

**MINISTRY OF EDUCATION AND TRAINING
UNIVERSITY OF ECONOMICS HO CHI MINH CITY**

.....

MAI ĐỨC NGHĨA

**THE RELATIONSHIPS BETWEEN COMMON AUDITORS
AND ACCOUNTING COMPARABILITY OF COMPANIES
LISTED ON HO CHI MINH CITY STOCK EXCHANGE,
VIETNAM**

A DOCTORAL THESIS

Ho Chi Minh City, 2025

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A DOCTORAL THESIS

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Ho Chi Minh City, 2025

STATEMENT OF AUTHENTICATION

I hereby declare that the research titled “The Relationships Between Common Auditors and Accounting Comparability of Companies Listed on Ho Chi Minh City Stock Exchange, Vietnam” has been conducted by myself under the guidance of the supervisors.

I affirm that this thesis has been carried out with integrity and diligence and has not been previously published by anyone else.

The author

Mai Đức Nghĩa

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The author

Mai Đức Nghĩa

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ABBREVIATIONS

CEO	Chief Executive Officer
Controls	Control variables
FASB	Financial Accounting Standards Board (US)
FEs	Fixed Effects
GAAP	Generally Accepted Accounting Principles
GAO	the US Government Accountability Office
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
M&A	Merger and Acquisition
OLS	Ordinary Least Square
PCAOB	The Public Company Accounting Oversight Board
PSM	Propensity Score Matching
R&D	Research and Development
SEC	The US Securities and Exchange Commission
SOX	Sarbanes-Oxley Act
UK	United Kingdom
US	United States (of America)
VSAs	Vietnamese Standards on Auditing

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ABSTRACT

The research title: *The Relationships between Common Auditors and Accounting Comparability of Companies Listed on the Ho Chi Minh City Stock Exchange, Vietnam.*

This thesis examines the impact of common auditors—including audit firms, audit offices, and individual auditors—on the accounting comparability of companies listed on the Ho Chi Minh City Stock Exchange in Vietnam from 2016 to 2022. It also explores moderating factors that might influence this relationship. Employing a quantitative methodology, this study analyses a large sample comprising 45,178 firm-pair observations to test its hypotheses. The findings reveal that common audit firms, audit offices, and audit partners significantly enhance accounting comparability. However, common auditors in charge do not exhibit a significant effect on such comparability. Notably, the positive impact of common audit firms on comparability is more pronounced when all involved audit partners are female or when the audit firms are industry specialists. The study also finds that when a pair of listed companies switches from different audit firms to a common one, their accounting comparability improves. Conversely, comparability declines when companies move from a common audit firm to different ones. These results, supported by various robustness checks, offer valuable theoretical and practical insights for stakeholders, highlighting the critical role of common auditors in enhancing accounting comparability in the context of a rapidly developing country like Vietnam.

Keywords: accounting comparability, common auditors, audit partner's gender, and industry specialisation.

INTRODUCTION

1. Motivation for research

Accounting comparability is the qualitative characteristic of financial information (IASB, 2018; FASB, 2024). It enables users to identify and understand similarities and differences in the information presented in financial statements (IASB, 2018; FASB, 2024). Comparability is particularly important to investors, as they constantly need to compare alternatives to make informed decisions. The primacy of comparability has been examined widely in research as well as by regulators. For example, a part of the Conceptual Framework for Financial Reporting (including Chapter 1, *The Objective of General Purpose Financial Reporting*, and Chapter 3, *Qualitative Characteristics of Useful Financial Information*) were developed jointly by the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB). This joint project “would enhance international comparability for the benefit of investors and other capital market participants” (FASB, 2002). Vietnamese Accounting Standard No. 1 defines comparability as a fundamental accounting requirement, consistent in meaning with the Conceptual Framework of the IASB.

An audit firm typically operates multiple offices in different geographic locations. Each office generally serves audit clients within the same city or surrounding areas. In addition, audit firms employ numerous individual auditors to carry out audit engagements. Some empirical evidence in developed countries suggests that a pair of companies in the same industry sharing common audit firms (Francis et al., 2014; Johnston and Zhang, 2021), common audit offices (Kawada, 2014; Chen, Chen, et al., 2020) or common individual auditors (Chen, Chen, et al., 2020; Li et al., 2021) exhibit higher accounting comparability. For example, Francis et al. (2014) provide evidence that the same Big Four firm enhances the accounting comparability of its audit clients while Kawada (2014) finds that firm pairs audited by the same audit office exhibit greater accounting comparability than those audited

by different audit offices. Li et al. (2021) and Chen, Chen, et al. (2020) reveal that client firms report higher accounting comparability when audited by the same individual auditor than when audited by different individual auditors.

Empirical research has demonstrated the benefits of financial statement comparability. These benefits include reducing the cost of information acquisition and enhancing both the quantity and quality of information accessible to analysts concerning the firm (De Franco et al., 2011) or lower cost of equity (Phung and Pham, 2024a). Furthermore, comparability improves managers' ability to forecast future company performance (Chen and Gong, 2019) and discourages managers from concealing adverse news, thereby lowering investors' perceptions of the company's potential risk of a crash (Kim et al., 2016).

This study is grounded in Agency Theory and Upper Echelons Theory, as well as established theories on gender differences. Agency Theory (Jensen and Meckling, 1976) provides the rationale for engaging external auditors to reduce information asymmetry in principal–agent relationships. Upper Echelons Theory (Hambrick and Mason, 1982) highlights the influence of top decision-makers - such as audit partners and auditors in charge - and suggests that their personal characteristics (e.g. gender) and organisational contexts (e.g. industry specialisation) can affect audit outcomes. Prior research has shown that individual auditors significantly affect accounting comparability (Chen, Chen, et al., 2020; Jiu et al., 2020; Li et al., 2021; Frost et al., 2024). Furthermore, socio-cultural, evolutionary, and hormone-brain theories (Hines, 2005; Roivainen, 2011; Wood and Eagly, 2012; Tooby and Cosmides, 2015) suggest that male and female auditors differ in their audit approaches due to inherent behavioural and cognitive traits. In summary, Agency Theory, Upper Echelons Theory, and theories on gender differences provide a theoretical framework that supports the roles of audit firms, audit offices, and individual auditors, and justifies the inclusion of auditor-specific characteristics—such as gender and industry specialisation—in explaining variations in audit outcomes.

1.1 The contexts of Vietnam

First, Vietnam's economy has seen steady growth, ranking as the fifth-largest in ASEAN in 2023 and the 35th globally (Vietnamnet, 2024). As a major recipient of the global supply chain shift, Vietnam recorded \$27.72 billion in Foreign Direct Investment inflows in 2022 (BrunswickReview, 2023). The increasing importance of financial statement comparability for international investors is evident, both currently and projected into the future.

Second, the accounting and auditing landscape in Vietnam provides a distinctive backdrop for this research. The country has enacted substantial regulations affecting the audit sector, such as the Law on Independent Auditing (2011), Government Decree 17/2012/ND-CP (2012), and the Ministry of Finance's Circular 70/2015/TT-BTC on Professional Ethics of Accountants (2015), alongside a suite of Vietnamese Standards on Auditing (VSA). Additionally, the Ministry of Finance's Decision 345/2020/QĐ-BTC outlines a roadmap for the adoption of International Financial Reporting Standards (IFRS) in Vietnam, with voluntary adoption from 2022 to 2025 before becoming mandatory. These regulations mark a critical step towards aligning Vietnamese accounting practices with global standards.

Third, the audit market in Vietnam has some unique characteristics that differ from those in developed countries. For example, the Vietnamese audit market is considered highly competitive, with low litigation risks (Le et al., 2021; Nguyen, Nguyen, et al., 2023). Nearly two hundred audit firms are competing with each other in Vietnam, and the Big Four firms hold approximately 50 percent of the market share in terms of revenue (Kiemtoan, 2019). This situation contrasts with audit markets in the US and the UK, where the Big Four firms dominate with over 95 percent of the market share. For example, the largest audit firms audit 98 % of U.S. companies with annual revenues over \$1 billion (GAO, 2008). In the UK, Big4 firms dominate the audit market with 96% in 2017 and 100% in 2018 for the FTSE100 or 96% and 90% for FTSE250 respectively (FT, 2019).

Fourth, International financial reporting standards (IFRS) are relevant to Vietnam, and the contents of Vietnamese Standards on Auditing (VSAs) are nearly identical to International Standards on Auditing (ISAs). The presence of the Big Four alongside smaller local firms raises intriguing questions about their respective roles in enhancing financial statement comparability. According to the Ministry of Finance of Vietnam's 2024 audit quality inspection report, there are significant differences in audit quality among firms. For example, the Department of Accounting and Auditing Supervision conducted inspections at 13 auditing firms and found that 4 of them—accounting for 31%—did not meet the required audit quality standards (VACPA, 2025). In the context of Vietnam, it remains unclear whether the relationships observed in developed countries between common auditors (e.g., audit firms, audit offices, and individual auditors), and accounting comparability exist. Furthermore, if such relationships do exist in Vietnam, it prompts additional questions about the factors that might moderate them.

1.2 The research gaps

Prior studies in developed countries have consistently demonstrated a positive relationship between common audit firms (Francis et al., 2014; Johnston and Zhang, 2021), common audit offices (Kawada, 2014; Chen, Chen, et al., 2020; Shi et al., 2021), and common individual auditors (Chen, Chen, et al., 2020; Li et al., 2021; Frost et al., 2024) with accounting comparability. However, despite these findings being robust in developed markets, little is known about the impact of common auditors on financial statement comparability in developing economies, such as Vietnam.

In Vietnam, research on accounting comparability remains limited (Nguyen, 2021; Nguyen and Nguyen, 2021; Phung and Pham, 2024b). According to the Scopus database, only nine Vietnamese publications have addressed this topic (see Table 1.1 for details). For instance, Nguyen (2021) examines the impacts of accounting comparability on earnings management in Vietnam and finds that higher comparability reduces firms' tendency to engage in earnings management, though

this effect does not hold for firms facing greater financial constraints. Nguyen and Nguyen (2021) reveal a positive correlation between accounting comparability and corporate cash holdings while Phung and Pham (2024b) document that market concentration has a positive relationship with comparability. A common feature among the nine Vietnamese publications is the absence of research on the role of common auditors (i.e. audit firms, audit offices, or individual auditors) in shaping accounting comparability in Vietnam. This highlights a significant research gap that remains unaddressed. Moreover, if such a relationship does exist, its potential moderating factors also warrant examination.

Although previous studies in developed countries have found a positive link between common auditors and accounting comparability, these findings may not be directly applicable to Vietnam due to its distinct economic and regulatory environment. Comparability is especially important in Vietnam's shifting institutional and regulatory context for three key reasons. First, as Vietnam transitions from VAS to IFRS - moving from a prescriptive local system to globally recognised standards - comparability helps assess whether financial reporting is becoming more consistent and aligned internationally (Nguyen and Gong, 2014). Second, as the country seeks to attract more foreign direct investment, comparable financial statements are essential for investors to assess performance and manage risks in a complex regulatory environment. Third, recent reforms in accounting and professional ethics aim to improve financial reporting quality, and comparability provides a means to evaluate the effectiveness of these changes in enhancing such quality and investor trust. The specific gaps identified for further research are as follows:

1. **Impact of Common Audit Firms on Accounting Comparability:** Although research such as that by Francis et al. (2014) and Johnston and Zhang (2021) has demonstrated positive impacts of common audit firms on accounting comparability in developed markets, there is a lack of evidence regarding whether these findings hold in emerging markets like Vietnam. This gap is

particularly relevant given the dynamic growth of Vietnam's economy and the evolving nature of its financial markets. This study aims to explore if and how common audit firms contribute to accounting comparability of companies listed on the Ho Chi Minh City Stock Exchange (HOSE).

2. **Influence of Common Audit Offices and Individual Auditors:** Studies by Kawada (2014), Chen, Chen, et al. (2020), Shi et al. (2021) and Frost et al. (2024) suggest that not just the common audit firms but also the common audit offices and individual auditors play a crucial role in enhancing comparability in developed economies. However, the influence of these common auditors in a developing context like Vietnam remains underexplored. This research intends to fill this gap by examining whether the relationships observed in more mature markets are replicable in Vietnam, considering factors such as local auditing practices, regulatory frameworks, and market conditions.
3. **Moderating Factors in the Vietnamese Context:** There is a clear necessity to identify and analyse potential moderators that may influence the relationship between common audit firms and accounting comparability in Vietnam. Moderators such as industry specialisation, audit partner gender, and other demographic characteristics could play a critical role in shaping this relationship. Understanding these factors can offer deeper insights into the circumstances under which the influence of common audit firms on comparability is either strengthened or weakened in emerging markets.
4. **Consequences of audit firm switches on accounting comparability:** Although Francis et al. (2014) and Johnston and Zhang (2021) have demonstrated various impacts of audit firm switches on accounting comparability in developed markets, it remains uncertain whether these findings hold in emerging markets such as Vietnam. This gap is particularly important given the highly competitive nature of the Vietnamese audit market,

with nearly two hundred audit firms in operation and frequent instances of companies switching to or from common audit firms for various reasons.

This research seeks to bridge the research gaps by providing empirical evidence on the impact of common auditors - including audit firms, audit offices, and individual auditors - on accounting comparability in Vietnam. By exploring these relationships and the conditions that moderate them, this study aims to contribute valuable perspectives to both theories and reporting practices in a rapidly developing country like Vietnam. These gaps serve as the motivation for conducting this research.

2. Research objectives

My research aims to explore the relationships between common auditors - including audit firms, audit offices, and individual auditors - and accounting comparability within the context of Vietnam. Additionally, it examines the moderating factors that influence the relationship between common audit firms and accounting comparability. The research objectives are as follows:

1. To determine whether there is a relationship between common audit firms and the accounting comparability of listed company pairs in Vietnam.
2. To examine factors that moderate the relationship between common audit firms and the accounting comparability of listed company pairs in Vietnam, if such a relationship exists.
3. To examine how accounting comparability changes when a pair of listed companies switches from having different audit firms to sharing a common audit firm, and vice versa.
4. To determine whether there is a relationship between common audit offices of the same audit firm and the accounting comparability of listed company pairs in Vietnam.
5. To determine whether there is a relationship between common audit partners of the same audit firm and the accounting comparability of listed company pairs in Vietnam.

6. To determine whether there is a relationship between common auditors in charge of the same audit firm and the accounting comparability of listed company pairs in Vietnam.

These research objectives have not yet been explored in the Vietnamese context. Therefore, this thesis aims to address these gaps.

3. Research questions

To achieve the above research objectives, this study aims to address the following questions:

1. Does a pair of listed companies audited by a common audit firm exhibit greater accounting comparability than a pair audited by different audit firms?
2. If a pair of listed companies audited by a common audit firm exhibits greater accounting comparability than a pair audited by different firms, what factors moderate this relationship?
3. Does accounting comparability increase when a pair of listed companies switches from having different audit firms to sharing a common audit firm? Conversely, does accounting comparability decrease when they switch from sharing a common audit firm to having different ones?
4. Does a pair of listed companies audited by a common audit office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different audit offices of the same audit firm?
5. Does a pair of listed companies audited by a common audit partner of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different audit partners of the same audit firm?
6. Does a pair of listed companies audited by a common auditor in charge of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different auditors in charge of the same audit firm?

4. Research subjects and research scope

Research subjects:

This research explores the relationships between common auditors (e.g., audit firms, audit offices, and individual auditors) and accounting comparability within the Vietnamese context. Additionally, it examines the moderating factors that influence the relationship between common audit firms and accounting comparability.

