulties and challenges in the research phase of continuous convergence of IFRS due to some disparities among both China's original accounting principles and International Financial Reporting Standards. China's political situations are special compared to other countries. The first is that differences in legal systems will create some difficulties with the adoption of IFRS. China's accounting standards has mandatory characteristics because of China's accounting standards as a legal system. It requires companies to enforce the rules. Otherwise, they break the rules. However, IFRS is not the enforced regulations in China (MOF, 2006). Furthermore, since IFRS is based on principles of the implement, it does not regulate the way about accounting recording but operates according to the company's accounting recognition measurement and reporting standards (IASB, 2010).

Therefore, accounting practitioners need to have higher knowledge and skills and professional judgment ability when using IFRS and be able to independently judge and select standard methods and procedures of accounting management and financial accounting. Nevertheless, Chinese financial practitioners lack applicable IFRS professional skills and analytical abilities, which will increase financial work's complexity and risk and thus raise audit costs. By analyzing the relationship between both the experience of auditors and company of IFRS and the audit fees, the study investigates the changes in the audit costs of listed Chinese companies owing to the convergence of IFRS.

1.2 Objective of Study

The primary purpose of the study would be to study the relationship between IFRS experience and audit fees in China throughout the past three years. As the convergence of IFRS on the Chinese market continues to evolve, China will face many challenges while benefiting from the adoption of IFRS, which is caused by the fact that China's essential national circumstances are not in line on specific IFRS requirements. For example, the differences incurred by China's legal system and the market mechanism. Besides, IFRS has higher quality requirements for financial reporting. Chinese financial personnel generally lack experience about IFRS, which will affect the success of the convergence of IFRS for China.

The objective of the research is, therefore, to investigate if IFRS convergence will increase the cost of audits by analyzing the correlation between IFRS experience and audit fees of China. IFRS experience includes auditor's IFRS experience and companies' own IFRS experience.

Therefore, the research objectives are:

(1) To investigate the association between auditor's IFRS experience and audit fees.

(2) To investigate the association between the company's IFRS experience and audit fees.

1.3 Research Question

The study will examine whether IFRS convergence will increase audit costs by studying the association among both IFRS experience and audit costs in China. IFRS experience includes the auditor's IFRS experience and the company's own IFRS experience.

Therefore, according to the research purpose, this study proposes two research questions as follows:

(1) Is there any association between IFRS experience of auditors and audit fees?

(2) Is there any association between the company's own IFRS experience and audit fees?

CHAPTER TWO

LITERATURE REVIEW, AND HYPOTHESIS DEVELOPMENT

2.1 Introduction

It has been well known that the International Financial Reporting Standards (IFRS) are becoming a symbol for higher quality, easier to understand and transparent implementation of international standards. Since 2005, more than 100 countries, such as Australia, have started issuing financial reports in line with IFRS requirements (Barth, Landsman, & Lang, 2008; Daske & Verdi, 2013). While Chinese government did not enforce IFRS as just a national accounting standard in China, the implementation of the Accounting Standards for Business Enterprises (ASBE) published by the Ministry of Finance (MOF) of 2006 marked a gradual convergence of China Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) (MOF, 2006).

Nevertheless, in the development phase to continuous convergence of IFRS, China still faces many difficulties and challenges. For example, China's existing market economy basis is not stable enough, the legal system is not perfect, as well as the professional skills and ethical standards of accountants ought to be improved (World Bank, 2009). Moreover, the principled approach adopted by IFRS requires auditors to always have proper professional capabilities and the judgment of the accounting profession, and auditors need to have the ability to independently judge and select standard processes and procedures for handling accounting issues and preparing financial reports as well. However, if the preparer or auditor of the financial statements does not have sufficient IFRS expertise, it is more likely to produce erroneous reports and incur additional costs. Therefore, China's IFRS convergence procedure can increase the complexity of financial statements prepared as well as audit risks and audit costs. Previous studies have also shown that the IFRS convergence process would increase the cost of the audit. In a study of IFRS convergence in Nigeria, Emekaponuzo (2017) gained the conclusion that companies which implement IFRS will increase the audit cost and accounting cost. Abu Risheh and Al-Saeed (2014) also concluded, through a sequence of empirical studies, the implementation of IFRS would increase audit fees for individual publicly traded companies in Jordan.

2.2 Literature Review

2.2.1 IFRS Adoption and Implementation in China

After the international financial crisis, different countries ' economies suffered a heavy blow, and the financial system was also greatly affected. On this basis, members affected by economic globalization are actively calling for just the modification for existing national accounting standards and the reformulation of consistent, appropriate and fair international accounting standards. On 1 January 2007, China promulgated and adopted new accounting standards for commercial businesses, marking the further internationalization of China Accounting Standards (CAS), and China's accounting standards have gradually started to integrate with IFRS as well. However, compared with developed and mature markets, the Chinese market will encounter many problems and challenges in the process of adopting IFRS due to its immaturity and poor liquidity. The following content summarizes the research results and views on the IFRS process of convergence in China from the previous literature about the convergence of Chinese.

Since 1 January 2007, China had also begun to implement new accounting standards for companies listed and gradually expanding the scope of the implementation in China. China's newly-implemented accounting standards system consists of one basic standard, 38 additional standards, and other relevant implementation provisions. This new accounting standard is also the first time that China has established a relatively complete organic structure. It is similar to the overall IFRS framework and provided a reference for improving IFRS as well. IFRS consists of three parts: The financial reporting framework, international financial reporting standards and critical bulletin. To achieve full integration of the two standards, China's Ministry of Finance (MOF) has issued a development plan aimed at continuing and detailed integration of the IFRS and the Chinese Accounting Standards (CAS) (MOF, 2008). After 2016, China will enter an era of relatively stable accounting standards to commercial companies and International Financial Reporting Standards (IFRS), which will lead to further convergence of IFRS in China. However, if transactions or events in the course of international trade exceed current standards of practice in China, they will be resolved through a continuous and thorough process of convergence (MOF, 2016).

Dean Westcott, Chairman of the Association of Chartered Certified Accountants (ACCA) Global Council, claimed that the accounting systems of different countries implement or integrate IFRS, which will improve accounting practices ' credibility and stability, eventually restore and increase investor confidence in the capital market, increase the appetite for crossborder investment, thereby helping the economy out of the financial crisis, and said China should continuously change and adjust its own accounting standards to better adapt to international economic growth in the context of IFRS convergence (Tan, 2012). In addition, the Chinese Ministry of Finance (MOF) has also acknowledged that the convergence of IFRS to the China Accounting Standards (CAS) can solve the financial reporting costs that Chinese enterprises must face in the process of financing abroad, thus promoting the growth of China's outbound investment and trade. Departments of government have played a pivotal role throughout the implementation of the IFRS in China.