Research scope:

- **Space:** This research focuses on non-financial companies listed on Ho Chi Minh City Stock Exchange (HOSE) in Vietnam. HOSE is selected as the research site because it is the largest stock exchange in the country and hosts the majority of Vietnam's largest enterprises (Le and Moore, 2022). At the end of 2022, HOSE had a market capitalisation of 4.01 million billion VND, representing 94 per cent of the total listed market capitalisation and equivalent to 42.22 per cent of Vietnam's GDP in 2022 (Mai Hien, 2023). As of 31 December 2024, the market capitalisation of HOSE accounted for 93.92 percent of the total listed market capitalisation and was equivalent to 50.95 percent of GDP (Linh, 2025). In addition, the VN Index, which represents the Vietnamese stock market, is based on companies listed on HOSE. This research focuses exclusively on non-financial listed companies. Financial firms, such as banks, insurance companies, and securities firms, were excluded due to their distinct financial structures and regulatory reporting requirements, which differ significantly from those of non-financial companies. Including them could introduce inconsistencies in the analysis.
- **Time period:** This study uses data from companies listed on HOSE between 2016 and 2022, along with information from independent auditors' reports. The period begins in 2016 to minimise the impact of important changes in accounting regulations. For example, Circulars 200 and 202, issued by the

Ministry of Finance, took effect for fiscal years beginning in 2015, while Decree 145 took effect in 2016.

5. Methodology

The selection of a research methodology is primarily influenced by the characteristics of the data and the objectives of the research. My study utilizes secondary data described by Gow et al. (2016) as observational, with the goal of identifying relationships within this data type.

The study begins with a bibliometric analysis to examine documents and identify emerging research trends, as suggested by Donthu et al. (2021). This is followed by a comprehensive literature review to highlight existing research gaps. From this foundation, a research model is proposed, leading to the formulation of hypotheses (Armstrong et al., 2022).

For data analysis, I apply the Ordinary Least Squares (OLS) multiple regression model to explore various research questions, including scenarios such as moderated relationships, as outlined by Bolin (2014). Armstrong et al. (2022) emphasize that robust underlying theories and a comprehensive understanding of the research settings are prerequisites for deriving unbiased causal estimates from observational data using OLS regressions. They argue that a strong theoretical base is crucial for making causal inferences and interpreting observed correlations.

My research is anchored in well-established theories such as Agency Theory, Upper Echelons Theory, and three major theories that explain gender differences in society. This theoretical foundation is complemented by a deep understanding of the accounting and auditing landscape in Vietnam, the data collection process, and my professional background. These elements collectively justify the use of OLS regression, aligning with the research objective to draw causal inferences about relationships.

To control for potential omitted variables, I incorporate fixed effects into the analysis, following Francis et al. (2014), Li et al. (2021), and Chircop et al. (2024).

Armstrong et al. (2022) highlight that fixed effects can effectively address endogeneity issues arising from omitted variables.

Additionally, I employ a range of firm-specific control variables as suggested by Lang et al. (2010), Francis et al. (2014), and Li et al. (2021). To address potential confounding factors such as firm size, leverage, and loss-making status that might influence the relationship between common auditors and accounting comparability, I also use the propensity-score matching (PSM) technique (Shipman et al., 2017).

Moderation analysis is used to delve deeper into the dependent nature of the relationships initially indicated by the regression analyses. My research seeks to determine the moderating effects on the relationship between common audit firms and accounting comparability, exploring under which conditions these effects vary. These moderators may relate to characteristics such as industry specialisation of the audit firms or audit partner gender, following the approach of Jollineau and Bowen (2023).

For measuring key variables, I follow the methodologies of Francis et al. (2014) and Johnston and Zhang (2021) to measure common audit firms. Additionally, I use the approaches of Kawada (2014), Chen, Chen, et al. (2020), Li et al. (2021), and Frost et al. (2024) for common audit offices, audit partners, and auditors in charge. The metric for accounting comparability is based on the approach of De Franco et al. (2011).

6. Contributions of the research

This research is expected to make significant and original contributions to both academic literature and professional practice, particularly within the Vietnamese context.

6.1 Theoretical contributions

Firstly, the study identifies a positive relationship between common audit firms, audit offices, audit partners, and accounting comparability in Vietnam. These findings not only reinforce Agency Theory but also extend its application in the

auditing context by offering a new perspective on the roles of audit firms, offices, and partners. Specifically, common audit firms, offices, and partners appear to be more effective at reducing information asymmetry than their non-common counterparts. This enhances the traditional understanding of Agency Theory by suggesting that common auditors are particularly well positioned to address the principal–agent relationship, beyond the general role typically attributed to auditors.

Secondly, the study demonstrates that the positive relationship between common audit firms and accounting comparability is stronger when the firms are industry specialists or when all audit partners involved are female. These findings provide empirical support for Upper Echelons Theory as well as gender-related theoretical frameworks. According to Upper Echelons Theory, characteristics of key decision-makers - such as gender and contextual factors - such as industry specialisation - can influence organisational outcomes. While Upper Echelons Theory has primarily been applied in management studies, this research extends its relevance to the auditing profession, particularly within the context of a developing country.

In addition, the study contributes to the literature on gender differences by providing further evidence of how gender may influence professional outcomes in the audit context.

6.2 Practical contributions

Firstly, this research provides original evidence of a positive relationship between common audit firms and accounting comparability in Vietnam. The study documents that a pair of listed companies audited by the same audit firm exhibit greater accounting comparability than those audited by different firms. By focusing on a Vietnamese sample, this research extends existing literature on the link between common audit firms and accounting comparability (Francis et al., 2014; Kawada, 2014; Johnston and Zhang, 2021; Frost et al., 2024), offering insights specific to a

developing economy that is increasingly integrated into the global market and supply chain.

Enhanced accounting comparability plays a critical role in attracting foreign investment, as it allows stakeholders to evaluate economic alternatives more effectively. This study highlights the role of audit firms as a vital part of the financial reporting supply chain, demonstrating that the use of common audit firms can improve accounting comparability. This, in turn, suggests a promising approach to enhancing financial reporting quality in Vietnam, with potential benefits for the country's economic development and international integration.

To the best of my knowledge, this is the first study to establish a positive relationship between common audit firms and accounting comparability in Vietnam, representing a notable contribution to the country's auditing and financial reporting literature.

Secondly, this research provides the first evidence of a positive relationship between common audit offices of the same audit firm and accounting comparability in the context of Vietnam. It documents that a pair of listed companies audited by the same audit office of an audit firm exhibits greater accounting comparability than those audited by different offices of such an audit firm. This finding enriches our understanding of the roles of common auditors not only at the audit firm level but also at the audit office level. It provides audit offices with a stronger impetus to customise their audit approach more deeply from their audit firm to make it more effective in their audit engagements. An audit office of the same audit firm can better perform than other offices when providing audit services to its audit clients.

Thirdly, this research provides pioneer evidence of a positive relationship between common audit partners of the same audit firm and accounting comparability in the context of Vietnam. It documents that a pair of listed companies audited by the same audit partner of an audit firm exhibits greater accounting comparability than those audited by different partners of such an audit firm. This finding highlights the

importance of individual audit partners in performing their jobs. Additionally, this research documents that common auditors in charge of the same audit firm do not have significant impacts on accounting comparability as common audit partners do. These findings have important implications for enhancing the quality of auditor training programs and changing the way audit engagements or audit quality control policies are conducted in the context of Vietnam.

Fourthly, this research provides original evidence that when a pair of listed companies switches from having different audit firms to sharing a common audit firm, their accounting comparability improves. Conversely, switching from sharing a common audit firm to having different audit firms reduces their accounting comparability. In other words, audit firm switches by listed companies have consequences on their accounting comparability. This finding has meaningful implications for investors, bankers, analysts, and management when evaluating the comparability of financial statements of peer companies for making business decisions.

Fifthly, this research advances the understanding of gender-related dynamics in audit practices. It demonstrates that the positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners of common audit firm are female. This finding highlights the importance of gender in improving audit outcomes, offering new insights into auditor characteristics that can influence the future direction of personnel audit assignments and promotions in audit firms in Vietnam.

Sixthly, this research extends the understanding of industry specialisation in audit practices by demonstrating that the positive relationship between common audit firms and accounting comparability is more pronounced when the common audit firms are industry specialists in Vietnam. This finding highlights the importance of industry specialisation in audit practices and has relevant implications for boards of directors or shareholders when selecting audit firms for their auditing services. In

addition, an audit firm can enhance its competitive advantage by offering specialised knowledge to its clients, particularly in a highly competitive audit market.

In conclusion, this study not only enriches the literature on auditing and accounting comparability but also makes significant and distinctive contributions to the auditing profession and financial reporting practices in Vietnam. The findings offer strong evidence for market regulators to prioritise the enhancement of accounting comparability among listed companies, as this plays a vital role in improving overall financial reporting quality. Such improvements help create a more appealing environment for investors and further support Vietnam's efforts to attract foreign investment into its capital markets.

This research is structured as follows: apart from the introduction, there are five chapters. Specifically, Chapter 1 presents the literature review, followed by the theoretical background and hypothesis development in Chapter 2. The methodology is described in Chapter 3, while research results and discussion are presented in Chapter 4. Finally, conclusions and implications are presented in Chapter 5.

Chapter 1 LITERATURE REVIEW

Introduction

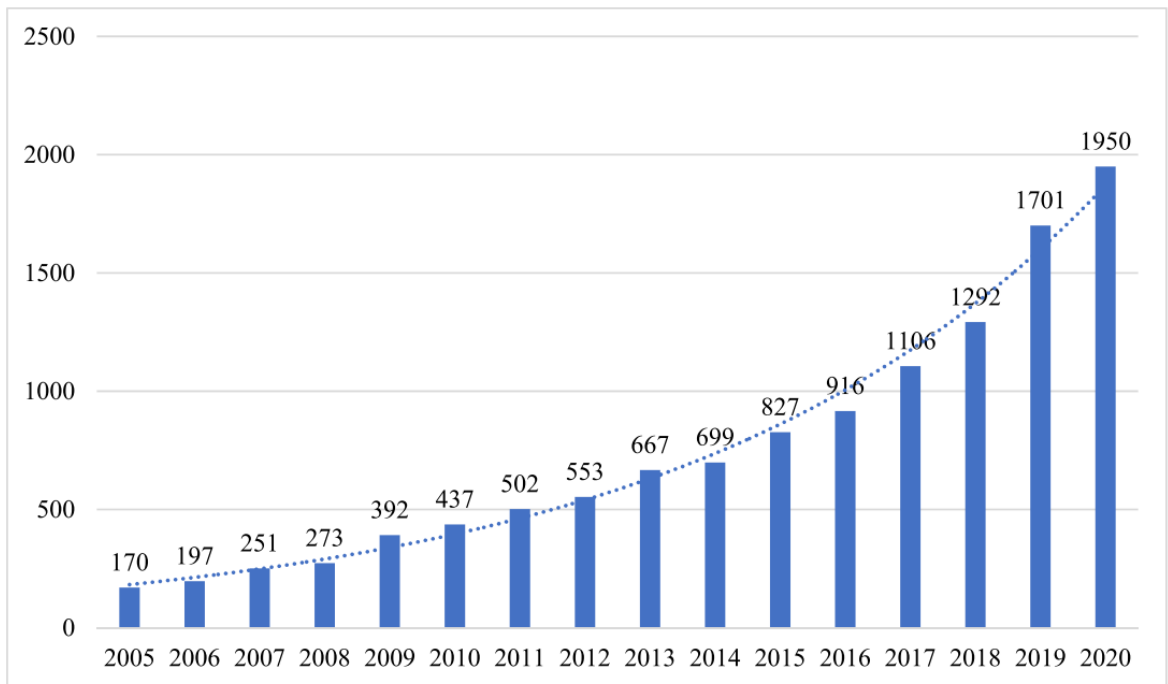
Chapter 1 provides exploration of the existing research on the influence of common auditors on accounting comparability. This chapter systematically reviews and synthesizes relevant studies to build a comprehensive understanding of the topic. It begins by assessing the scope of current academic literature through bibliometric analysis, providing an overview of how comparability has been previously examined and understood in empirical research. The chapter further details the concept of comparability, outlining its definitions, benefits, and determinants, as well as the different methods used to measure this construct. It also introduces and analyses the concept of common auditors at three different levels: audit firms, audit offices, and individual auditors. Through this structured review, the chapter aims to clarify the complex dynamics that common auditors play in the field of accounting comparability, particularly within developed economies, and identifies gaps in research concerning developing countries like Vietnam.

1.1 Bibliometric analysis

1.1.1 Overview of bibliometric analysis

Bibliometric analysis employs quantitative techniques to integrate data from available sources, such as the Web of Science or Scopus, and to present this data in the form of indicators for easy visualisation (Bredahl, 2022). Thus, bibliometric analysis provides an effective and objective view of the state of the intellectual structure and emerging trends of a research topic (Donthu et al., 2021). In recent years, business scholars have shown increasing interest in using bibliometric analysis (see Figure 1.1).

Figure 1.1 Year-wise publication of bibliometric papers during 2005-2020



Source: Donthu et al. (2021).

1.1.2 Bibliometric analysis of accounting comparability

Accounting comparability is the central construct of this thesis; therefore, a literature review on this concept is conducted first. To begin, a bibliometric analysis is used to provide an overview of how the topic of accounting comparability has evolved in the literature over time (Donthu et al., 2021). Secondly, a detailed literature review is presented to explore the research streams on the determinants and benefits of accounting comparability. I searched for published articles on the Scopus database using the keywords “Accounting Comparability” or “Financial Statement Comparability”¹ for the period from 2011 to January 2025. As a result, there are 188 published articles related to “accounting comparability” for this period. Figure 1.2 shows the number of published articles which exhibits a steady upward trend over the years, thus demonstrating that the research topic of this thesis is up to date.

¹ In published articles, the terms “accounting comparability” and “financial statement comparability” are used interchangeably.

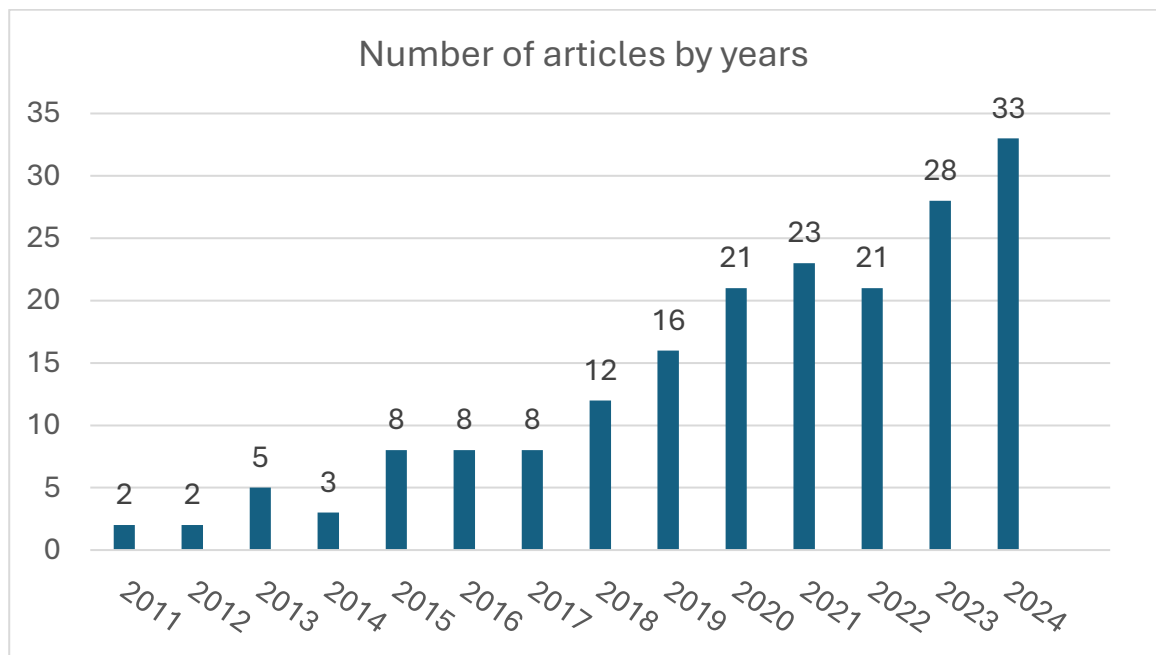


Figure 1.2 Year-wise published articles on accounting comparability

Source: created by the author.