The determination of just the Ministry of Finance (MOF) of China on just the convergence of IFRS will provide valuable accounting information on investor decisions and help improve the significant relevance of accounting information on the Chinese share market (MOF, 2006). Covrig, Lau, and Ng (2006) also have the same conclusion in their study. They believe that the implementation of IFRS in China will get a major effect on the financial information used in the Chinese stock markets, as the quality of accounting information will be improved. Secondly, after the convergence of IFRS, the correlation between financial information and earnings management needs is stronger (Johanna, O.& Johanna, F, 2014). While improving accounting information, IFRS convergence will also help China avoid more risks in international trade.
In the convergence development phase of IFRS, China has achieved some success because of its continuous improvement. IASB agrees that China has always been cautious and severe in the IFRS convergence phase, especially in the adoption of the free-floating exchange rate, which will set a better example for other emerging economies to converge to IFRS (IASB,

2010). In addition, Peng, Tondkar, Smith, and Harless (2008), after testing and comparing some of the financial reports of some public companies in China, believed that China's success could be related to ongoing efforts by all parties to conform Chinese accounting standards with IFRS, such as government departments and consumers of financial reporting. Moreover, there is evidence that the current IFRS convergence in China has been successful because there has not been a lot of confusion and lawlessness in the process. This result benefits mainly from the restriction of Chinese standard setters on Chinese accounting standards, making it smoother to implement IFRS convergence (Peng & Bewley, 2010).

Nevertheless, the Chinese accounting system has faced many challenges and difficulties in the IFRS integration process, and it seems unlikely that these issues will be solved anytime soon. In the phase of China's IFRS convergence adoption, some reasons made the process difficult. Firstly, IFRS demand is mainly for large companies, whereas s medium and small-sized corporations do not have a high demand for IFRS, so the user base is not very solid. Secondly, insufficient essential translation ability will lead to errors in the IFRS language transfer process.

Additionally, the legislation and regulation of China differ significantly from those of Western countries (Lymar, Kevorkova, & Petrov, 2018). Some of the features of IFRS require accountants to have a higher level of expertise and judgment and the ability to personally evaluate and select the principles and procedures to be followed. Moser (2014) also found that in the process of IFRS convergence, the biggest problem encountered by China was the training of accounting experts and their understanding of IASB standards. In the development phase of the continued development of Chinese companies, it is imperative to have elevated-quality accounting information.

However, some scholars questioned the reliability of both the accounting information provided in IFRS-based accounting reports. Between 1992 and 1997, EccherH and Healy (2000) examined the effectiveness of IFRS issuance of B-shares in China. They found that accounting information generated by IFRS was no more effective for Chinese enterprises than accounting information made by the Chinese Accounting Standards (CAS). Meanwhile, they gave a reasonable explanation according to this situation. Due to the lack of actual control and infrastructure in China, financial reports produced in compliance with IFRS cannot be adequately supervised, leading to a decrease in the valuation of IFRS accounting information. Besides, although the implementation of IFRS may reduce some costs, the process also reduces the quality of accounting information to some extent. China will also face many such issues and challenges in the context of IFRS convergence, whether China can guarantee the value of its financial statements in the IFRS convergence process depends primarily on the ability of Chinese accountants and auditors to make specialist judgments (KPMG, 2009).

On the other hand, because of Chinese accounting workers ' lack of professional expertise and judgmental ability, China will face the problem of increasing costs when adopting IFRS. When implementing IFRS, the Ministry of Finance (MOF) must take into account the national circumstances of China, because Chinese accountants lack the professional ability to interpret IFRS accurately, and the Ministry of Finance（MOF) must spend many costs on personnel training for the smooth implementation of IFRS (Li, 2011). The World Bank also figured out that regulators like as the China Securities Regulatory Commission (CSRC) and the Chinese Ministry of Finance (MOF) need more IFRS-experienced technicians in the process of auditing corporate financial reporting, and this process will definitely increase the cost of regulators (World Bank, 2009). CASC (2012) holds the same view. It believes that in the IFRS convergence process in China, regulatory authorities will also face the problem of increasing costs, which is also due to the lack of professional accountants and auditors with IFRS experience in the Chinese market, especially those with financial statement audit experience. The high-quality audit can ensure the effective adoption of IFRS however because China has a limited number of accountants with IFRS experience, which is bound to affect the results of IFRS convergence in China (Miao, 2017).

To sum up, IFRS convergence in China seems to be the inevitable consequence of continuing international market growth, and IFRS convergence can provide convenience for China's foreign trade and investment. In the process of IFRS convergence, China has made specific achievements, and government regulatory departments are also responding positively, including the Ministry of Finance (MOF), which continuously adjusts and modifies China's accounting standards according to various requirements of IFRS. However, a series of problems and challenges keep emerging, such as the decrease in accounting data reliability and the increase in the implementation cost, which are caused by the shortage of professional accountants and auditors with IFRS experience in the Chinese market, language conversion problems, and differences in the legal system. Consequently, China's IFRS convergence process is not completed overnight. It needs a long time of practice and reform based on the national conditions of China. It is continuously absorbing the benefits of IFRS for improving the accounting standards of China.

2.2.2 Corporate Audit Cost

In the process of continuous development of Chinese enterprises, the corporate audit is essential and necessary. First of all, the audit is an integral part of the corporate financial report, and corporate audit can enhance corporate accountability system and enhance the credibility of the financial report (Sloan, 2001). Besides, Chen (2009) also agreed to the importance of the company audit. Through financial audit and economic value audit, he believes that auditors can influence financial results and economic benefits of various factors. Because of the problem posed by achievable enhancement measures, that will enable auditors to improve material and technical conditions, quality of staff management, and enhance economic benefits. At the same moment, accurate audit reports can enhance the value and credibility of financial reports, so that users can easily understand and make correct decisions, including investors, creditors, other users. (Coram, Mock, Turner, & Gray, 2011).

A series of audit activities require the company to bear the corresponding audit fees, so the company needs to face the problem of audit costs. In its 2012/2013 annual audit quality inspection report, the Financial Reporting Council of the United Kingdom believed that either the burden with audit costs and audit fees is an unavoidable practical issue in the business environment in which businesses are based. Because this study tends to focus on the bond among both audit experience and corporates' fees for auditing to prove that the process of IFRS convergence for China has resulted in an increase in audit costs, it is therefore necessary to understand the connection among both audit cost and audit fee in the research process to this study. Therefore, the following content will review the previous literature about company audit costs and audit fees.

There is no doubt that the audit is a significant part of the development of a company, and its value cannot be ignored. According to the viewpoint of DeAngelo (1981), the value of audit can be determined as the judgment and opinion of financial report users on whether auditors can detect inaccuracies and irregularities in the accounting system. The final audit value is reflected in that auditors can check the company's financial reports and truthfully report the audit findings to the users of financial reports, which can reduce information asymmetry.