Figure 1.3 presents accounting journals that published the most articles related to accounting comparability over the last 15 years.

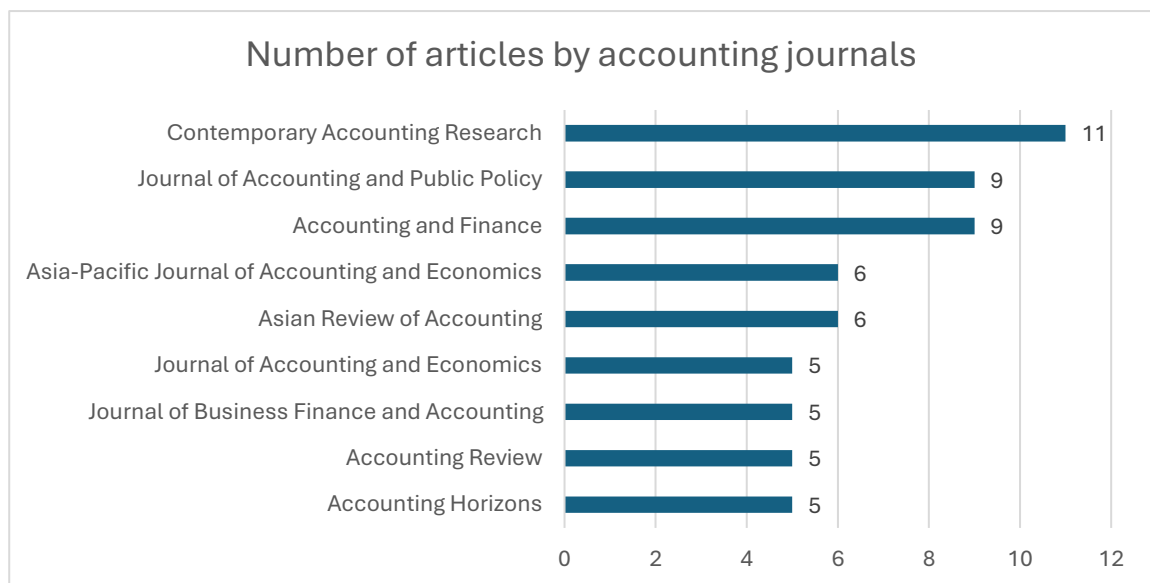


Figure 1.3 Numbers of accounting comparability articles by journals

Source: created by the author.

Figure 1.4 presents the top countries that have the most published articles related to accounting comparability over the last 15 years.

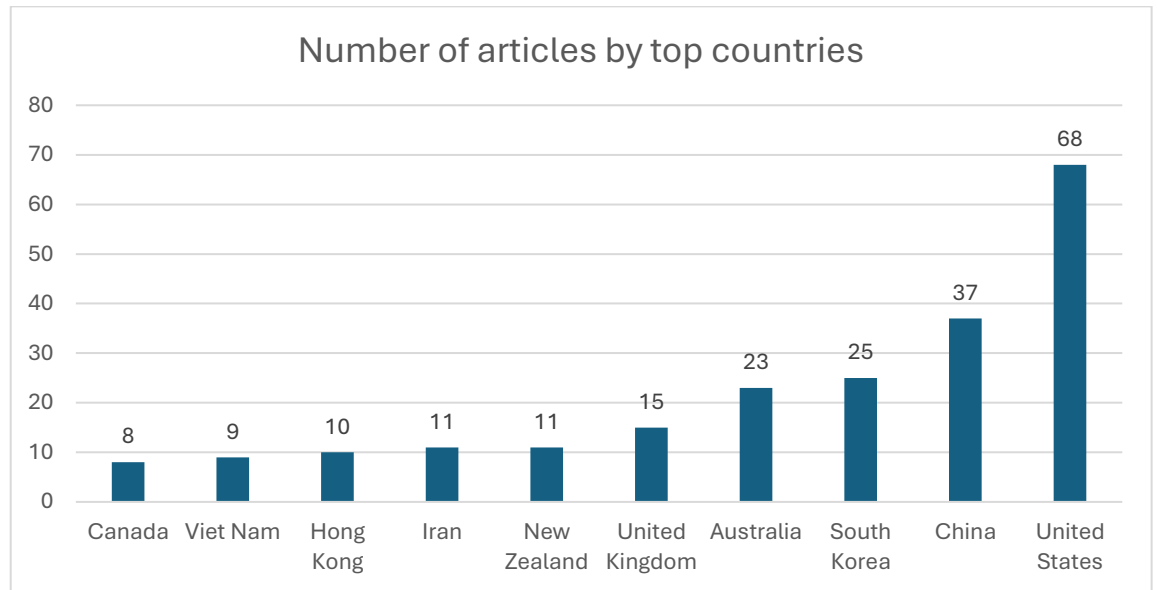


Figure 1.4 Top 10 countries with the most comparability articles

Source: created by the author

In Figure 1.4, the US, China, South Korea, and Australia are the leading countries with the most articles on accounting comparability. Vietnam holds the ninth position in this top ten, demonstrating that accounting comparability has captured the attention of local researchers.

Table 1.1 presents a summary of nine publications related to accounting comparability in Vietnam. A common feature among these studies is that none considers the role of common auditors in the context of accounting comparability in Vietnam. Therefore, the research gap regarding common auditors and accounting comparability remains to be addressed. The following section provides a literature review on the relationship between common auditors and accounting comparability.

Table 1.1 Summary of nine accounting comparability publications

No	Title	Author(s)	Main findings
1	“Does financial statement comparability reduce cost of equity? Evidence in emerging market”	Phung and Pham (2024a)	The results show that firms with high comparability of financial statements have lower cost of equity.
2	“Market concentration and financial statement comparability: what is the role of state ownership? Evidence from SYS GMM and fsQCA”	Phung and Pham (2024b)	They find that market concentration positively influences financial statement comparability, with a stronger effect in firms with higher state ownership.
3	“Is related party transactions linked to accounting comparability? Evidence from emerging market”	Phung et al. (2023)	The authors find evidence for a positive relation between related party transaction and accounting comparability.
4	“The Impact of Corporate Social Responsibility Disclosure and Accounting Comparability on Earnings Persistence”	Nguyen et al. (2022)	The authors find that corporate social responsibility and accounting comparability positively influence earnings persistence in Vietnamese listed firms.
5	“Financial statement comparability and corporate debt maturity”	Do (2021)	This paper finds that financial statement comparability reduces short-term debt use, suggesting it serves as a substitute governance mechanism.

Table 1.1 Summary of nine accounting comparability publications (continued)

No	Title	Author(s)	Main findings
6	“Accounting comparability and cash holdings in Vietnam”	Nguyen and Nguyen (2021)	This study explores the link between accounting comparability and cash holdings in an emerging market, finding a positive association that highlights comparability as an effective governance tool.
7	“Accounting comparability and accruals-based earnings management: Evidence on listed firms in an emerging market”	Nguyen (2021)	The results show that higher comparability reduces earnings manipulation, especially when firms compare with a few peers rather than many. However, financially constrained firms do not reduce earnings management even with improved comparability.
8	“Corporate social responsibility disclosure and financial performance: the mediating role of financial statement comparability”	Cao et al. (2021)	The findings show that corporate social responsibility disclosure positively affects financial performance, and financial statement comparability plays a complementary mediating role in this relationship.
9	“Perceptions Towards International Financial Reporting Standards (IFRS): The Case of Vietnam”	Phan et al. (2014)	The study reveals that Vietnamese accounting professionals are optimistic about the potential benefits of adopting IFRS, such as improved relevance, comparability, and reliability. They acknowledge the associated costs and implementation challenges, while expressing strong support for a gradual transition from Vietnamese Accounting Standards to IFRS.

Source: created by the author

1.2. Accounting comparability concept

The primary objective of financial statements is to provide useful information to existing and potential investors, lenders, and other creditors for their decision-making processes (IASB, 2018; FASB, 2024). The Conceptual Framework of IASB and FASB outlines six qualitative characteristics that make financial information useful to users. These characteristics are Relevance, Faithful Representation, Comparability, Verifiability, Timeliness, and Understandability (IASB, 2018; FASB, 2024). These qualitative characteristics work together to ensure that financial statements provide a true and fair view of the financial performance and position of an entity, thereby assisting stakeholders in making informed economic decisions. Vietnamese Accounting Standard No. 1 defines comparability as a fundamental accounting requirement, consistent in meaning with the Conceptual Framework of the IASB.

Accounting comparability constitutes an important qualitative characteristic of financial statements, facilitating users' ability to identify and comprehend the similarities and differences in the financial information of various companies (IASB, 2018; FASB, 2024). The significance of comparability is underscored by both regulatory bodies and academic scholars. For example, a part of the Conceptual Framework for Financial Reporting (including Chapter 1, *The Objective of General Purpose Financial Reporting*, and Chapter 3, *Qualitative Characteristics of Useful Financial Information*) were developed jointly by IASB and FASB. This joint project “would enhance international comparability for the benefit of investors and other capital market participants” (FASB, 2002). Such comparability is instrumental in supporting informed decision-making, especially for investors engaged in evaluating various investment alternatives.

The Conceptual Framework of IASB defines comparability as follows:

“Information about a reporting entity is more useful if it can be compared with a similar information about other entities and with similar information about

the same entity for another period or another date. Comparability enables users to identify and understand similarities in, and differences among, items. [para 2.24-2.25]” (IASB, 2018)

From the viewpoints of regulators (the IASB and FASB), comparability helps achieve the important goal of “level the playing field” in the capital market (Kim et al., 2020). The widespread adoption of IFRS in many countries leads to greater accounting comparability than that achieved under domestic accounting standards such as Spanish accounting standards (Callao et al., 2007), German GAAP (Gross, 2016) or US GAAP (Barth et al., 2012). Accounting comparability is crucial in capital markets, as it enables effective comparisons among investment alternatives, which are essential for resource allocation. By enhancing comparability, resource allocation becomes more efficient (Revsine, 1985).

However, regulators such as the IASB and FASB do not provide specific methods for measuring the comparability of financial reports. As a result, researchers have employed various approaches to quantify this concept of comparability (Van der Tas, 1988; Walton, 1992; Archer et al., 1995). An academic definition of comparability is necessary to make the concept of comparability operational in empirical research. In a seminal article widely used by researchers, De Franco et al. (2011) define comparability as the degree of similarity between the accounting systems of two firms in representing economic events within financial statements. It means that two firms in the same industry should represent identical economic events similarly. De Franco et al. (2011) conceptualise the accounting system as a mapping mechanism that translates economic phenomena into financial reports.

Earnings are the most commonly used proxy for financial statements in the literature, as seen in studies such as Becker et al. (1998), Francis and Krishnan (1999), Krishnan (2003), Kothari et al. (2005), De Franco et al. (2011), Barth et al. (2012), Francis et al. (2014), Kawada (2014), Lawson and Boldin (2014), and Garven and Taylor (2015). Accordingly, accounting comparability, or financial statement comparability is often inferred by examining the comparability of earnings reported

in financial statements. The next section will introduce some benefits of accounting comparability.

1.2.1 Benefits of accounting comparability

Comparability helps users to identify similarities in, and differences among, items and enhances the usefulness of information (IASB, 2018).

Empirical research increasingly supports the benefits of accounting comparability. First, accounting comparability leads to decreased asymmetry of information in the capital market (De Franco et al., 2011; Shane et al., 2013; Kim et al., 2016; Imhof et al., 2017; Phung and Pham, 2024a) and in the debt market (Kim et al., 2013; Fang et al., 2016; Do, 2021; Majeed and Yan, 2021). For example, De Franco et al. (2011) demonstrate that accounting comparability is positively correlated with analyst coverage and the accuracy of their forecasts, while it inversely affects the variability in analysts' earnings forecasts, indicating the lower cost of acquiring information. Shane et al. (2013) find that firms with better comparability experience less under-pricing during seasoned equity offerings and are less likely to encounter positive earnings surprises. Kim et al. (2016) indicate that higher accounting comparability is associated with lower expected crash risk because comparability discourages managers from hoarding bad news, thereby lowering investors' perceptions of a firm's future crash risk. Imhof et al. (2017) and (Phung and Pham, 2024a) reveal that higher financial statement comparability is associated with a lower cost of equity capital. In the debt market, comparability is found to be negatively associated with the loan interest spread (Fang et al., 2016) but positively associated with bond liquidity (Kim et al., 2013). While Do (2021) find comparability has a negative effect on short-maturity debt, Majeed and Yan (2021) document that accounting comparability improves the acquisition and processing of financial information, which results in lower information asymmetry which reduces noise in debt contracting and makes lower cost of debt. In addition, companies whose earnings are more comparable to those of their industry peers tend to be highly valued by investors and analysts (De

Franco et al., 2011; Young and Zeng, 2015; Choi et al., 2019a; Chen, Kurt, et al., 2020). For example, Young and Zeng (2015) examine the relationship between accounting comparability and the valuation performance of price multiples and find that better accounting comparability improves peer-based valuation accuracy while Choi et al. (2019a) reveal that stock prices become more informational as a result of comparability, and investors can better predict future firm performance. Chen, Kurt, et al. (2020), using US data, find that a \$1 increase in EPS leads to a \$4.04 rise in stock price for firms with low accounting comparability, while the stock price increases by \$6.76 for firms with high accounting comparability. It suggests that investors take accounting comparability into account in their valuation decisions.

Secondly, the current body of literature suggests that firms exhibiting high accounting comparability are better positioned to make enhanced investment decisions (Revsine, 1985; Chen et al., 2018; Chircop et al., 2020; Zhang et al., 2020; Tseng and Zhong, 2024). For instance, Revsine (1985) documents that with enhanced comparability, resource allocation becomes more efficient while Chen et al. (2018) finds that acquirers make more profitable acquisition decisions when the financial reports of target firms are more comparable, as evidenced by higher merger announcement returns and greater acquisition synergies. Chircop et al. (2020) reveal that greater accounting comparability with industry peers enhances a firm's ability to learn from those peers' R&D investments, thereby improving its innovative efficiency. Similarly, Zhang et al. (2020) indicate that firms with higher accounting comparability exhibit lower level of inefficiency in labour investments via improved external monitoring and internal governance mechanisms. Tseng and Zhong (2024) document that that increased comparability enhances firms' incentives to learn from their peers and generate new patents that reference their peers' existing patents.

Third, the existing literature demonstrates that accounting comparability leads to other positive corporate outcomes (Choi and Suh, 2019; Chen, Kurt, et al., 2020; Jiu et al., 2023; Chircop et al., 2024). For instance, Choi and Suh (2019) find that accounting comparability enhances the alignment between equity-based

compensation and firm performance while Chen, Kurt, et al. (2020) report that the value relevance of earnings is 25.2% higher when accounting comparability increases by one standard deviation. Jiu et al. (2023) document that Chinese firms with greater comparability are associated with lower likelihood of frauds, and regulators can more swiftly detect frauds in accused firms if their financial statements are more comparable to those of their industry peers. Chircop et al. (2024) demonstrate that higher accounting comparability enables suppliers to attract a broader customer base, thereby reducing customer concentration for suppliers. The next section will introduce determinants of accounting comparability.

1.2.2 Determinants of accounting comparability

Accounting comparability can be influenced by various factors in different empirical studies. First, external legal and business environments, such as the adoption of IFRS and economic policy uncertainty, affect the similarity of earnings reported by firms because they influence firms' application of accounting standards (Callao et al., 2007; DeFond et al., 2011; Barth et al., 2012; Brochet et al., 2012; Yip and Young, 2012; Gross, 2016; Dhole et al., 2021). Most of researchers find that firms applying IFRS have more earnings comparability than those using domestic accounting standards such as Spanish accounting standards (Callao et al., 2007), German GAAP (Gross, 2016) or US GAAP (Barth et al., 2012). For example, DeFond et al. (2011) evidence that mandatory adoption of IFRS gives rise to improved cross-border comparability and this increases the foreign investments in Europe while Brochet et al. (2012) find that IFRS adoption in UK has improved accounting comparability and hence led to lower the insiders' capacity to exploit private information in capital market. Yip and Young (2012) show that the adoption of IFRS enhances information comparability in 17 European countries by making similar items look more alike. In addition, Dhole et al. (2021) find a negative association between economic policy uncertainty (EPU) and accounting comparability. Dhole et al. (2021) argue that increased economic policy uncertainty (EPU) complicates the

estimation of future cash flows and creates more opportunities for earnings management, both of which diminish the earnings quality and comparability.

Second, there is growing evidence that corporate governance significantly influences accounting comparability (Afzali, 2023; Peng et al., 2023; Borghesi et al., 2024; Francis et al., 2024). For example, Afzali (2023) finds that firms with strong corporate cultures employ less opportunistic managers, who tend to make consistent decisions when confronted with similar economic events, thereby enhancing accounting comparability. Peng et al. (2023) examine whether common institutional block holders (common owners) influence the accounting comparability of their portfolio firms and indicate that accounting comparability between a pair of industry peers increases with the presence and intensity of common ownership. Borghesi et al. (2024) find that managers of highly unionized firms make accounting decisions that diminish comparability of financial reports, thereby enhancing their position in collective bargaining. Francis et al. (2024) find that a one-standard-deviation increase in state ownership results in a 36.61% decrease in financial statement comparability and the impact is more pronounced when the central authority has majority control of the company in China.

Third, there has been increasing evidence that common auditors play an important role in determining accounting comparability (Francis et al., 2014; Kawada, 2014; Chen, Chen, et al., 2020; Li et al., 2021; Frost et al., 2024). For example, Francis et al. (2014) and Kawada (2014) find evidence of higher comparability for firm pairs that are subject to audits conducted by the same audit firm. Additionally, Kawada (2014) reveals that a firm pair subject to audits conducted by the same audit office of an audit firm exhibit higher comparability than those audited by two different offices of the same audit firm. Meanwhile, Chen, Chen, et al. (2020), Li et al. (2021) and Frost et al. (2024) provide consistent evidence showing greater accounting comparability among firm pairs that are audited by the same individual auditors in Chinese and US contexts, respectively.

Finally, accounting comparability is also affected by other factors such as management style (Wu, 2020; Kim et al., 2021), business competition (Imhof et al., 2022), business life cycle (Biswas et al., 2022), or tax avoidance (Baker et al., 2024). For instance, Wu (2020) evidence that financial statement comparability is negatively associated with managerial entrenchment in which the investment decisions by management are the main reason while Kim et al. (2021) reveal that each business group's "management style" contributed to improved earnings comparability among member firms in the same business group. Moreover, this earnings comparability is higher where greater ownership of insiders within the business group and more frequent exchange of board members exists. Imhof et al. (2022) find that for firms with substantial proprietary information, competition may increase the costs associated with public disclosure, which in turn leads to lower accounting comparability. Biswas et al. (2022) document that mature firms in the US are more likely to produce financial reports comparable with those of their industry peers, suggesting that a firm's business life cycle impacts its accounting comparability. Baker et al. (2024) finds that firms engaging in more aggressive tax avoidance strategies demonstrate significantly lower accounting comparability, and this negative impact is particularly pronounced among firms employing abnormal tax planning strategies beyond the industry norm.

The next section will summarize the main methods of measuring comparability.

1.2.3 Methods to measure accounting comparability

Measuring the comparability of financial statements is not as straightforward as its benefits or determinants might suggest. Essentially, there are two common methods for assessing accounting comparability: one can either examine the inputs, such as the accounting choices or rules applied, or the outputs, such as the reported earnings, of financial statements.

1.2.3.1 Input based measurement of comparability

The need to measure the comparability of financial statements aligns with the broader objective of evaluating the degree of international harmonization in accounting practices (Baker and Barbu, 2007b). Essentially, this input-based measurement evaluates the similarity of accounting methods or specific reported items on financial statements to infer the comparability of financial statements among companies within a country or across different countries (Van der Tas, 1988; Emenyonu and Gray, 1992; Walton, 1992; Archer et al., 1995).

For example, Van der Tas (1988) states as follow: “to measure the degree of comparability for each item in the financial reports, based upon the number of financial reports which are comparable in respect of an item: for example, acquisitions of fixed assets, treatment of foreign currencies” or “comparability can be considered as an increase in the degree of consensus concerning the choice between the alternative methods of accounting for an item in financial reports.” Van der Tas (1988) suggests H index and I index. (H index means Herfindahl index employed to gauge the extent of accounting harmonization at national level, and the I index (a variant of the H index) at the international level). H and I indices are a simple calculation to measure the comparability degree, but it is unable to take account of multiple reporting (i.e., supplying information based on more than one accounting method), because each company can only be assigned to one of the alternative accounting methods. Thus, Van der Tas (1988) suggests C index. Later, Tay and Parker (1990) propose the chi-square test to measure the comparability degree. Based on this input-based measurement, Walton (1992) examines whether 4th Directive of European Union led to accounting comparability between France and Britain while Emenyonu and Gray (1992) consider the comparability among a group of three countries: Germany, France and Britain and Theunisse (1994) for a group of France, Belgium and Germany. These authors deployed a chi-square test, and I index to conduct an examination of the annual reports from 26 companies across the three nations.

Archer et al. (1995) conduct analysis of accounting choices for treatment of goodwill and deferred taxes made by firms in a group of EU countries such as France, Germany, the Netherlands, Switzerland, and the UK. They found that comparability increases when there is a convergence of different accounting choices into a common accounting method, or when a smaller number of accounting choices is permitted. Moreover, for any given number of different accounting methods for a particular item of financial reports, the level of comparability comes to a minimum when the accounting methods are randomly selected (i.e., all accounting methods chosen equally). The comparability index developed by (Van der Tas, 1988) measures the comparability of reported accounting items, considering them comparable only in instances where both firms employ the same accounting method. In their research, Archer et al. (1995) provide an illustration that examines two countries (e.g. country 1 and country 2, abbreviated by letter i) and there are 3 accounting methods to choose (method 1, 2 and 3 abbreviated by letter j). Country 1 has 15 firms, and country 2 has 30 firms. Figure 1.5 presents the comparability indices observed in an illustrative scenario characterized by equal selection among accounting methods within two distinct countries.

An Example of Minimum Comparability

A. Policy choices

Country	Accounting method			Totals
	j = 1	j = 2	j = 3	
i = 1	5	5	5	15
i = 2	10	10	10	30
Totals	15	15	15	45

B. Pairwise comparisons

	Number of pairwise	Maximum	Comparability indices
Within-country	165	540	30.6%
Between-country	150	450	33.3%
Total	315	990	31.8%

Figure 1.5 An example of minimum comparability

Source: Archer et al., (1995)

In the Figure 1.5 above, the minimal degree of comprehensive comparability corresponds to 31.8% of the maximum level, wherein the maximum level represents the number of comparisons that would exist if all firms were to adopt a uniform accounting method. Within-country comparability includes pairwise combinations of firms within a given country that adhere to a uniform accounting method, meanwhile between-country comparability consists of pairwise combinations of companies in different countries selecting the same method. The absence of national uniformity has diminished within-country comparability, reducing the potential maximum of 540 pairwise comparisons to 165, constituting a decline of 30.6%, meanwhile the international variance in between-country comparability diminished from a maximum of 450 pairwise comparisons to 150, representing a reduction of 33.3%. The results of comparability mentioned above may be somehow wrong because of non-disclosure problems. It means that some firms may not disclose the accounting

method used or disclose incomplete information for users to identify the exact accounting method in use.

Due to the limitations of the H, I, and C indices as well as the chi-square test, Archer et al. (1996) propose regression models to measure the degree of accounting comparability. Using the indices, chi-square test and linear regression models mentioned above, many authors have measured the extent of accounting harmonization of firms for one or several accounting choices such as inventory valuation, depreciation, R&D, goodwill, and deferred taxation (Archer et al., 1995) or for firms in different locations (Kvaal and Nobes, 2012).

Baker and Barbu (2007a) review the changes of research on international accounting harmonization (IAH) and comparability emerged as a popular objective of these studies (see Figure 1.6 below).

Empirical studies measuring extent of IAH and tests used

Authors (see Appendix B)	Tests used						
	H	C	C _{modified}	I	I _{modified}	χ^2	Others
Van der Tas (1988)	X	X		X			
Tay and Parker (1990, 1992)						X	Concentration index
Van der Tas (1992a, 1992b)		X				X	
Emenyonu and Gray (1992)				X		X	
Archer, Delvaille and McLeay (1995)			X				
Hermann and Thomas (1995)				X	X	X	
Archer, Delvaille and McLeay (1996)			X				Linear regression
Lainez, Callao and Jarne (1996)		X					Friedman's test, Wilcoxon's test
Krisement (1997)							V index
Adhikari and Emenyonu (1997)				X		X	
McLeay et al. (1999)							Linear regression
Morris and Parker (1999)		X		X			
Lainez, Jarne and Callao (1999)			X				
Cañibano and Mora (2000)		X				X	Bootstrapping test
Parker and Morris (2001)	X	X				X	
Aisbitt (2001)			X				Wilcoxon's test
Chen, Sun and Wang (2002)						X	
Taplin (2003)	X	X					Standard error
Ding, Stolowy and Tenenhaus (2003)							Logistic regression

Figure 1.6 Empirical studies measuring extent of IAH and tests used

Source: Baker and Barbu (2007a)

In summary, the advantage of input-based measurement of comparability is focusing directly on individual accounting methods that applied across firms or in the one firm across times. However, the process of selecting which accounting method (s) for which item of financial statements to examine or assigning the weights in building the comparability indices are subject to bias. For example, the H, I, and C indices each have their own limitations. Taplin (2003) criticises that the H and C indices are insufficient for measuring the level of accounting comparability. This inadequacy arises due to notable differences between an index (H or C) calculated for a sample and one constructed for a population. Even the chi-square test, as suggested by Tay and Parker (1990) has disadvantages; it does not consider the sample size, and its value is not significant when the number of observations is low (Baker and Barbu, 2007b).

The output-based measure of De Franco et al. (2011) has overcome these weaknesses of input-based approach to become more popular in comparability research.

1.2.3.2 Output based measurement of comparability

Before the influential model of De Franco et al. (2011), nearly all empirical research on accounting comparability focused on examining the accounting choices, or accounting rules i.e., inputs to the financial statements. De Franco et al. (2011) describes comparability as the closeness between two firms' accounting systems in mapping economic events to financial statements. Financial statements are produced by an accounting system that serves to map economic events onto financial statements. Two firms' financial statements are deemed comparable when their respective mappings similarly represent identical economic events. In this context, De Franco et al. (2011) utilize earnings and stock price returns as proxies for financial statements and economic events, respectively, to measure the comparability of financial statements. The greater the comparability of financial statements between two firms, the smaller the difference in their expected earnings.

Compared with previous studies, De Franco et al. (2011) method has some advantages. Firstly, this way of measuring is straightforward and less subjective. The reported earnings on financial statements are deployed which is more relevant and understandable to investors than accounting methods used in input-based approach. Secondly, De Franco et al. (2011) use stock price returns in their measurement which is nearly always available to the public thus no need to count and weigh the difference in accounting methods when building the comparability indices. The measurement approach of De Franco et al. (2011) is considered output-based. Many authors adopts this way of measuring comparability following De Franco et al. (2011) like Barth et al. (2012), Yip and Young (2012), Francis et al. (2014), Chircop et al. (2020), Nguyen (2021), Phung and Pham (2024a)² in their research.

In this study, I measure accounting comparability using the approach developed by De Franco et al. (2011), as it offers advantages over other method, such as the input-based approaches proposed by Van der Tas (1988), Walton (1992), Emenyonu and Gray (1992), Archer et al. (1995).

The next section will introduce the concept of common auditors.

1.3 Common auditor concept

Common auditors refer to the shared (same) auditors who audit a pair of audit clients. Current literature considers common auditors in terms of three levels: common audit firms, common audit offices, and common individual auditors (Francis et al., 2014; Kawada, 2014; Chen, Chen, et al., 2020; Jiu et al., 2020; Johnston and Zhang, 2021; Li et al., 2021; Shi et al., 2021; Frost et al., 2024).

In this research, common auditors are also examined in terms of three levels: common audit firms, common audit offices, and common individual auditors. Initially, I explore the role of common audit firms in shaping the accounting comparability of their audit clients. Subsequently, the analysis is extended to include

² Phung and Pham (2024a) follow the De Franco et al. (2011) approach but with a slight modification: they use return on assets (ROA) instead of stock price return as in the original model.

the influences of common audit offices and common individual auditors. This structured approach allows for a comprehensive understanding of how each level of common auditors impacts financial reporting practices. Kothari et al. (2010) document the role of independent audit firms in “determining best practices in accounting from GAAP”. Through the audit firms’ unique working rules such as interpretive guide of accounting standards and relevant regulations (e.g., pronouncements of FASB, SEC, or SOX), audit firms influence their clients’ financial statements in some way, even before the real audit works have been conducted (Acito et al., 2008; Gray and Ratzinger, 2010). For example, KFiRST - a web-based tool of KPMG that helps clients in “Translating Accounting Principles into Real Actions” or EY Atlas, a cloud-based solution of EY provides global access to accounting and auditing standards, and EY interpretations. Each audit firm employs its own unique audit methodology and testing procedures, including guidelines for determining materiality thresholds, performing audit judgements, and conducting risk assessment procedures. Therefore, when the same audit methodology is applied to a pair of audit clients, their accounting comparability is expected to be higher than when different methodologies from two separate audit firms are used. Francis et al. (2014) reveal that the accruals of a firm pair are more comparable when audited by the same Big Four audit firm than when audited by two different Big Four audit firms. In this research, a pair of listed companies is classified as sharing a common audit firm if both companies hire common audit firm for their audit services within the same year.

The next level of common auditors consists of common audit offices. In practice, an audit firm usually has more than one audit office. In the context of Vietnam, nearly all audit firms maintain their audit offices in the two main cities: Hanoi and Ho Chi Minh City. Additionally, some audit firms also establish their presence in other locations such as Da Nang, Can Tho, or Hai Phong. Legally, each audit office is considered a branch of an audit firm in Vietnam. In this research, a pair

of listed companies is classified as sharing a common audit office if both companies use the same audit office of an audit firm for their audit services within the same year.

The last level of common auditors consists of common individual auditors. In the context of Vietnam, an auditor's report requires the signatures of two individuals: one is the audit partner, who signs on behalf of the audit firm, and the other is the auditor in charge, who normally plans the audit engagement. In this research, a pair of listed companies is classified as sharing a common individual auditor if both companies have at least one common individual auditor (i.e., audit partner or auditor in charge) on their auditor's report for the same year. The next section will review the relationship between common auditors and accounting comparability based on empirical studies.