As for the audit costs generated during the audit process, the completion of a certain number of audit projects can be defined as the total cost of workforce, material resources and financial resources (Liao, 2014). For an audit process, the operating cost and overall audit cost is relatively high if it requires more resources which takes a long time. Otherwise, the auditing cost is lower. Furthermore, the cost of external auditing depends on how much work the auditor performs, the payment rate and the quality of service the company requires (Idawati, 2014). The definition of audit fees is commissions charged by auditors during the process of auditing, and this kind of fee requirements include the quality of audit services and the professional level of auditing required (Suryanto, 2014). Generally, after auditing for the company, auditors can get corresponding professional service remuneration, which is the audit fee. Some findings on audit fees are also available.

Several factors determine the total amount of audit fees. These factors come from the auditor and the company being audited. Liapis (2013) researched fees for auditing and discovered that the payout of audit fees could be calculated by different three variables that including company attributes, auditor attributes, and interaction attributes. Between them, audit risk is a significant factor due to it determines the number of audit fees. Audit risk is closely linked to the time spent in the audit process and the duration of the audit, so audit tasks with high risk will increase the audit time and thus the sum of fees paid for the auditor (Suryanto, 2014). From the viewpoint of companies, the number of audited companies and the current ratio are essential factors that affect the audit cost (Mansoorabady, 2017).

Furthermore, the composition of a corporation's board of directors also affects audit fees. Farooq, Kazim, Usman, and Latif (2018) concluded through a series of studies that high-quality audit services are needed by managers of large-scale companies, which will raise audit fees. In the meanwhile, Suryanto (2014) also agreed with this view. He also believes that the relation between the sizing of the engagement and the cost of auditing is positive, and intricate auditing work requiring greater auditors' commitment, resulting in higher expenses for auditing.

It could be said that audit costs determine audit fees. Conversely, audit fees restrict audit costs. Based on the research findings mentioned above, there are some factors include the audit risk of the size of the business, and also the type of industry that will influence audit costs to some extent. In other words, the audit risk and audit cost of the business size are proportional to the relationship.

Audit costs seem to be the most significant factor affecting audit fees. Because of the more prominent the business and the more complicated the industry, that means the higher audit risk. Accordingly, the audit cost is higher, and accounting firms have a higher standard when measuring audit fees. For example, if the company is large, the accounting firm will need to invest more human resources, leading to a higher risk of auditing, so that accounting firms will adopt more audit procedures. Overall, the cost of the audit is the most direct factor affecting audit fees.

Conversely, audit fees limit the cost of audits (Du &Luo, 2013). In order to attract more audit services, accounting firms need to reduce audit fees in the face of fierce competition on the market. In the case of limited capital assets, accounting firms should take a variety of measures to reduce audit costs, resulting in a reduction in audit performance. For example, in the case of insufficient and inappropriate audit evidence, the audit team will eliminate some necessary audit procedures in order to save expenses. Although this practice violates the relevant auditing standards, the project team has to do so under the circumstance that auditing fees severely restrict the auditing cost, the accounting firm will otherwise face the possibility of bankruptcy. The judgment and calculation of audit cost is also an ethical concern, but it is also a sensitive issue. Two of these factors will limit the price of audit fees, including ethical issues and audit benefits. This is confirmed by Castro, Peleias, and Silva (2015), who think that using a fixed price is the best way for auditors to charge audited companies. This procedure can, however, be detrimental to the companies as it may result in a rise in audit fees. It is not suitable for auditors, on the contrary, because the process also results in lower audit fees. Moreover, in their study put forward the relevant formula of calculating audit fees. Since the company determines the audit fee based on the time required for the auditor to perform the audit, this formula can be expressed as fees for auditing = HR x RT (HR is estimated hours, RT is hourly rate).

In conclusion, it can be said that the significance of the audit process of the corporation is that it can strengthen the company's accountability system and enhance the credibility of financial reports so that companies can easily understand and make the right decisions in the development process. Furthermore, the cost of auditing generated in the audit process is also a problem that every company must face. Therefore, in the development process of Chinese enterprises, they will also face the problem of audit cost. What changes will occur to the audit costs faced by each company is worth studying in the phase of IFRS convergence in China. As far as the connection among both audit costs and audit fees, the audit cost is by far the most direct factor affecting the audit fee, while the number of audit fees restricts audit cost. Therefore, it is feasible to use audit fees to reflect audit costs in this study. Furthermore, several factors may impact the total amount of audit fees, including the size of the company, the auditing risk and the category of industry.

2.2.3 Relationship between IFRS and Audit Fees

The convergence to IFRS has always been a necessary process for the economic development of China. Because the IFRS implementation can bring Chinese companies many benefits, notably multinational enterprises, for example, more foreign companies can be attracted to invest and raise money locally. According to a report from Ernst & Young (EY), because all companies listed in the United States may need to implement IFRS in 2014 and 2016, an increasing number of companies in china listed in the U.S. will implement IFRS directly (Tan, 2012). To further understand if China will lead to increases in audit fees during the IFRS convergence period, thus the following section will review some of the previous literature on the correlation between both the implementation of IFRS as well as the company's audit fees.

As a consequence of the continued implementation of IFRS, auditors are likely to place higher requirements on audit fees (Maijoor, 2010). Meanwhile, Ding and Su (2008) believed that the change from general accounting standards to IFRS was a significant reform for audit staff, and the result of the change would affect audit fees. Furthermore, the research results of Zhu and Sun (2012) have shown that standards of accounting have a significant effect on the work of auditors, which determines the audit opinions from auditors. If the accounting standards change, the basic principles of the auditor's work will also change, and these changes will affect audit fees. So, companies need to be more prepared if they use new accounting rules. Companies need to provide more training and resources for auditors and managers on the new accounting standards. Changing accounting standards raises auditors ' problems about the difficulty of work, which can cause a big mistake in the process of auditing, thus increasing the risk of audit work. Besides, the intricate audit work will increase the auditor's working time. Higher risk of auditing and more hours of auditing would require higher fees.

The implementation of IFRS by businesses will impact the audit fee in two ways, including the increasing complexity of the audit process and the increasing in audit risks. Several kinds of literature support the above opinion. As for the use of IFRS, the audit job will become more complicated, and the audit fees will increase. Because IFRS standard is based on principles and requires financial workers to have correct professional judgment, financial workers need to fully understand the content and requirements of IFRS (KPMG, 2007). This requirement can result in the auditor's work becoming complex. Higgins, Lont, and Scott (2015) confirmed this point of view by finding that alterations in standards and regulations have made the audit process more difficult and the resulting increase in audit costs is sustainable rather than short-term. Another study revealed that the implementation of IFRS would make auditing more difficult, and that audit fees could be raised (Kim, Liu, & Zheng, 2012). At the same time, Yaacob and Che-Ahmad (2013) supported this claim, stating that the audit fees of the organization increased substantially when the use of IFRS. The explanation behind this is that IFRS implementation causes the cost of audit work to increase, and auditors will have to increase audit prices to compensate for the rise in audit work. Based on statistics and study of EU audit fees with the compulsory implementation of IFRS in 2005, Kim, Liu, and Zheng (2012) also found that either the implementation to IFRS would increase the company's audit fees as the use of IFRS would raise the difficulty of the audit mission. As for using IFRS, it will result in higher audit uncertainty and higher audit fees. According to some pieces of evidence provided by Seetharaman, Gul and Lynn (2000), it can be proved that the relationship among both audit risk and audit cost is positive. In the meanwhile, Schadewitz and Vieru (2009) also believed that IFRS would raise uncertainty and risk in their audit activities and that the connection with both uncertainty and risk of audit practice and higher audit fees paid by auditees was positive. Accounting firms will, therefore, boost audit quality to decrease audit risks in order to implement IFRS smoothly. Furthermore, increasing audit fees would reflect the cost of improving audit performance (Hay, Knechel, & Wong, 2006).