1.4 Studies on common audit firms and accounting comparability

Current literature documents that audit firms play a role in determining clients' accounting comparability³. Some studies focus specifically on the accounting comparability as the effects of common audit firms such as Francis et al. (2014), Kawada (2014), Brown and Knechel (2016), Chen, Chen, et al. (2020), Johnston and Zhang (2021), Heflin et al. (2024) and Frost et al. (2024). For example, Francis et al. (2014) find the evidence on higher comparability for a firm-pair that are subject to audits conducted by the same Big Four firms. Francis et al. (2014) argue that when two listed companies in a pair are audited by common audit firm, the firm applies its unique audit methodologies and testing procedures consistently across its clients. This consistency fosters greater alignment in financial reporting, resulting in enhanced comparability in earnings for companies audited by the same firm compared to those audited by different firms.

³ Through supportive products which serve as interpretive guides of accounting standards and relevant regulations, audit firms influence their clients' financial statements even before the real audit works have been conducted (Kothari et al., 2010).

Kawada (2014) provides evidence that company pairs subjected to audits conducted by the same local audit firm have higher accounting comparability than those undergoing audits performed by two different Big Four firms while Brown and Knechel (2016) find that financial reports exhibit greater textual similarity when companies are audited by common audit firm.

Similarly, Johnston and Zhang (2021) find that companies that share common audit firm have more similarities in their financial statements. The reporting similarity is defined as the degree to which the financial statement line items reported in annual statements overlap for a pair of companies (Johnston and Zhang, 2021). Johnston and Zhang (2021) argue that each audit firm employs structured auditing processes and internal working rules that standardise its audit engagements, influencing the overall presentation and reporting of financial statements. Consequently, when two companies are audited by the same firm, their financial statements are more likely to exhibit greater comparability. In conclusion, major empirical studies provide evidence that audit firms play a significant role in shaping the comparability of financial statements. Chen, Chen, et al. (2020) and Frost et al. (2024) provide consistent evidence that client-firm pairs exhibit higher comparability when audited by the same audit firms compared to different audit firms, in the contexts of China and the US, respectively.

1.5 Studies on auditor characteristics and accounting comparability

Current literature finds that certain auditor characteristics, such as auditors' gender and industry specialisation, can play a role in shaping the outcomes of audit engagements, specifically the comparability of audited financial reports (Chung and Monroe, 2001; O'Donnell and Johnson, 2001; Kend, 2008; Bills et al., 2015; Garcia-Blandon et al., 2019; Li et al., 2021). These auditor characteristics could moderate the relationship between common audit firms and accounting comparability. The next section will present empirical studies on the roles of female audit partners, industry specialisation and other characteristics.

1.5.1 Studies on roles of female auditors

Some research suggests that female auditors are more effective and efficient than their male colleagues in handling complex audit tasks and making audit judgments (Chung and Monroe, 2001; O'Donnell and Johnson, 2001). For example, Chung and Monroe (2001) find that males tend to process information selectively and are influenced by single or prominent cues, while females process information in detail and do not concentrate on isolated cues. As a result, males perform better than females in tasks of low complexity, whereas females excel over males in tasks of high complexity. O'Donnell and Johnson (2001) expand the findings of Chung and Monroe (2001) by conducting an experiment with twenty-eight auditors (16 males and 12 females) from four Big Five audit firms, revealing that female auditors are significantly more efficient than their male counterparts when performing complex analytical procedures. Furthermore, female auditors show higher efficiency in processing information during more complex tasks compared to simpler ones. In contrast, male auditors exhibit better efficiency on simpler tasks than on more complex ones. Similarly, other studies have demonstrated the impacts of female auditors on audit outcomes (Khlif and Achek, 2017; Hossain et al., 2018; Karjalainen et al., 2018; Garcia-Blandon et al., 2019). For example, female auditors are associated with reduced abnormal accruals (Garcia-Blandon et al., 2019), shorter audit report delays, and an increased probability of issuing adverse audit opinions (Khlif and Achek, 2017). Additionally, female audit partners are more likely to issue going-concern opinions (Hossain et al., 2018) or issue modified opinions (Karjalainen et al., 2018). With Taiwanese data, Kung et al. (2019) provide evidence that having a female lead auditor can act as a constraint on accrual earnings management, irrespective of the gender of the remainder (joint auditor), be it male or female. Eagly (2013) notes that, in general, females are perceived as more risk-averse than males due to social differences in gender role expectations. As a result, female auditors may act more prudently when facing risks that could compromise the outcomes of their audits.

Overall, previous studies show that females tend to be more diligent, more conservative, and less tolerant of risk than males (Peni and Vähämaa, 2010; Eagly, 2013; Palvia et al., 2015). It is expected that female auditors are more likely to follow standards and make better audit judgments, which may lead to higher comparability.

1.5.2 Studies on roles of industry specialisation

Industry specialisation is deemed “specialised knowledge of what clients do within any given industry and the issues and audit risks auditors face” (Kend, 2008). Major accounting firms often structure their audit practices by industry, reflecting a belief that industry specialization leads to higher quality audits. For example, Ernst & Young (EY) organises its assurance services into four specialised teams: Audit Services, Climate Change and Sustainability Services, Financial Accounting Advisory Services, and Forensic & Integrity Services (EY, 2024). Deloitte’s assurance services encompass the following specialised areas: Accounting Operations Advisory, Accounting and Reporting Advisory, Disruptive Events Advisory and Sustainable and Climate (Deloitte, 2024). PricewaterhouseCoopers (PwC) states on its website: “Our audit approach, which is at the leading edge of best practice and draws upon our extensive industry knowledge, is tailored to suit the size and nature of your organisation.” (PwC, 2024) while “KPMG is transforming the audit experience by harnessing next-generation AI-driven technology to power audits and combining deep local and global multidisciplinary knowledge to see the bigger picture and bring more value” (KPMG, 2024). Thus, industry specialisation helps audit firms provide “leading edge” practices to their audit clients (Kend, 2008).

Several studies have examined the influence of auditor industry specialisation on audit quality, such as Balsam et al. (2003), Lim and Tan (2008), Reichelt and Wang (2010), Bills et al. (2015), and Anissa and Petronila (2019). For example, Balsam et al. (2003) find that clients of industry specialist auditors have lower absolute level of discretionary accruals and higher earnings response coefficients than clients of non-specialist auditors. Similarly, Reichelt and Wang (2010) indicate that

clients of auditors who are specialists both nationally and in their specific city have the lowest levels of abnormal accruals and are more likely to receive a going-concern audit opinion compared to non-specialists. Lim and Tan (2008) reveal that audit clients of industry specialist auditors are more likely to receive going-concern opinions and have higher earnings-response coefficients compared to those of non-specialist auditors. Additionally, auditors with industry specialisation have a negative effect on real earnings management (Anissa and Petronila, 2019) or achieve cost efficiencies in industries with homogeneous operations (Bills et al., 2015) and the likelihood of restatement (Stanley and DeZoort, 2007). Similarly, Carcello and Nagy (2004) find a negative association between audit firm industry specialization and client financial fraud disclosed in SEC releases. Essentially, most empirical studies support the positive effects of auditor industry specialisation on audit quality.

Therefore, it is expected that the industry specialisation of audit firms can play a positive role on the outcome of audit engagements.

1.5.3 Studies on roles of other characteristics of auditors

In addition to auditors' genders and industry specialisation mentioned above, some other auditor characteristics have been examined by researchers, such as the age of audit partners (Sundgren and Svanström, 2014; Goodwin and Wu, 2016), tenure of audit partners (Carey and Simnett, 2006; Manry et al., 2008; Tran et al., 2025) workload (Sundgren and Svanström, 2014; Gul et al., 2017). For example, Sundgren and Svanström (2014) and Goodwin and Wu (2016) find a negative relationship between partner age and audit quality. Additionally, Manry et al. (2008) reveal that audit partner tenure is significantly and positively associated with audit quality only for small clients, while it does not affect audit quality for large clients. Similarly, Carey and Simnett (2006) document a deterioration in audit quality associated with long audit partner tenure, and Tran et al. (2025) indicate that audit partner tenure is positively related to abnormal accruals. In terms of workload, Sundgren and Svanström (2014) do not find evidence that a higher workload impairs

audit quality. Conversely, Gul et al. (2017) provide opposite evidence, showing that audit partners with more public clients are associated with lower audit quality.

1.6 Studies on audit firm switches and accounting comparability

Audit firms for listed company pairs may be changed for different reasons, stemming from both the supplier side (audit firms) and the buyer side (listed companies). On the supplier side, an audit firm may accept a new client that is less risky compared to its continuing clients (Johnstone and Bedard, 2004) or resign from an engagement due to various risks (Ghosh and Tang, 2015) or corporate governance issues (Cassell et al., 2012). On the buyer side, a listed company might switch to a new audit firm to seek higher-quality services (Ettredge et al., 2011) or to benefit from lower audit fees (Ettredge et al., 2007).

Consequently, listed company pairs may switch from sharing a common audit firm to engaging different ones, or vice versa. Empirical studies indicate that such audit firm switches by listed company pairs can impact their accounting comparability, (Francis et al., 2014; Johnston and Zhang, 2021). For example, Francis et al. (2014) provide evidence of greater comparability among firm pairs which switch from having different audit firms to sharing a common audit firm. Francis et al. (2014) argue that after such a switch, the two client firms are audited by the same firm, which applies its unique audit methodologies and testing procedures consistently across its clients. This consistency ensures greater alignment in financial reporting, leading to enhanced comparability in earnings for firms audited by the same firm compared to those audited by different firms. However, Francis et al. (2014) do not find evidence that switching to different audit firms leads to reduced comparability.

Similarly, Johnston and Zhang (2021) demonstrate that firms sharing the same audit firm exhibit higher similarity in their financial statements. Johnston and Zhang (2021) also reveal that financial reporting similarity increases (decreases) when firms switch from having different (the same) audit firms to having the same (different)

audit firms. In a related study, Li et al. (2021) find that switching from having different engagement auditors to sharing a common engagement auditor enhances comparability for client-firm pairs. However, Li et al. (2021) do not find evidence that switching to different audit firms reduces comparability. In essence, these empirical findings reveal that switches in audit firms can have a notable impact on accounting comparability.

1.7 Studies on common audit offices and accounting comparability

Normally, an audit firm has some audit offices in different locations such as cities or municipalities. Each audit office serves audit clients operating in the same city or nearby geographic area. Of course, each city has its unique characteristics such as living costs, social trends, levels of economic development, types of investors and creditors and openness to international commerce. Chen and Omer (2019) propose that in the event of high audit failure rates within the current audit office, clients may consider relocating to another audit office (of the same audit firm). Ferguson et al. (2003) provide evidence that affirms that the market's perception and valuation of industry expertise in Australia predominantly relies on the leadership of audit offices at the city-specific level within their respective audit markets.

There has been emerging evidence that common audit offices influence the comparability among their clients (Kawada, 2014; Chen, Chen, et al., 2020; Jiu et al., 2020; Li et al., 2021; Shi et al., 2021; Frost et al., 2024). For instance, Kawada (2014) provide evidence that company-pair subjected to audits conducted by the same audit office has higher earnings comparability in contrast to those undergoing audits performed by the different audit offices of the same audit firm. Similarly, Chen, Chen, et al. (2020), Shi et al. (2021) and Li et al. (2021) find the positive impact of common audit offices on the accounting comparability of Chinese companies, while Frost et al. (2024) document the same effect within US settings. Clearly, audit offices play a significant role in influencing the accounting comparability among their audit clients.

In the context of Vietnam, nearly all audit firms have their audit offices in two main cities (Hanoi and Ho Chi Minh). In addition, some audit firms also have their presence in other locations such as Danang or Hai Phong cities. Legally, each audit office is a branch of an audit firm in Vietnam. The next section will present current studies on the role of common individual auditors in accounting comparability.

1.8 Studies on common individual auditors and accounting comparability

Harris (2016) - a former board member of the PCAOB - addresses at the Annual Conference of International Corporate Governance Network (ICGN) that “audit quality will improve from the public identification of the engagement partner as it will heighten his or her sense of accountability for the accuracy of the audit” and investors can evaluate and compare the performance of individual engagement partners over time as well as determine whether such partners have been linked to adverse audit outcomes or sanctioned by the PCAOB or SEC. It is suggested that the roles of auditors as individuals are getting more attention from outsiders such as investors and regulatory agencies.

At the individual level, current literature demonstrates the positive effects of common individual auditors on the comparability of their audit clients (Chen, Chen, et al., 2020; Jiu et al., 2020; Li et al., 2021; Shi et al., 2021; Frost et al., 2024). For example, Chen, Chen, et al. (2020) find that client firms report greater accounting comparability when audited by the same individual auditor as opposed to different individual auditors. Similarly, Li et al. (2021), Jiu et al. (2020) and Shi et al. (2021) reveal that two client firms audited by the same engagement auditor exhibit more comparable accruals than those audited by different auditors. In addition, Jiu et al. (2020) and Shi et al. (2021) suggest that within the Chinese context, the influence of common individual auditors on comparability is greater than that of common audit offices and firms. Similarly, using data from the US, Frost et al. (2024) have documented that the impact of individual auditors surpasses that of audit offices and firms in American settings.

1.9 Studies on common auditors and other corporate reporting practices

In addition to their impact on accounting comparability (as discussed in the preceding sections), common auditors also influence a range of other corporate reporting practices. These include internal controls (Chen, 2023), analysts' forecasts (Fung et al., 2023), key audit matter reports (Rousseau and Zehms, 2024), Management Discussion and Analysis (De Franco et al., 2020), goodwill impairment (Bills et al., 2024), non-GAAP earnings disclosures (Heflin et al., 2024), borrowing activities (Francis and Wang, 2021; Platikanova and Soonawalla, 2023), and M&A outcomes (Cai et al., 2016; Chircop et al., 2018). These findings underline the far-reaching influence of common auditors across the financial reporting practices.

In summary, the literature review shows that prior studies in developed countries have consistently found a positive relationship between accounting comparability and the presence of common audit firms (Francis et al., 2014; Johnston and Zhang, 2021), common audit offices (Kawada, 2014; Chen, Chen, et al., 2020; Shi et al., 2021), and common individual auditors (Chen, Chen, et al., 2020; Li et al., 2021; Frost et al., 2024). However, while these findings are well established in developed markets, there is limited evidence on whether they apply in developing economies such as Vietnam. This highlights several important research gaps regarding the relationship between common auditors and accounting comparability in the Vietnamese context. Specifically, these gaps include:

1. **Common audit firms and accounting comparability:** While studies in developed markets (e.g. Francis et al., 2014; Johnston and Zhang, 2021) show that common audit firms enhance accounting comparability, it is unclear whether this holds in emerging markets like Vietnam. This study examines the effect of common audit firms on comparability among companies listed on the Ho Chi Minh City Stock Exchange (HOSE).
2. **Role of audit offices and individual auditors:** Prior research (Kawada, 2014; Chen et al., 2020; Shi et al., 2021; Frost et al., 2024) highlights the importance

of common audit offices and individual auditors in improving comparability. However, their influence in a Vietnamese context remains underexplored. This study addresses this gap by assessing their roles within Vietnam's auditing environment.

3. **Moderating factors in Vietnam:** The study also examine potential moderators—such as industry specialisation and auditor gender—that may affect the relationship between common audit firms and comparability, offering deeper insight into context-specific dynamics in emerging markets.
4. **Audit firm switching:** Although audit firm switches have been shown to affect accounting comparability in developed markets (Francis et al., 2014; Johnston and Zhang, 2021), their consequences in Vietnam are less understood. Given the competitive audit market with nearly 200 firms, this study explores how switching influences accounting comparability in practice.

Summary of Chapter 1

Chapter 1 provides a comprehensive literature review on the relationship between common auditors and accounting comparability. It begins with an overview of published articles related to the subject matter of comparability through a bibliometric analysis. The chapter then delves into the concept of comparability in greater detail, including definitions, benefits, determinants, and various methods of measuring the comparability construct. Following this, the concept of common auditors is analysed in terms of three levels—common audit firms, common audit offices, and common individual auditors. The chapter examines relevant studies that explore the relationship between each level of common auditors and comparability, as highlighted in the current literature. This structured approach provides a clear framework for understanding the dynamics of common auditors within the field of accounting comparability in developed countries and suggest research gaps in a developing economy of Vietnam.

Chapter 2 THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Introduction

Chapter 2 introduces the underlying theories that establish a theoretical background essential for understanding and explaining the roles of auditors in shaping the accounting comparability of their clients. These theories include Agency theory, Upper Echelons theory, and theories on gender differences. This chapter will then present the development of hypotheses and conclude with the conceptual model of the research.

2.1 Underlying theories

2.1.1 Agency Theory

Agency theory revolves around the agency relationship between principal and agent. Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons (the principal (s)) delegate another person (the agent) to carry out some service on behalf of the principal (s). The Agency Theory supposes that both the principal and the agent would maximize their interests, and that the agent would not always act in the best interests of the principal because of information asymmetry.

The principal would bear the costs (termed agency costs) to limit the divergence of interest such as: (1) monitoring costs: to limit any deviating activities of the agent; (2) bonding costs: the incentives to make agent's benefit align with that of principal; and (3) residual loss: the costs incurred from divergence of interest out of the monitoring and bonding expenditure (Jensen and Meckling, 1976). The monitoring costs mainly consist of expenses for maintaining the supervisory board and costs associated with producing the financial reports and auditing them.

In a typical publicly traded company, two common agency relationships exist: the first is between the board of directors (as principal) and management (as agent), and the second is between investors (as principal) and management (as agent). In both cases, external auditors are engaged to reduce information asymmetry between the principal and the agent. The practice of hiring external auditors to audit annual financial statements has been a longstanding tradition in many countries (ICAEW, 2005). Auditors provide an independent review and evaluation of financial statements for various users to support decision-making. From a governance perspective, the use of external audit services functions as an external monitoring mechanism for a business. The audit fees that a company pay yearly to hire external external auditors is a typical kind of agency cost. In practice, external audit services may be carried out by audit firms directly, through audit offices (their branches), or by individual auditors employed by these firms.

Applying Agency Theory to this research, it can be expected that the expenditure on hiring external auditors to audit financial reports is justified if it benefits the principal by providing more reliable information, evidenced by higher comparability of financial information. Therefore, the critical role of auditors is irreplaceable, as their benefits extend to all principals in an agency relationship. External auditors in this research are analysed at three levels: audit firms, audit offices, and individual auditors (including audit partners and auditors in-charge).

2.1.2 Upper Echelons Theory

Upper Echelons Theory was introduced by Hambrick and Mason (1982), who proposed that organisational outcomes are “reflections of the values and cognitive bases of powerful actors” within the organisation - namely, those in top management positions. In essence, the theory suggests that an organisation’s decisions and performance can be predicted based on the characteristics of its top executives (e.g. CEOs, managing directors), including personal attributes such as gender and educational background, as well as contextual factors such as strategic orientation and industry specialisation. Upper Echelons Theory has been widely applied in

empirical research within the field of management (Finkelstein et al., 2009; Hiebl, 2014; Plöckinger et al., 2016).

In auditing practice, the two individuals who sign the auditor's report—typically the audit partner and the auditor in charge—are responsible for the final decisions on the audit engagement and sign the report on behalf of their audit firm or office. Current research highlights that individual auditors significantly influence the accounting comparability of their audit clients (Chen, Chen, et al., 2020; Jiu et al., 2020; Li et al., 2021; Frost et al., 2024). Other individual traits of auditors - such as gender (Khlif and Achek, 2017; Hossain et al., 2018; Karjalainen et al., 2018; Garcia-Blandon et al., 2019), educational background (Gul et al., 2013), and work experience (Chi et al., 2009) - have also been shown to influence audit outcomes.

Applying Upper Echelons Theory to this research, it is expected that the top decision-makers within audit firms - namely audit partners and auditors in charge - their personal characteristics (such as gender), and firm-level attributes (such as industry specialisation) can influence audit outcomes, particularly the accounting comparability of their clients.

2.1.3 Theories on gender differences

There are three major theories that explain gender differences between females and males in society: socio-cultural, evolutionary, and hormone-brain theories. These theories are more complementary than competing, as they all attempt to explain gender differences through different perspectives (i.e., social-psychological, evolutionary, and medical science). Meyers-Levy and Loken (2015) reveal five conclusions when examining these theories: “Males are more self-oriented, while females are more other-oriented; females are more cautious responders; females are more responsive to negative data; males process data more selectively and females more comprehensively; and females are more sensitive to differentiating conditions and factors.”

2.1.5.1 Socio-cultural theory

This theory states that two determinants of gender differences are the physical differences between genders and socio-cultural influences (Wood and Eagly, 2012). It suggests that differences in the inherent physical capacities of the genders (e.g., size, strength, childbearing capability) prompted males and females to adopt different roles, which in turn led to corresponding cultural beliefs and orientations (i.e., agency and communion). Agency-oriented individuals tend to assert their self, emphasising personal accomplishments and a sense of independence, while communion-oriented individuals tend to focus on their relationships with others and their sense of belonging (Bakan, 1966).

2.1.5.2 Evolutionary theory

This theory explains adaptive programmes that our early ancestors developed in response to environmental challenges. It further explains why and how these programmes evolved, leading males and females today to exhibit specific behaviours. Since early males and females often faced different concerns when confronting these challenges, the evolved programmes frequently differed by gender (Tooby and Cosmides, 2015). Males exhibit greater aggressiveness and risk-taking than females, likely due to their early roles as hunters and gatherers, respectively. In comparison, females are more accurate in detecting and interpreting subtle nonverbal cues (e.g., body language, paralanguage) (Rosip and Hall, 2004) and tend to scan more data (i.e., perform more eye fixations), which provides them with a recognition advantage (Heisz et al., 2013).

2.1.5.3 Hormonal exposure and the brain

Testosterone and oestrogens can produce various and complex gender differences. Meta-analyses have shown gender differences favouring males in specific cognitive abilities, such as mental rotations, spatial perception, and mathematical problem-solving, while favouring females in verbal fluency, vocabulary, and perceptual or processing speed (Hines, 2005; Roivainen, 2011). Research work also has examined how the genders' brain hemispheres operate. Tian

et al. (2011) find that males tend to be more locally efficient in their right hemisphere networks, while females show this efficiency in their left hemisphere networks. Additionally, the neural connectivity of brains also differs between males and females. This makes males' brains more suited to tasks requiring both astute perception and coordinated action, while females' brains are advantageous for tasks that require bilateral or interhemispheric processing, which is often necessary during multitasking (Verma and Gur, 2013).

Applying socio-cultural, evolutionary, and hormone-brain theories to this research, it would be expected that females are more cautious responders, more responsive to negative data, process information more comprehensively, and are more sensitive to differentiating conditions and factors compared to males. As a result, female auditors are more likely to adhere to professional standards, process accounting information more effectively, and issue audit opinions more conservatively than their male colleagues.

Prior studies in developed countries have consistently demonstrated a positive relationship between common audit firms (Francis et al., 2014; Johnston and Zhang, 2021), common audit offices (Kawada, 2014; Chen, Chen, et al., 2020; Shi et al., 2021), and common individual auditors (Chen, Chen, et al., 2020; Li et al., 2021; Frost et al., 2024) with accounting comparability. However, despite these findings being robust in developed markets, little is known about the impact of common auditors on financial statement comparability in developing economies, such as Vietnam. Vietnam has some unique characteristics that differ from those in developed countries. For example, the Vietnamese audit market is considered highly competitive, with low litigation risks (Le et al., 2021; Nguyen, Nguyen, et al., 2023). Nearly two hundred audit firms are competing with each other in Vietnam, and the Big Four firms hold approximately 50 percent of the market share in terms of revenue (Kiemtoan, 2019). This situation contrasts with audit markets in the US and the UK, where the Big Four firms dominate with over 95 percent of the market share (GAO,

2008; The Financial Times, 2019). The next section will present hypothesis development related to common auditors and accounting comparability in the context of Vietnam.

2.2 Hypothesis development

2.2.1 Main hypothesis on common audit firms (H1)

External audit services have long been used as a mechanism to reduce information asymmetry between company management and the users of financial statements. Agency Theory provides a theoretical basis for the use of audit services, highlighting the need for independent assurance in the principal–agent relationship. As a result, audit firms can exert a certain degree of influence over the financial reporting of their clients. Kothari et al. (2010) argue that audit firms develop internal working rules to guide the day-to-day interpretation and application of GAAP, primarily for reasons of efficiency. These rules can influence the outcomes of audited financial statements and lead to systematic differences in the audit guides or approaches adopted by each firm. Such guides are standardised and consistently applied across the entire firm (Francis et al., 2014; Johnston and Zhang, 2021). The use of firm-wide audit manuals represents a form of centralised decision-making, which may contribute to reducing decision-making errors (Arcuri and Dari-Mattiacci, 2010; Baugh and Schmardebeck, 2023).

For instance, Francis et al. (2014) discover evidence indicating greater comparability among firm pairs that undergo audits conducted by the same Big Four firms. Francis et al. (2014) argue that each audit firm has its own unique audit methodology and testing procedures. Consequently, audit clients of the same firm receive a consistent audit approach, leading to greater comparability in their earnings than if they were audited by different firms. Johnston and Zhang (2021) demonstrate that firms employing common audit firms exhibit a higher degree of similarity in their financial statements. Overall, previous studies provide evidence on the role of

common auditors related to accounting comparability in developed markets (Francis et al., 2014; Kawada, 2014; Chen et al., 2020; Johnston and Zhang, 2021).

Vietnam has been adopting accounting and auditing international standards due to globalisation. All Big Four audit firms of the world have been operating in Vietnam and collectively accounted for 50.41% of the audit market share in terms of revenues in 2018 (Kiemtoan, 2019). However, there is not any study considering the role of common audit firms in shaping accounting comparability of their audit clients.

In this study, I expect the relationship between common audit firms and accounting comparability in Vietnam to align with findings from studies conducted in developed markets. I hypothesize that pairs of listed companies associated with common (the same) audit firm, which receive identical audit methodologies, are likely to report greater accounting comparability than those associated with different audit firms.

H1: A pair of companies audited by common audit firm exhibits greater accounting comparability than a pair of companies audited by two different audit firms.

2.2.2 Hypothesis on the role of auditor gender (H2a)

There is evidence that individual auditors' characteristics moderate the relationship between common audit firms and accounting comparability. Although audit firms establish internal working guidelines at the corporate level, evidence suggests that making audit decisions ultimately reside with the individual auditor rather than the audit firm (Bedard et al., 2009; Kachelmeier, 2010; Kothari et al., 2010). For example, Bedard et al. (2009) document that "audits are primarily human endeavours, and audit firms are very dependent upon the quality of their professionals, including [their] competence and decision-making skills." Kachelmeier (2010) emphasises that "... firms do not make decisions. Rather, people make decisions, and those decisions are shaped by the personalities of those involved...." This underscores the potential impact of individual auditors'

characteristics on audit outcomes. Upper Echelons Theory further supports the idea that audit partners' personal traits influence decision-making during the audit process. For example, within the same audit firm, two female audit partners may share more similar perspectives on audit engagements than two male partners or a mixed-gender pair. Meyers-Levy and Loken (2015) explain this gender difference by stating: "Males are more self-oriented, while females are more other-oriented; males process data more selectively and females more comprehensively".

Some research provides evidence that female auditors are more effective and efficient in dealing with complex audit tasks and audit judgement (Chung and Monroe, 2001; O'Donnell and Johnson, 2001). For example, Chung and Monroe (2001) find that that males tend to process information selectively and are influenced by single or prominent cues, while females process information in detail and do not concentrate on isolated cues. As a result, males perform better than females in tasks of low complexity, whereas females excel over males in tasks of high complexity. O'Donnell and Johnson (2001) expand the findings of Chung and Monroe (2001) by conducting an experiment with twenty-eight auditors (16 males and 12 females) from four Big Five audit firms, revealing that female auditors are significantly more efficient than their male counterparts when performing complex analytical procedures. Furthermore, female auditors show higher efficiency in processing information during more complex tasks compared to simpler ones. In contrast, male auditors exhibit better efficiency on simpler tasks than on more complex ones. Similarly, other studies have demonstrated the impacts of female auditors on audit outcomes (Khlif and Achek, 2017; Hossain et al., 2018; Karjalainen et al., 2018; Garcia-Blandon et al., 2019). For example, female auditors are associated with reduced abnormal accruals (Garcia-Blandon et al., 2019), shorter audit report delays, and an increased probability of issuing adverse audit opinions (Khlif and Achek, 2017). Additionally, female audit partners are more likely to issue going-concern opinions (Hossain et al., 2018) or issue modified opinions (Karjalainen et al., 2018). Three major theories that explain gender differences in society—socio-cultural

theory, evolutionary theory, and hormone-brain theory—support the view that female and male audit partners may approach and deliver audit engagements differently.

Overall, previous studies suggest that female professionals tend to be more diligent, more conservative, and less tolerant of risk than their male counterparts (Peni and Vähämaa, 2010; Palvia et al., 2015). Consequently, female audit partners may be more inclined to comply strictly with auditing standards and display greater consistency in audit judgements, which can lead to higher levels of accounting comparability. Within the same audit firm, the presence of female audit partners is expected to strengthen the relationship between common audit firms and accounting comparability. This leads to the formulation of the following hypothesis:

H2a: The positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners are female.

2.2.3 Hypothesis on the role of auditors' industry specialisation (H2b)

Now, the role of audit firms' industry specialisation is examined. Industry specialisation is deemed “specialised knowledge of what clients do within any given industry and the issues and audit risks auditors face” (Kend, 2008). Thus, industry specialisation helps audit firms provide “leading edge” practices to their audit clients (Kend, 2008). Several studies have examined the influence of auditor industry specialisation on audit quality, such as Balsam et al. (2003), Lim and Tan (2008), Reichelt and Wang (2010), Bills et al. (2015), and Anissa and Petronila (2019). For example, Balsam et al. (2003) find that clients of industry specialist auditors have lower absolute level of discretionary accruals and higher earnings response coefficients than clients of non-specialist auditors. Similarly, Reichelt and Wang (2010) indicate that clients of auditors who are specialists both nationally and in their specific city have the lowest levels of abnormal accruals and are more likely to receive a going-concern audit opinion compared to non-specialists. Lim and Tan (2008) reveal that audit clients of industry specialist auditors are more likely to receive going-concern opinions and have higher earnings-response coefficients

compared to those of non-specialist auditors. Additionally, auditors with industry specialisation have a negative effect on real earnings management (Anissa and Petronila, 2019) or achieve cost efficiencies in industries with homogeneous operations (Bills et al., 2015). Most empirical studies support the positive impact of auditor industry specialisation on audit quality.

Upper Echelons Theory further supports the idea that industry specialisation of auditors influence decision-making during the audit process. Within the same audit firm, a common auditor with industry specialisation is expected to make more informed and effective decisions during the audit engagement than a non-specialist, leading to improved audit outcomes. Therefore, it is anticipated that audit firm's industry specialisation may moderate the relationship between common audit firm and accounting comparability. The next hypothesis is stated as follows.

H2b: The positive relationship between common audit firm and accounting comparability is more pronounced when common audit firms are industry specialists.

2.2.4 Hypotheses on audit firm switches (H3 and H4)

Audit firms for listed company pairs may be changed for various reasons. For example, an audit firm may accept a new client that is less risky compared to its continuing clients (Johnstone and Bedard, 2004) or resign from an engagement due to various risks (Ghosh and Tang, 2015) or corporate governance issues (Cassell et al., 2012). In addition, a listed company might switch to a new audit firm to seek higher-quality services (Ettredge et al., 2011) or to benefit from lower audit fees (Ettredge et al., 2007).