Furthermore, there are also several relative studies about the influence of IFRS, including studies on some developed countries and some emerging economies. George, Ferguson, and Spear (2013) studied that the influence of IFRS on 438 Australian listed companies ' audit fees and discovered that audit fees for these companies would rise after using IFRS. Moreover, he has shown that growth is more pronounced for small companies than for larger ones. This finding was also supported by Shan and Troshani (2016), who also noted that the cost of the corporate audit would increase significantly when the audited company uses IFRS. For companies of different sizes, this effect is different, for example, it is weaker for larger firms. Besides, Kim, Liu, and Zheng (2012) contrasted the differences in audit fees between European Union (EU) and the Organization for Economic Co-operation and Development (OECD) countries that including the United States as well as Japan. They found that there were higher audit fees for businesses that used IFRS than those that did not. They also looked at the factors affecting audit fees and discovered that IFRS related audit costs increase due to increased audit complexity. Chen and Khurana (2017) have analyzed the relationship between IFRS implementation and fees for auditing through some studies about U.S. sample firms, and findings showed that companies in foreign countries using IFRS had to charge audit fees higher than those in the United States using the Generally Accepted Accounting Principles (GAAP). Additionally, to examine how adjustments in French accounting standards impact audit fees in the conversion process to IFRS, Loukil (2016) analyzed 414 French listed companies as observation samples from 2002 to 2007 and discovered that the number of audit fees significantly increased after IFRS was used. There is also a study on the use of IFRS in Italy. The researcher used Italian banks as samples to research changes in audit fees after using IFRS. The results show that banks pay more audit fees (about 19.29% in real terms) after implementing IFRS (Cameran & Perotti, 2013). Some empirical studies mainly focused on New Zealand, including Hart, Rainsbury, and Sharp (2009)'s research findings show a rise of 48 per cent in audit fees about New Zealand during the first two years and the IFRS implementation in New Zealand over the year. Besides, Houqe (2017) performed empirical research on New Zealand's 141 listed companies and supported the hypothesis that IFRS implementation would raise audit fees. According to research results from Griffin, Lont, and Sun (2008), the audit fees for New Zealand firms raised between 2002 and 2006 after the use of IFRS.

Developing countries, such as China are also being studied. It can be seen from the empirical study of Lin and Yen (2016) that Chinese listed companies ' audit fees increase when using IFRS. A study investigating the use of IFRS in Jordan took listed industrial companies in Jordan as samples and found that the work risk of auditors would be increased when using IFRS, and the rise in the cost of work led to an increase in the fees for auditing (Abu Risheh & Al-Saeed, 2014).

IFRS requires a higher level of financial work. Thus, in the audit process, some companies will use some auditors of the Big 4 accounting firms. The Big 4 is known as the Big 4 accounting firms or the Big 4 auditing firms, and this study calls them the Big 4 accounting firms. In the meanwhile, the Big 4 accounting firms are identified as Ernst & Young (EY), Deloitte (DTT), Price wterhouse Coopers (PwC), Klynveld Peat Marwick Goerdeler (KPMG), collectively known as EDPK. These four accounting firms are the world's four largest accounting firms, providing a wide variety of high-quality accounting and auditing services to many companies, which include external audit tax services and business consulting and risk evaluation and control, and occupy leading positions in the global industry. Due to their high status and reputation in the international market, the Big 4 accounting firms might make a higher price for customers than some other non-Big 4 accounting firms in the auditing market, resulting in higher audit fees for companies that choose the Big 4 accounting firms to handle audit work (Basioudis & Francis, 2007). The audit fees of the Big 4 accounting firms are more than those of the non-Big 4 accounting firms. Therefore, following the introduction with IFRS, more audit payments should be paid by companies that need to use the auditors of the Big 4 accounting firms. Musah, Anokye, and Gakpetor (2018) took Ghana's financial and non-financial firms as study samples and discovered that all audit fees for these firms increased significantly with the use of IFRS. Therefore, it is concluded that the development of IFRS would increase the company's audit and non-audit expenses.

Hence, after analyzing a considerable number of related researches, it can be identified that both developed and developing countries have raised audit fees substantially after using IFRS. The reasons that can explain this phenomenon mainly include that the use of IFRS requires higher quality financial performance, auditors must have sufficient work experience in IFRS or need to receive more training about IFRS. Also, IFRS raises the complexity of audit work and audit risk, and auditors need to make more significant efforts to spend much more time conducting audit work and mitigating audit risk, thus raising the audit fee accordingly. China may be bound to face the issues about increasing in the audit fee as well during the process of convergence of IFRS. However, it can be found from the above literature review that there are few such studies about China so that this study can provide more effective evidence for the research field of audit fee issues caused through IFRS convergence in China.

2.3 Hypothesis Development

Through a review of previous kinds of literature, this study found that in the period of convergence of IFRS, the complexity and lack about requirement details of IFRS would increase the workload of auditors, thus increasing the risk of audit work. Jermakowicz and Gornik-Tomaszewski (2006) also confirmed this view. They concluded from their research results that due to the complexity of IFRS, implementors would face some challenges in the phase of adopting IFRS. Furthermore, after studying the adoption of IFRS by Chinese listed companies, Lin and Yen (2016) confirmed that the use of IFRS would increase audit risks. Because IFRS requires auditors to gain much more professional judgment than Chinese accounting standards, higher audit costs will be faced by businesses. Therefore, the company will make contact with some auditors from professional accounting firms and let these auditors handle the audit work, like some of the auditors of the Big 4 accounting firms, to address some problems created by the implementation of IFRS and improve the audit performance of the company.

In the field of auditing, logically, DeAngelo (1981) made it very clear that the size of the accounting firm dictated the quality of the audit and believed that perhaps the more significant the volume of the accounting firm, the better the company's audit performance. Moreover, many research results show that the Big 4 accounting firms all have a particular specialized capacity to provide audited companies with more exceptional quality audit services and have good experience in IFRS at the same time. Krishnan (2002) researched the association between the Big 4 accounting firms and the accumulated income of businesses, and collected data from 1989 to 1998 as samples, proved that Big 4 accounting firms are perfectly able to provide some auditing services of high quality that demonstrated stock market returns and potential profitability of companies.