Consequently, listed company pairs may switch from sharing a common audit firm to engaging different ones, or vice versa. Empirical studies indicate that such audit firm switches by listed company pairs can impact their accounting comparability, (Francis et al., 2014; Johnston and Zhang, 2021). For example, Francis et al. (2014) provide evidence of greater comparability among firm pairs which switch from having different audit firms to sharing a common audit firm. Francis et

al. (2014) argue that after such a switch, the two client firms are audited by the same firm, which applies its unique audit methodologies and testing procedures consistently across its clients. This consistency ensures greater alignment in financial reporting, leading to enhanced comparability in earnings for firms audited by the same firm compared to those audited by different firms. However, Francis et al. (2014) do not find evidence that switching to different audit firms leads to reduced comparability.

Similarly, Johnston and Zhang (2021) demonstrate that firms sharing the same audit firm exhibit higher similarity in their financial statements. Johnston and Zhang (2021) also reveal that financial reporting similarity increases (decreases) when firms switch from having different (the same) audit firms to having the same (different) audit firms. In a related study, Li et al. (2021) find that switching from having different engagement auditors to sharing a common engagement auditor enhances comparability for client-firm pairs. These empirical findings highlight the significant role audit firms play in shaping the financial reporting practices of their clients.

When listed company pairs switch to a common audit firm, the clients are subject to the same audit methodologies and testing procedures. For instance, each audit firm has unique manuals outlining practices such as setting materiality thresholds, conducting risk assessments, and performing testing procedures. A common audit firm is likely to standardise accounting practices across its clients, aligning interpretations of accounting standards and ensuring consistent treatment of comparable financial transactions. This standardisation reduces reporting variations, thereby enhancing accounting comparability between the listed companies. Hence, when a pair of listed companies switch from using different audit firms to sharing a common one, their accounting comparability is expected to improve due to the application of a consistent audit approach.

Conversely, when listed company pairs switch from sharing a common audit firm to engaging different audit firms, variations in audit methodologies, professional

judgments, and reporting practices are likely to emerge. These differences can lead to discrepancies in how accounting standards are interpreted and applied, even if the companies operate within the same industry or have similar business models. As a result, it is reasonable to expect a decline in accounting comparability when a pair of listed companies switch from sharing a common audit firm to using different ones, as varying audit guidelines and procedures may lead to inconsistent reporting practices. Furthermore, Agency Theory provides a theoretical foundation for the use of audit services by audit firms, irrespective of the direction of auditor switching.

Based on the above analysis, the following hypotheses are proposed:

***H3:** A pair of listed companies that switches from having different audit firms to sharing a common audit firm exhibits higher accounting comparability.*

***H4:** A pair of listed companies that switches from sharing a common audit firm to having different audit firms exhibits lower accounting comparability.*

2.2.5 Hypothesis on common audit offices (H5)

Normally, an audit firm has some audit offices in different locations such as cities or municipalities. Each audit office serves audit clients operating in the same city or nearby geographic area. Chen and Omer (2019) propose that in the event of high audit failure rates within the current audit office, clients may consider relocating to another audit office (of the same audit firm). Ferguson et al. (2003) provide evidence that affirms that the market's perception and valuation of industry expertise in Australia predominantly relies on the leadership of audit offices at the city-specific level within their respective audit markets. Kawada (2014) reveals that firm-pair subjected to audits conducted by the same local auditors have higher earnings comparability in contrast to those undergoing audits performed by the same audit firm but different local offices. Agency Theory reinforces the role of audit offices (as branches of audit firms) in reducing information asymmetry within the principal–agent relationship. Obviously, the audit offices can play a role in shaping the level of accounting comparability of audit clients.

In the context of Vietnam, nearly all audit firms have their audit offices in two main cities (Hanoi and Ho Chi Minh). In addition, some audit firms also have their presence in other locations such as Danang, Can Tho or Hai Phong cities. Legally, each audit office is considered a branch of an audit firm in Vietnam. I conjecture that financial statements audited by common audit offices (of an audit firm) may exhibit higher comparability compared to those audited by different audit offices of the same firm. This leads to the following hypothesis.

H5: A pair of companies audited by common office of the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different offices of the same firm.

In other words, H5 hypothesises that the same (common) office of an audit firm has a stronger impact on its clients' accounting comparability than different offices of the same firm do.

2.2.6 Hypotheses on common individual auditors (H6 and H7)

In addition to examining the roles of common auditors at the audit firm and office levels in relation to accounting comparability, individual auditors may also play a significant role in shaping comparability. For example, Zerni et al. (2015) provide evidence of enduring aggressive and conservative audit reporting tendencies among individual auditors over time. Similarly, Chen, Chen, et al. (2020) document that when audit clients are audited by the same individual auditors, their earnings are more comparable than when they are audited by different individual auditors.

Harris (2016) - a former board member of the PCAOB - addressed at the Annual Conference of International Corporate Governance Network (ICGN) that “audit quality will improve from the public identification of the engagement partner as it will heighten his or her sense of accountability for the accuracy of the audit” and investors can evaluate and compare the performance of individual engagement partners over time as well as determine whether such partners have been linked to adverse audit outcomes or sanctioned by the PCAOB or SEC. It is suggested that the

roles of auditors as individuals are getting more attention from outsiders such as investors and regulatory agencies.

Chen, Chen, et al. (2020) find that client firms report greater accounting comparability when audited by the same individual auditor as opposed to different individual auditors. Similarly, Li et al. (2021) reveal that two client firms audited by the same engagement auditor exhibit more comparable accruals than those audited by different auditors. Agency Theory underlines the need for individual auditors - as key executors of the audit engagement - to mitigate information asymmetry in the principal-agent relationship. Similarly, Upper Echelons Theory supports the notion that individual auditors are the ultimate decision-makers in the audit process, thereby influencing audit outcomes. Although audit firms establish internal working guidelines at the corporate level, evidence suggests that making audit decisions ultimately reside with the individual auditor rather than the audit firm (Bedard et al., 2009; Kachelmeier, 2010; Kothari et al., 2010). For example, Bedard et al. (2009) document that “audits are primarily human endeavours, and audit firms are very dependent upon the quality of their professionals, including [their] competence and decision-making skills.” Kachelmeier (2010) emphasises that “... firms do not make decisions. Rather, people make decisions, and those decisions are shaped by the personalities of those involved....” This underscores the impact of individual auditors on audit outcomes.

In the context of Vietnam, every independent auditor’s report must be signed by two individual auditors: the audit partner, who signs on behalf of the audit firm, and the auditor in charge, who typically plans the audit engagement (Law on Independent Auditing). The Vietnamese Standard on Auditing (VSA) 220 clearly states that “audit partners are members of the executive board of an audit firm and have ultimate responsibility for the audit engagement”. I conjecture that a pair of companies audited by a common individual auditor (i.e., a common audit partner or common auditor in charge) from the same audit firm exhibit greater accounting

comparability than a pair of companies audited by two different individual auditors from that audit firm. It leads to the following hypotheses.

H6: *A pair of companies audited by a common audit partner from the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different audit partners from the same firm.*

H7: *A pair of companies audited by a common auditor in charge from the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different auditors in charge from the same firm.*

The relationships between underlying theories and hypotheses are summarised in Table 2.1.

Table 2.1 Hypothesis and relevant underlying theories

Hypothesis	Content of hypothesis	Underlying theories	Expected sign
H1	<i>A pair of companies audited by common audit firm exhibits greater accounting comparability than a pair of companies audited by two different audit firms.</i>	The agency theory	+
H2a	<i>The positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners are female.</i>	The agency theory Upper echelons theory Theories on gender differences	++
H2b	<i>The positive relationship between common audit firm and accounting comparability is more pronounced when common audit firms are industry specialists.</i>	The agency theory Upper echelons theory	++
H3	<i>A pair of listed companies that switches from having different audit firms to sharing a common audit firm exhibits higher accounting comparability.</i>	The agency theory	+

H4	<i>A pair of listed companies that switches from sharing a common audit firm to having different audit firms exhibits lower accounting comparability.</i>	The agency theory	-
H5	<i>A pair of companies audited by common office of the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different offices of the same firm.</i>	The agency theory	+
H6	<i>A pair of companies audited by a common audit partner from the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different audit partners from the same firm.</i>	The agency theory Upper echelons theory	+
H7	<i>A pair of companies audited by a common auditor in charge from the same audit firm exhibits greater accounting comparability than a pair of companies audited by two different auditors in charge from the same firm.</i>	The agency theory Upper echelons theory	+

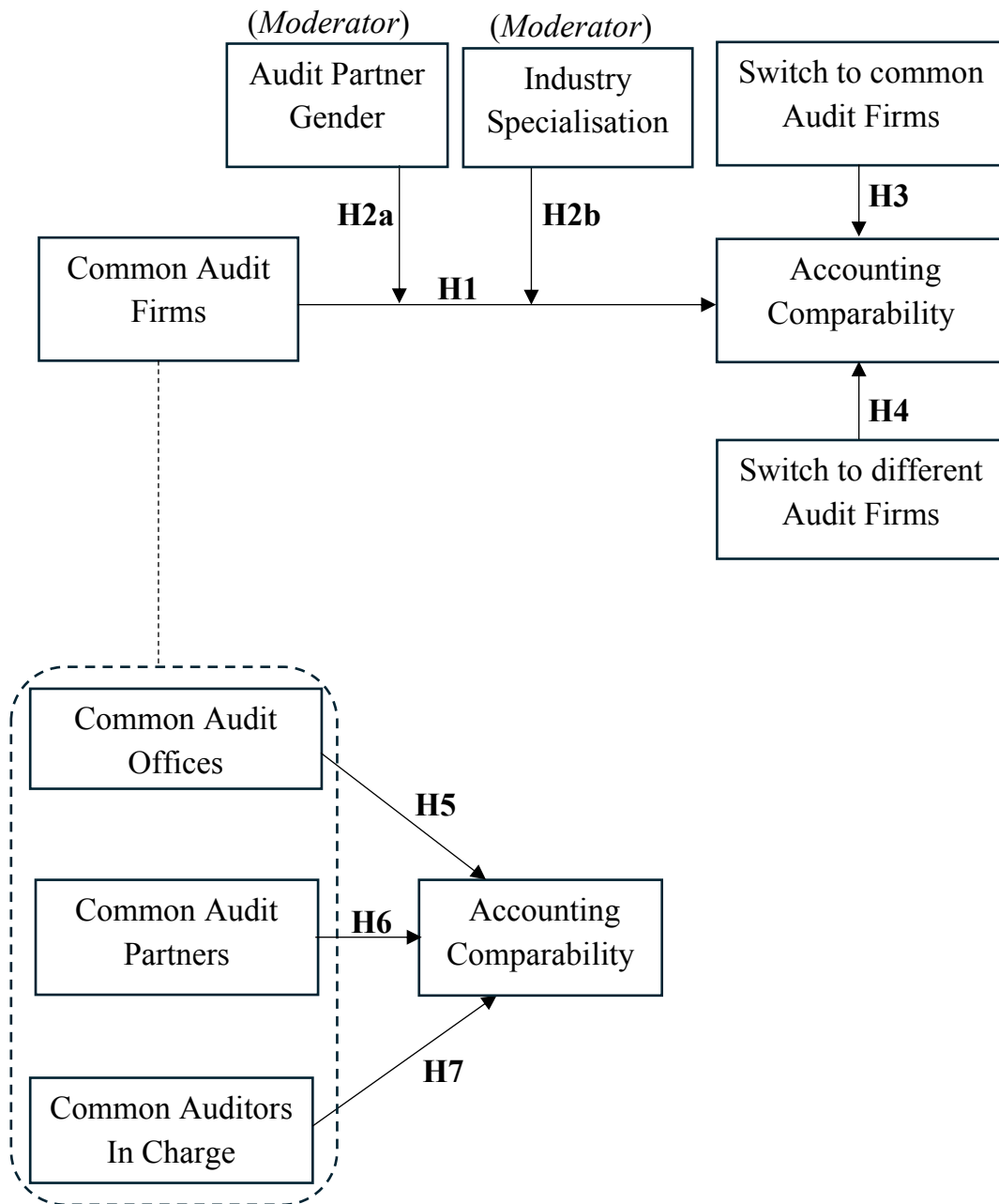
Source: created by author.

2.3 Proposed research model

This research explores the relationships between common auditors (e.g., audit firms, audit offices, and individual auditors), and accounting comparability within the

Vietnamese context. Additionally, it examines the moderating factors that influence the relationship between common audit firms and accounting comparability. Figure 2.1 illustrates the proposed research model.

Figure 2.1 Proposed research model



Source: created by author.

Summary of Chapter 2

Chapter 2 presents the underlying theories that form the theoretical background essential for analysing the influence of common auditors on the accounting comparability of their audit clients. These theories—agency theory, upper echelons theory, and theories on gender differences—lay the groundwork for a deeper understanding of common auditor roles and some auditor characteristics. Chapter 2 also proceeds to develop various hypotheses regarding the relationships between common auditors (such as audit firms, audit offices, and individual auditors) and accounting comparability. It concludes with a conceptual research model that encapsulates the research's theoretical framework, providing a structured lens through which to view the anticipated empirical analyses.

Chapter 3 RESEARCH METHODOLOGY

Introduction

Chapter 3 details the methodological framework of this study, which examines the impact of common auditors on accounting comparability. The chapter begins by justifying the choice of research method, highlighting its relevance to the study's objectives and type of data. It then outlines the research process, from sample selection to data collection, ensuring the sample's relevance and representativeness. Measurement of variables and the empirical models used for hypothesis testing are concisely described, emphasizing how they facilitate a rigorous analysis of the data collected. This methodology ensures a structured approach to testing the proposed hypotheses.

3.1 Choice of research methodology

The choice of research methodology is influenced by the nature of the data and the specific objectives of the research. This study utilises secondary data, referred to by Gow et al. (2016) as observational or non-experimental data. The primary aim is to identify relationships within this data set.

Regression-based analyses, particularly Ordinary Least Squares (OLS) multiple regression, are widely used in research for their ability to address a range of questions, including those involving complex moderated relationships (Bolin, 2014). OLS regression, when applied to observational data, can produce unbiased estimates of causal effects under stringent conditions, including robust underlying theories and a comprehensive understanding of the research setting. Armstrong et al. (2022) emphasize the necessity of a strong theoretical foundation for making causal inferences from such data, as theory provides a framework for predicting outcomes and interpreting observed correlations.

In 2014, 90% of papers in top accounting journals such as the *Journal of Accounting Research*, *The Accounting Review*, and the *Journal of Accounting and Economics*, aimed to draw causal inferences, primarily using OLS regression, difference-in-differences estimates, and propensity score matching (PSM) (Gow et al., 2016). My research is underpinned by well-established theories including Agency Theory, and Upper Echelons Theory, and is enriched by my comprehensive understanding of the accounting and auditing context in Vietnam. This grounding makes OLS regression an apt choice for the purpose of drawing causal inferences.

To control for potential confounders, fixed effects are included in the analyses (Francis et al., 2014; Li et al., 2021; Chircop et al., 2024). Additionally, a range of firm-specific control variables such as firm size, market-to-book ratio, financial leverage, and sales volatility is incorporated following methodologies by Lang et al. (2010) and Francis et al. (2014).

Propensity Score Matching (PSM) is another technique employed in this study to address potential confounders. This method is widely recognized in the field of accounting for its effectiveness with observational data, as demonstrated by its frequent use in leading accounting journals (Shipman et al., 2017).