The same applies to those of the Big 4 accounting firms in China. Through using the publicly available data from the companies listed in China in 2003 and combining statistical analysis and empirical research. Qi, Chen, and Zhang (2004) found that Big 4 accounting firms, which has a significant competitive advantage and a considerable market share in capital markets of various countries by its high-quality brand, maintained a relatively good audit quality in China. Nevertheless, the quality of the audit also determines the level of fees charged by auditors.

According to Palmrose (1986), auditors will also charge higher audit fees when offering higher quality audit services. Besides, through the empirical study of Musah, Anokye, and Gakpetor (2018), it was also found that audited companies paid significantly more audit fees to Big 4 accounting firms with secure IFRS experience than with other non-Big 4 accounting firms.

Because there is less literature on the connection between the auditor's experience in IFRS and the total amount of the audit fees, the purpose of this study is just to verify whether IFRS convergence of China could increase audit costs by analyzing the relationship between IFRS experienced auditors and fees for auditing fee in Chinese companies. Therefore, this study hypothesizes that there is a positive association between both the auditor's IFRS experience and audit fees that the audited company should pay. Because compared with Chinese Generally Accepted Accounting Principles (GAAP), IFRS provide far fewer overall details, so IFRS requires more professional judgment, which will generate more audit risks in this process (Lin & Yen, 2016). So, some audit companies will do more preparation for solving audit risk, that will increase audit fees. Besides, in today's competitive audit market, the more experienced audit firms will require higher pay, such as Big 4.

H1: There is a positive relationship between auditor' IFRS experience and audit fees.

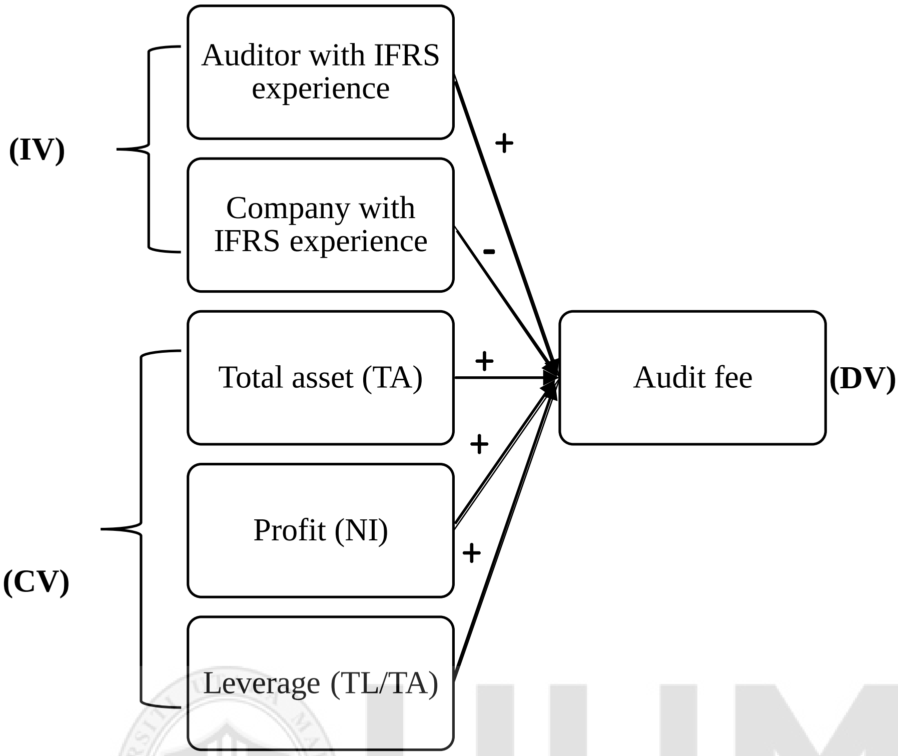
On the other hand, few existing documents demonstrate the relationship between companies' own experience with IFRS and audit fees. Generally, the audit company will require the company to submit a more appropriate financial report. If the company has good IFRS experience, the financial report submitted can meet the requirements of the audit company, that will decrease the workload of the audit company and decrease the fees for auditing. Moreover, this statement is also supported by relevant kinds of literature. Lin and Yen (2016) believe that companies with IFRS experience can provide IFRS reports to audit institutions, which reduces the difficulty of audit work of audit institutions so that that audit institution will require lower audit fees from companies. Consequently, this study assumes that the experience of the audited organization, IFRS, is negatively correlated to audit fees.

H2: There is a negative relationship between companies' IFRS experience and audit fees.

2.4 Conceptual Framework

Based on the proposed hypothesis, this study put forward the corresponding conceptual framework. This conceptual framework mainly reflects the relationship amongst various variables, including the company's audit fees, the auditors' IFRS experience, the companies' own IFRS experience, the company's total assets, the profit of the company, and leverage of the company. Besides, from the hypothesizes presented in this study, it could be concluded that the association between the auditor IFRS experience and the company's audit expenses is positive, while the relationship between IFRS experiences the company and the company's audit expenses is negative. Therefore, the conceptual model used for this study, as shown in Figure 1 below.

Figure 1
Conceptual Framework for the Study



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The following section will describe in detail the samples, the measurement of variables, the empirical model and the data collection method, laying a foundation for the subsequent analysis of data.

3.2 Sample Selection

This study is being conducted among listed Chinese companies in Shanghai and Shenzhen stock exchanges and total companies listed are 3,805. For this study, a total of 60 listed Chinese companies will be selected as sample. The 30 sampled companies selected from the Chinese manufacturing companies listed only in A-share in Shanghai and Shenzhen stock exchanges, and another 30 sampled companies selected from the Chinese manufacturing companies listed in A+H share, which are listed on the Shanghai and Shenzhen stock exchanges as well as the Hong Kong stock exchange.

The official name of the A-share is the common stock of China Yuan. It is a standard stock issued by companies in China to domestic organizations, institutions or individuals (excluding Taiwan, Hong Kong and Macau investors) for subscription and trading in China Yuan. Moreover, A+H share is both listed as A-share on the Shanghai Stock Exchange or the Shenzhen Stock Exchange as well as listed as H-share on the Hong Kong Stock Exchange, and they are traded in Hong Kong dollars when listed on the Hong Kong Stock Exchange (CSRC, 2006). Companies listed on A-share are selected as samples because the vast majority of Chinese companies are listed on A-share. Therefore, the selected samples in this way are more representative and can better reflect the overall situation of Chinese enterprises. Secondly, half of the sampled companies are listed in the A-share market only, and another half of the companies listed on the A-share market also listed on the H-share market. Corporations listed on H-share need to submit IFRS reports to auditors, so these companies have IFRS experience, while only listing in A-shares does not need to prepare IFRS reports, so these companies do not have IFRS experience. Therefore, this selection of samples can more clearly measure the impact of the company's IFRS experience on the audit fees of the company.

Meanwhile, this study analyzes the sample data for three years from 2016 to 2018. This study intends to the new IFRS convergence system situation in China by analyzing the latest data from listed Chinese companies. In total, there are 180 observations to be used in the study.

3.3 Measurement of Variables

3.3.1 Introduction

In the study, the independent variables are auditor's IFRS experience and the company's own IFRS experience. The dependent variable is the audit fee charged. Besides, some control variables include the total asset of the company, the net income of the company, and the leverage ratio of the company.

3.3.2 Audit Fees

The audit fee of the company is the dependent variable of this study. Meanwhile, in this study, the audit fees for all sample companies are obtained from the company's annual report, and the audit fees are measured in China Yuan.

3.3.3 Auditor's IFRS Experience

As for the measurement of the auditor's IFRS experience, this study will judge whether the auditor is from an audit firm that can provide IFRS related training or has sufficient IFRS knowledge resources. In this study, Big 4 accounting companies' auditors are deemed to have good experience with IFRS. That is because the Big 4 accounting firms would provide auditors with more professional IFRS knowledge training in order to provide audit companies with better audit services. As is well established, the Big 4 accounting firms have always been made up of four accounting firms, which including Deloitte (DTT), Price wterhouse Coopers (PwC), Ernst & Young (EY), and Klynveld Peat Marwick Goerdeler (KPMG), which are much more popular in the world. For many internationally renowned listed and private companies, each year the Big 4 audit firms carry out audit work for a number of companies, including 99 per cent of the FTSE 100 and 96 per cent of the FTSE 250 (Christodoulou, 2011).

According to the research of Lin and Yen (2016), they also believe that Big 4 accounting firms have much more expertise and experience for auditing financial reports based on IFRS and are able to provide audit companies with better quality audit services. On the other side, the four accounting companies have been supporting and promoting the convergence of IFRS in China with practical actions for many years in the same time. John Connolly, Deloitte's global chief executive, thought that Deloitte's high revenue growth rate reflects the company's trend of attracting new audit clients, and also reflects that Deloitte is very professional in providing IFRS and other necessary risk advisory services to audit and non-audit customers (Deng, 2004).

To sum up, the ability of the Big 4 accounting firms to deal with IFRS related audit affairs has been recognized by the Chinese market. Thus Big 4 accounting firms' auditors will have better practical IFRS experience. Therefore, in this study, if the auditor is from the Big 4 accounting firms, the value of this independent variable is equal to 1; otherwise, it is 0.

3.3.4 Company's Own IFRS Experience

In China, shares are traded in Shanghai and Shenzhen stock exchanges. There are two types of share listed, such as A-share and B-share, may be listed as corporations. Then just, A-share is traded through China Yuan, while B-share is traded with foreign currency including US dollars. Meanwhile, some of the existing A-share firms are cross-listed on the London Stock Exchange, the Hong Kong Stock Exchange or the New York Stock Exchange. Among them, those shares listed on the Hong Kong stock exchange are called H-share shares, that are often traded through Hong Kong dollars. Shares listed on both A-shares and H-share are called A+H share. Generally, some only issue of Chinese A-share companies listed do not have to file financial statements within compliance with the International Financial Reporting Standards (IFRS) compiled in the financial report, but only have to submit financial statements in accordance with Chinese Accounting Standards (CAS), for some listed companies that issue in another market, financial reports must first be issued in accordance to international financial reporting standards. As an example, A-share companies listed only need to make financial statements in compliance with the criteria of the Chinese Accounting Standards (CAS), and should meet other relevant requirements of China Securities Regulatory Commission (CSRC) and the exchange to listed companies at the same time (such as statement disclosure). When the A-share business is simultaneously listed along the Hong Kong Stock Exchange that would be listed on A+H share, IFRS statements should also be prepared. After 2010, following China's accounting standards, only 33% of A+H listed companies in China reported financial statements prepared on the H-share market, and 67% of A+H companies ought to file financial statements in compliance with both the requirements of these two standards, including China Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) (Zhou & Jia, 2018).

Therefore, in order to measure the IFRS experience of companies, this study will determine whether China A-share listed firms need to prepare international financial reports, like as companies listed on the Hong Kong Stock Exchange, the London Stock Exchange or the New York Stock Exchange. Because these listed companies must submit financial reports prepared according to IFRS, these listed companies are known to require IFRS experience in preparation for financial statements. When a company is listed on A-shares and also on H-shares, the value of this independent variable is equal to 1, otherwise, it is 0.

3.3.5 Control Variable

The study also controls for the effect of the following variables on audit fees. These control variables used in the study are Total asset of the company, the net income of the company, and the leverage ratio of the company. Meanwhile, these control variables are also measured in

China Yuan. The definition and measurement of all variables can be seen in Table 1.

Table 1
Variable Definition and Their Measurement

Variable	Variable Name	Measurement
LogAF	Audit fees	The natural log of the audit fee.
AI	Auditor's IFRS experience	If the auditor is from the Big 4 accounting firms, the value is 1, otherwise it is 0.
AC	Company's IFRS experience	When a company is listed in A+H shares, the value is 1, and 0 otherwise.
LogTA	Total assets	The natural log of the company's total assets.
LogNI	Profit	The natural log of the company's net income.
Lev	Leverage	The ratio of liabilities to the company's total assets.

3.4 Empirical Model

In this study, a quantitative method based on systematic empirical investigation via mathematical formula is adopted for achieving the research objective. According to the literature review, it is proposed that the key variables influencing audit fees include auditor type and companies' capacity. Besides, the characteristics of an enterprise, such as its profitability, leverage ratio and earnings, which would also affect to some extent the number of audit fees incurred by a company. Therefore, some variables are also used as an empirical model of this study, which includes six variables, is as following:

$$\mathbf{AF_{it} = \beta_0 + \beta_1 AI_{it} + \beta_2 AC_{it} + \beta_3 TA_{it} + \beta_4 NI_{it} + \beta_5 Lev_{it} + \varepsilon_{it}}$$

3.5 Data Collection

The sample data used by this study was primarily taken from just the annual reports of the sample companies. Listed companies, as well as the relevant regulatory authorities, are required to publish their annual reports on the Internet every year. Therefore, this study will collect the relevant data manually in these annual reports. These samples include 60 A-share Chinese companies listed in both the Shanghai and Shenzhen Stock Exchanges, and these listed companies are mainly Chinese manufacturing companies, excluding financial companies, banks, insurance companies or other financial and real estate businesses, as they are more specialized capital structures. Moreover, these sample companies were randomly selected from all Chinese A-share listed companies. The sampling timeframe would be from 2016 to 2018. Besides, the independent variables of this study include the auditors' IFRS experience and the companies' IFRS experience, which are also judged and collected through the annual reports from the sample firms. Other sample data are also obtained from corporate annual reports, which include audit charges, total corporate assets, corporate profit, and the liability ratio to the company's total assets.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The following sub-section explains the descriptive analysis, correlation analysis and regression analysis based on the data of 180 observations collected in this study and interpret the results.

4.2 Descriptive Analysis.

Table 2 gives an overview of the outcomes of the descriptive analysis of all variables in this study. It could be seen in Table 2, the average of the 180 observations companies used in this study's audit fees between 2016 and 2018 is 4,284,364 Yuan, the minimum is 450,000 Yuan, and the maximum is 26,699,000 Yuan. As for the IFRS experience of the auditors, this can also be shown from the data in Table 2 that only 28 per cent of the audit work of the sampled companies was undertaken by the Big 4 accounting firms. Hence the remainder were primarily done by other domestic accounting firms in China. Therefore, based on the descriptive analysis results, the market dominance of the Big 4 accounting firms on China's audit market is relatively limited, and most Chinese listed firms tend to choose domestic accounting firms to complete the audit process. Besides, 30 sample companies used in the study are listed only on the Chinese A-share market, while the remaining 30 are listed both in the A-share and the H-share.

Meanwhile, what we can see about the variable AC is that its mean is 0.50. It is because Chinese companies listed only in A-shares do not need to submit IFRS reports to audit companies, so these companies do not have IFRS experience. On the other hand, Chinese companies listed in H-shares need to submit IFRS reports to audit companies, so these companies must have IFRS experience.

Table 2
Results of Descriptive Analysis

Variable[a]	**n**	**Mean**	**Std. Dev**	**Min**	**Max**
AF	180	4,284,364	5,918,397	450,000	26,699,000
AI	180	0.28	0.449	0	1
AC	180	0.50	0.501	0	1
TA	180	62,002,964,274	87,623,689096	497,915,023	403,441,456,827
NI	180	2,679,953,217	4,463,739,580	1,965775	30,636,014,460
LEV	180	0.482738	0.1708299	0.0302	0.7674

Notes: n=180.[a]Variables definition: AF means the audit fees; AI is an indicator function equal to 1 if auditors come from the big 4 accounting firms, or 0 otherwise.; AC is an indicator variable that equals 1 if a company is listed in A+H shares, or 0 otherwise; TA is the total asset of company; NI is the net income of company; LEV is the ratio of liabilities to the company's total assets. For the purpose of correlation and regression analysis, the variable AF, TA, and NI are transformed to natural logarithm.

4.3 Correlation Analysis

Table 3 of this study shows the coefficients of correlation among independent variables, dependent variables, as well as control variables. From those in the data in Table 3, it can be seen that there is a positive relationship in both the auditor experience (AI) and natural audit cost logarithm (LogAF), meaning that if the auditor has IFRS audit experience, the company's audit cost will rise. Furthermore, the association in both the natural logarithm of audit fees (LogAF) and the company's IFRS experience is positive as well. Secondly, the relationship between the financial reporting factors derived from listed companies involves the natural logarithm of total assets (LogTA), the natural logarithm of net income (LogNI), the debt-to-total asset ratio (LEV) and the natural audit expense logarithm (LogAF) is also positive. Moreover, the correlation between samples is significant, so the results of sample analysis are convincing. Eventually, the table shows that the degree of correlation amongst variables is less than 0.8 so that there is no question of multicollinearity in sample analysis, which can also guarantee the reliability of the results of sample data analysis.

Table 3
Pearson Correlation Coefficients

Variable[a]	**LogAF**	**AI**	**AC**	**LogTA**	**LogNI**	**LEV**
LogAF	1					
AI	0.563**	1				
AC	0.473**	0.546**	1			
LogTA	0.753**	0.596**	0.522**	1		
LogNI	0.599**	0.505**	0.402**	0.836**	1	
LEV	0.409**	0.202**	0.240**	0.497**	0.190*	1

Notes: n=180. [a]Variables definition: LogAF means the natural log of the audit fees; AI is an indicator function equal to 1 if auditors come from the big 4 accounting firms, or 0 otherwise.; AC is an indicator variable that equals 1 if a company is listed in A +H shares, or 0 otherwise; LogTA is the natural log of the total asset of company; LogNI is the natural log of the net income of company; LEV is the ratio of liabilities to the company's total assets.
* P-Value < 0.05, ** P-Value < 0.01

4.4 Results of Multiple Linear Regression Analysis

Table 4 gives an overview of multiple linear regression tests relying on the empiric model of this study. That AI's regression coefficient is 0.165. (t-statistics=2.549), and significant at the

5% level. It can be inferred that the relationship between both the auditor's IFRS experience and audit fee is positive. Therefore, the first hypothesis is supported. That is to say, when auditors have IFRS experience, audit fees of the companies will increase. This study's results are in line with the conclusions of studying previous relevant kinds of literature. Lin and Yen (2016) analyzed data from 2005 to 2008 from listed companies in China and also found that if auditors have IFRS experience, the audit fees of companies will increase.

Moreover, the coefficients on AC is 0.055 (t-statistics = 0.911), but the coefficients on AC were not significant. The results show that the correlation between IFRS experience and audit fees is also positive, and yet the result is not significant. Therefore, the second hypothesis cannot be validated by the tests. Although prior literature considered the company's IFRS experience to be negatively associated with the company's audit fees (Lin and Yen, 2016), this paper carried out an empirical analysis from either the audit fees of Chinese listed companies throughout 2005 to 2008. During this period, China just started to adopt IFRS. However, the data used for this study were taken from the annual reports of Chinese listed companies from 2016 to 2018. Since 2018, the IFRS convergence process in China has gone through 10 years, so the results may be inconsistent due to the changes in some factors, which need to be further investigated in the future.

In the meanwhile, LogTA's regression coefficient is 0.647 (t-statistics = 5.197), and significant at the 0.1% level. The result shows that the association among both the total asset and the audit fees is positive, which is similar to past relevant kinds of literature. Besides, as for the control variable LogNI, its regression coefficient is -0.057 (t-statistics=-0.565), that means that those control variables are indicated to be negatively correlated with the dependent variable. However, this variable's regression coefficient is not significant. There is no relevant research and explanation in previous works of literature, so further investigation is needed in future studies. Finally, the LEV's regression coefficient is 0.052 (t-statistics=0.822), indicating that the relationship between LEV and the dependent variable LogAF is positive, which is line with the previous relative research results as well, but this variable's regression coefficient was not significant in this study.

Table 4
Regression Results of IFRS Experience on Audit Fees

Variable[a]	**Exp**	**Coefficients**	**t-statistics**	**p-Value**
AI	+	0.165*	2.549	0.012
AC	-	0.055	0.911	0.364
LogTA	+	0.647***	5.197	0.000
LogNI	?	-0.057	-0.565	0.573
LEV	+	0.052	0.822	0.412
Adjusted R^2			0.582	
n			180	

Notes: [a]Variables definition: LogAF means the natural log of the audit fees; AI is an indicator function equal to 1 if auditors come from the big 4 accounting firms, or 0 otherwise.; AC is an indicator variable that equals 1 if a company is listed in A+H shares, or 0 otherwise; LogTA is the natural log of the total asset of company; LogNI is the natural log of the net income of company; LEV is the ratio of liabilities to the company's total assets

* P-Value < 0.05, ** P-Value < 0.01, *** P-Value < 0.001

CHAPTER FIVE

CONLUSION

IFRS adoption would increase audit fees to some extent. This study explores the effect of IFRS implementation on China's audit fees. IFRS adoption is measured from auditor's IFRS experience and the company's own IFRS experience in this study. After empirical analysis, this study also reached the same conclusion, that is, after Chinese companies adopted IFRS, audit fees of the company were raised. The implementation of IFRS also brings benefits to the companies that use it, because it increases the audit quality, but it also tends to increase the company's audit costs. Increasing audit costs will also be a significant challenge in China to implement IFRS.

This study investigated and analyzed the audit fees for 30 A-share companies and 30 A+H share companies listed in Shanghai, Shenzhen and Hong Kong stock exchanges during 2016 and 2018, mainly including some manufacturing companies and excluding financial companies, Banks and insurance companies. It found that these companies increased their audit fees after adopting IFRS from 2016 to 2018. Because the new accounting standards would impact financial work requirements, IFRS, in particular, requires higher financial reporting performance. As an outcome, the difficulty of preparing financial reports has increased following the implementation of IFRS, requiring higher quality audit services. Therefore, the audit pricing of auditors increases after the increase in audit service quality, which results in the companies ' increase in audit fees.

Furthermore, it can be found from the outcome of the study shows that auditors of the Big 4 accounting firms generally charge more audit fees since they provide higher quality audit services than those of the non-Big 4 accounting firms. Therefore, this study also confirms that higher audit fees would be asked to pay for auditors with IFRS expertise. Moreover, this study does not find empirical evidence that the correlation among both IFRS experience and audit fees is negative. Therefore, further study on this issue is needed in the coming years.

The related conclusions confirmed in this study will support some relevant research areas of research along with the effect of the IFRS implementation to audit fees. Firstly, this study focuses on the influence of the IFRS convergence process on China's audit fees. It is well known that China, the second-largest economy in the world, does have a significant impact on world economic development. Therefore, the study on China in this paper is helpful to supplement previous studies on the adoption of IFRS. Besides, other IFRS users or related institutions can also learn from China's IFRS convergence process. Next, this study primarily uses the influence on audit fees of auditors ' and audited organizations ' IFRS experience to measure what impact the implementation of IFRS onto the company's audit fees. However, there are few studies on this aspect in the previous kinds of literature.

At last, the findings of the study also provide references for some emerging markets preparing to adopt IFRS. The IFRS convergence will improve the quality of financial reporting but also promote the development of an international market economy, but also increase the cost of users. Therefore, new users need to consider auditing costs when adopting IFRS, and relevant regulatory departments should also improve relevant policies to provide better protection for users of IFRS.

However, in this study, there are some limitations. Firstly, there is no further empirical study on whether auditors of the Big 4 accounting firms can provide greater audit services as well as whether auditors of the Big 4 accounting firms have rich experience in IFRS. Moreover, in the process of analysis, this study conducted an empirical study on audit fees for listed companies throughout the Shanghai and Shenzhen A-share markets from 2016 to 2018, but does not distinguish sample companies according to regional differences, only considering that the types of sample companies are mainly Chinese manufacturing companies. Finally, in the process of data analysis, this study did not take into account the influence of time on the data analysis results, and previous literatures have also proposed the existence of such negative influence. Therefore, the analysis of time factors and regional differentiation can be added in the future related studies in the process of data analysis.

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APPENDIX 1: LIST OF COMPANIES

	The Sample Corporates Name
A-share (30)	China High Speed Railway Technology Co., Ltd.
	Shenzhen Kaifa Technology Co., Ltd.
	Shenzhen Desay Battery Technology Co., Ltd.
	North Huajin Chemical Industries Co., Ltd
	Shenzhen Zhongjin Lingnan Nonfemet Co. Ltd.
	China Great wall Technology Group Co., Ltd.
	Shenzhen SDG Information Co., Ltd.
	TCL Corporation
	Anhui Fengyuan Pharmaceutical Co., Ltd.
	Sichuan New Energypower Co., Ltd.
	Jiangsu Eastern Shenghong Co., Ltd.
	Midea Group Co., Ltd.
	Zhenxing Biopharmaceutical & Chemical Co., Ltd
	Changhong Huayi Compressor Co., Ltd.
	Zangge Holding Co., Ltd.
	Jilin Chemical Fibre Stock Co., Ltd.
	Dong-E-E-Jiao Co., Ltd.
	XCMG Construction Machinery Co., Ltd.
	Sichuan Xinjinlu Group Co., Ltd.
	North Industries Group Red Arrow Co., Ltd.
	Lonkey Industrial Co., Ltd. Guangzhou
	Yunnan Baiyao Group Co., Ltd.
	Gree Electric Appliances, Inc. of Zhuhai
	Chacha Food Company, Limited
	Shenzhen Kinwong Electronic Co., Ltd.
	Hangzhou Nbond Nonwovens Co., Ltd.
	Zhejiang Xian tong Rubber Plastic Co., Ltd
	Huagong Tech Company Limited
	Jiuzhitang Co., Ltd.
	Zhejiang Supor Co., Ltd.
A-share & H-share (30)	Tsingtao Brewery Company Limited
	Livzon Pharmaceutical Group Inc.
	China International Marine Containers (Group) Ltd.
	Huaneng Power co. LTD.
	Huadian Power International Corporation Limited
	Maanshan Iron & Steel Company Limited
	Sinopec Shanghai Petrochemical Company Limited
	Angang Steel Company Limited

	Jiangxi Copper Company Limited Nanjing Panda Electronics Company Limited Zhengzhou Coal Mining Machinery Group Co., Ltd Shandong Xinhua Pharmaceutical Company Limited Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited Dongjiang Environmental Company Limited Anhui Conch Cement Company Limited Hisense Home Appliances Group Co., Ltd. Zhejiang Shibao Company Limited Luoyang Glass Company Limited BYD Company Limited CRRC Corporation Limited Ganfeng Lithium Co., Ltd. BBMG Corporation Shanghai Fosun Pharmaceutical (Group) Co., Ltd. Xinjiang Goldwind Science&Technology Co., Ltd Guangzhou Automobile Group Co., Ltd Great Wall Motor Company Limited Weichai Power Co., Ltd. Aluminum Corporation of China Limited Shanghai Electric Group Company Limited Fuyao Glass Industry Group Co., Ltd.