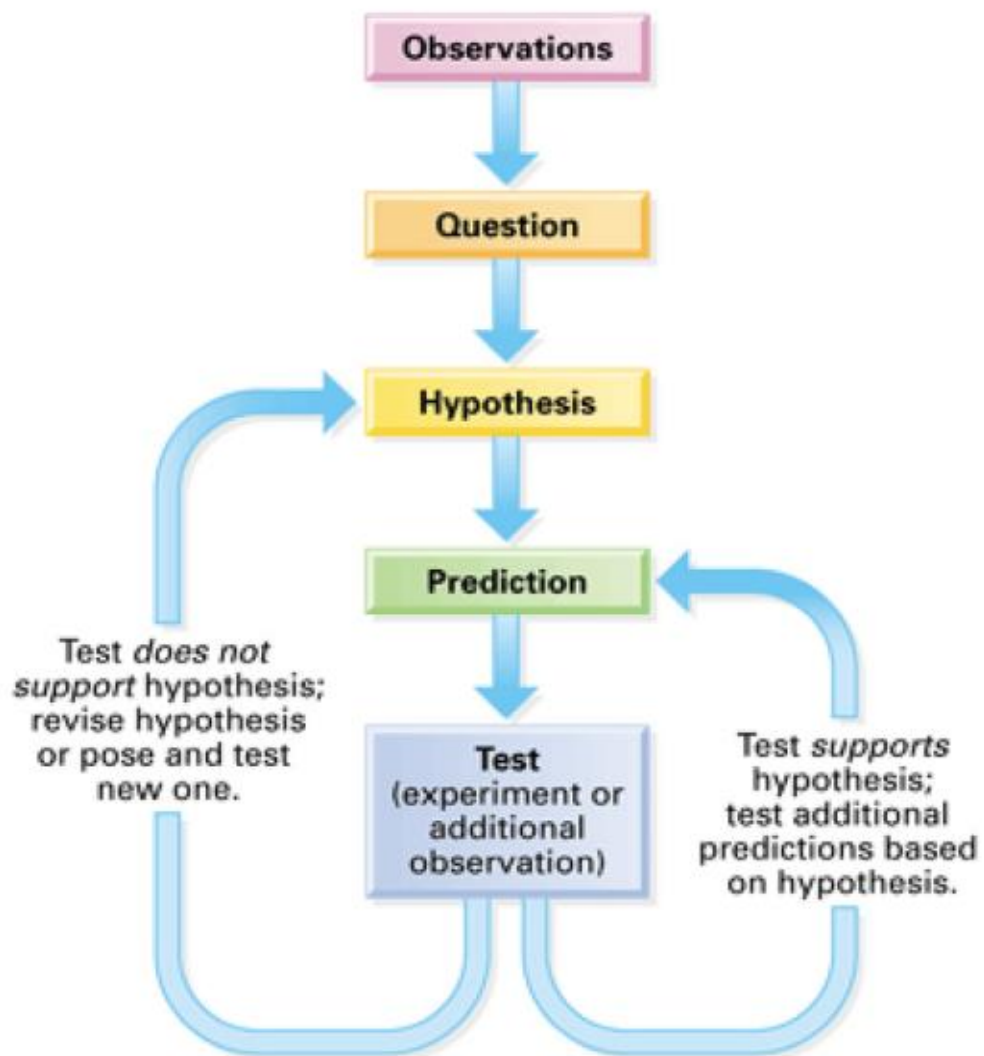
Furthermore, moderation analyses, which explore the conditions under which the relationships between variables change in strength or direction, are used to deepen our understanding of the causal relationships. Asay et al. (2022) reveal that 63 percent of articles published from 2017 to 2020 in top accounting journals like *The Accounting Review*, *Auditing: A Journal of Practice & Theory*, *Contemporary Accounting Research*, and *Accounting, Organizations and Society* has used at least one moderation analyses. “Things aren’t as simple as perhaps they have seemed” (Hayes, 2017). These analyses examine factors such as industry specialization of audit firms, the gender of audit partners, and the significance of audit clients to their firms (Baatwah et al., 2019; Palazzi et al., 2023). Jollineau and Bowen (2023) state that using a moderated model can capture the dependent nature of an entire set of

relationships, rather than attempting to make piecemeal inferences from a series of individual regressions, which may not be as revealing and could even yield misleading results.

In conclusion, this research employs a structured quantitative methodology including OLS regression, fixed effects, PSM, and moderation analysis to rigorously assess and interpret the relationships among the variables. This approach ensures the reliability of the results through careful data collection, sample selection, variable measurement, and empirical model evaluation.

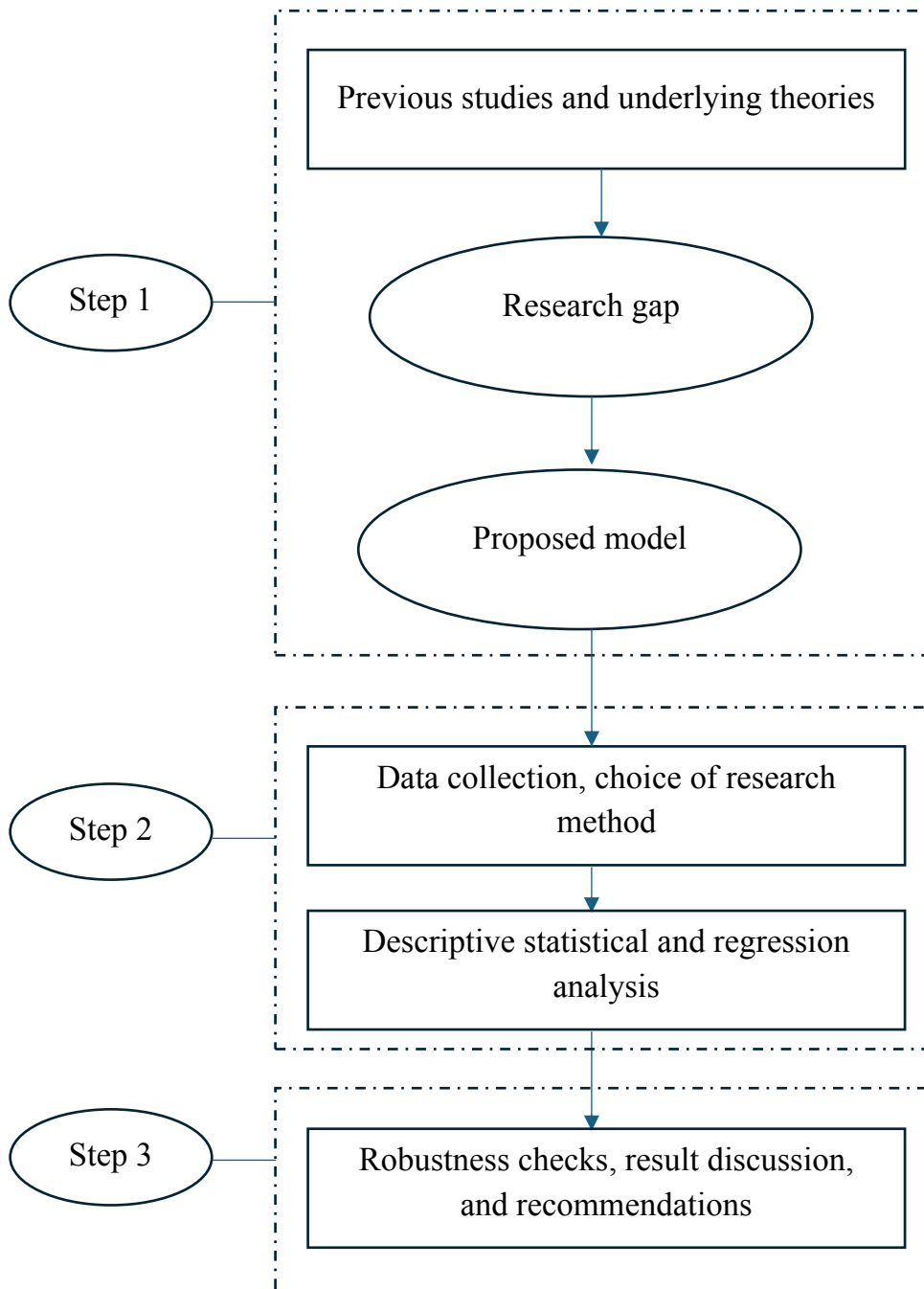
3.2 Research process

Figure 3.1 Scientific process. Source: Armstrong et al. (2022)



Based on this diagram, I propose my research process including three steps as outlined in the Figure 3.2.

Figure 3.2 Research process



(Source: created by author)

Step 1: Literature Review and Identification of Research Gaps

The initial step involves a comprehensive review of existing literature and theoretical frameworks to identify research gaps and inform the development of the research model. This process includes synthesizing and deriving conclusions from prior studies that examine the measurement of accounting comparability, the relationships between common auditors and accounting comparability, and the moderators of such relationships. Furthermore, relevant theories underlying these relationships are systematically organized. Special attention is given to the distinctive characteristics of accounting and auditing practices in Vietnam, which are integrated into the analysis. This thorough examination forms the basis for identifying research gaps and proposing a suitable research model.

Finishing step 1, two research gaps have been identified that require further examination in the Vietnamese context: the relationships between common auditors (e.g., audit firms, audit offices, and individual auditors) and accounting comparability, as well as the moderators of these relationships. These gaps provide the motivation for conducting this research to address the following questions:

1. Does a pair of listed companies audited by a common audit firm exhibit greater accounting comparability than a pair audited by different audit firms?
2. If a pair of listed companies audited by a common audit firm exhibits greater accounting comparability than a pair audited by different firms, what factors moderate this relationship?
3. Does accounting comparability increase when a pair of listed companies switches from having different audit firms to sharing a common audit firm? Conversely, does accounting comparability decrease when they switch from sharing a common audit firm to having different ones?

4. Does a pair of listed companies audited by a common audit office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different audit offices of the same audit firm?
5. Does a pair of listed companies audited by a common audit partner of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different audit partners of the same audit firm?
6. Does a pair of listed companies audited by a common auditor in charge of the same audit firm exhibit greater accounting comparability than a pair of companies audited by different auditors in charge of the same audit firm?

Step 2: Data Collection and Quantitative Analysis

In this phase, data is gathered for conducting quantitative research, focusing on financial statements of companies and information about auditors. The research sample consists of non-financial companies listed on the Ho Chi Minh City Stock Exchange (HOSE) over the period from 2016 to 2022. I started the sample from 2016 to avoid the possible effects of new accounting and auditing regulations. For instance, Circular 202 issued by the Ministry of Finance, providing guidance on the preparation and presentation of consolidated financial statements, became effective for fiscal years commencing from 2015 onwards. Decree 145 of the Vietnamese Government, came into effect in 2016, imposing substantial penalties for non-compliance with information disclosure requirements applicable to listed companies in Vietnam (Government, 2016). I use a sample from the period after all major accounting and auditing legislation was passed, thereby avoiding potential biases found in prior studies using Vietnamese data.

The nature of my data (secondary data) and my ultimate research goal (determine the relationships from this data) make Ordinary Least Squares (OLS) multiple regression a suitable choice. This is also the most used estimation method in accounting research (Bolin, 2014; Francis et al., 2014; Gow et al., 2016; Li et al., 2021; Chircop et al., 2024). Further, I also use propensity-score matching (PSM)

technique to address the potential confounding factors (DeFond et al., 2017; Shipman et al., 2017; Nguyen, Dang, et al., 2023). In addition, I also adopt a range of control variables to capture firm-specific characteristics following Lang et al. (2010), Francis et al. (2014), and Li et al. (2021). I also design tests for moderating effects on the predicted relationship between common audit firms, and accounting comparability (Bolin, 2014; Jollineau and Bowen, 2023). I aim to explore under what conditions (i.e. moderators) this relationship become pronounced, in terms of changes in strength or direction. These moderators could stem from the characteristics of auditors such as industry specialisation, gender of audit partners, and the significance of audit clients to their audit firms.

Step 3: Robustness Tests, Result Discussion, and Recommendations

To ensure the reliability of the research outcomes, a series of robustness tests are conducted to assess the consistency of the results under various conditions. The findings from Step 2 are then discussed in light of the distinctive characteristics of Vietnam's accounting and auditing environment. These results are also compared with those of prior studies conducted in developed countries, offering a contextual understanding of both similarities and differences. Furthermore, the relationship between the test results and the underlying theoretical frameworks is examined. Based on these insights, recommendations are proposed for relevant stakeholders to enhance financial reporting quality within the Vietnamese context and to contribute to the development of relevant theoretical frameworks.

3.3 Sample selection

Data on auditors and financial statements of non-financial companies listed on the Ho Chi Minh City Stock Exchange (HOSE) for the period from 2016 to 2022 have been collected. HOSE is chosen because it is the largest stock exchange in Vietnam, with a market capitalisation of 4.01 million billion VND, accounting for 94 per cent of the total listed market capitalisation value at the end of 2022. At the end of 2022, the capitalised value of HOSE was equivalent to 42.22 per cent of Vietnam's

GDP in 2022 (Mai Hien, 2023). As of 31 December 2024, the market capitalisation of HOSE accounted for 93.92 percent of the total listed market capitalisation and was equivalent to 50.95 percent of GDP (Linh, 2025). The sample period starts in 2016 to avoid the potential effects of new accounting and auditing regulations. For example, Circular 202, issued by the Ministry of Finance, which outlines the guidelines for preparing and presenting consolidated financial statements, has been applicable to fiscal years starting from 2015. Additionally, Decree 145, introduced by the Vietnamese Government in 2016, enforces significant penalties for listed companies that fail to comply with information disclosure regulations (Government, 2016). I excluded financial service companies (such as banks, insurance and securities firms) and exchange-traded funds because the nature of their financial reports is different from the sample companies. Financial data were sourced from DataStream (Thomson Reuters). Auditor data are manually collected from CafeF (<https://cafef.vn/>), which is a publicly available and popular financial website in Vietnam, and from the Ministry of Finance's lists of approved auditors who meet the regulatory criteria to audit public interest entities during my sample period. All continuous variables are winsorised at 1st and 99th percentiles to eliminate possible effects of outliers. The main sample for comparability measure includes all firms in an industry-year, and they are pairwise completely.

3.3.1 Representativeness of the research sample

Below is the information on companies listed on HOSE at the end of year 2022 (hsx.vn, 2022).

Total number of listed stocks on HOSE at the end of 2022: 394

Less:

- Stocks in the Financial industry: 42
- Stocks in industries with fewer than 6 companies each (Communication Services and IT): 8
- Stocks do not exist for whole period of 2016 to 2022: 71

Number of stocks available to calculate comparability: 273

Less:

- Stocks with missing auditor data, or financial data needed to calculate control variables: 90

Final number of stocks available for the research: 183

The population (N) of 273 stocks is known in advance, thus I employ the following formula to assess the representativeness of the research sample (with n is necessary sample size and e is a margin of error of 5%, corresponding with a confidence level of 95%) (Yamane, 1973):

$$n = \frac{N}{1 + Ne^2} = \frac{273}{1 + 273 * 0.05^2} = 162$$

Therefore, with a research sample size of 183 stocks, the sample size assures representativeness for HOSE.

Table 3.1 Sample selection

Description	Observations
DataStream (Thomson Reuters) for computing comparability of pairs (excluding financial service companies) for period from 2016 to 2022	87,459
<i>Less:</i>	
Pairs with missing auditor data (for matching comparability data with auditor data)	42,119
Pairs with missing stock price or financial data required for the main regressions	162
Final sample for the main hypothesis tests	45,178

Source: created by the author

3.3.2 Description of the research sample

There are eleven level 1 industries on HOSE using the GICS industry classification. This research includes eight level 1 industries, having excluded the Financial industry and two others - Communication Services and IT industries - each with fewer than six listed companies. The composition of the main sample is represented below.

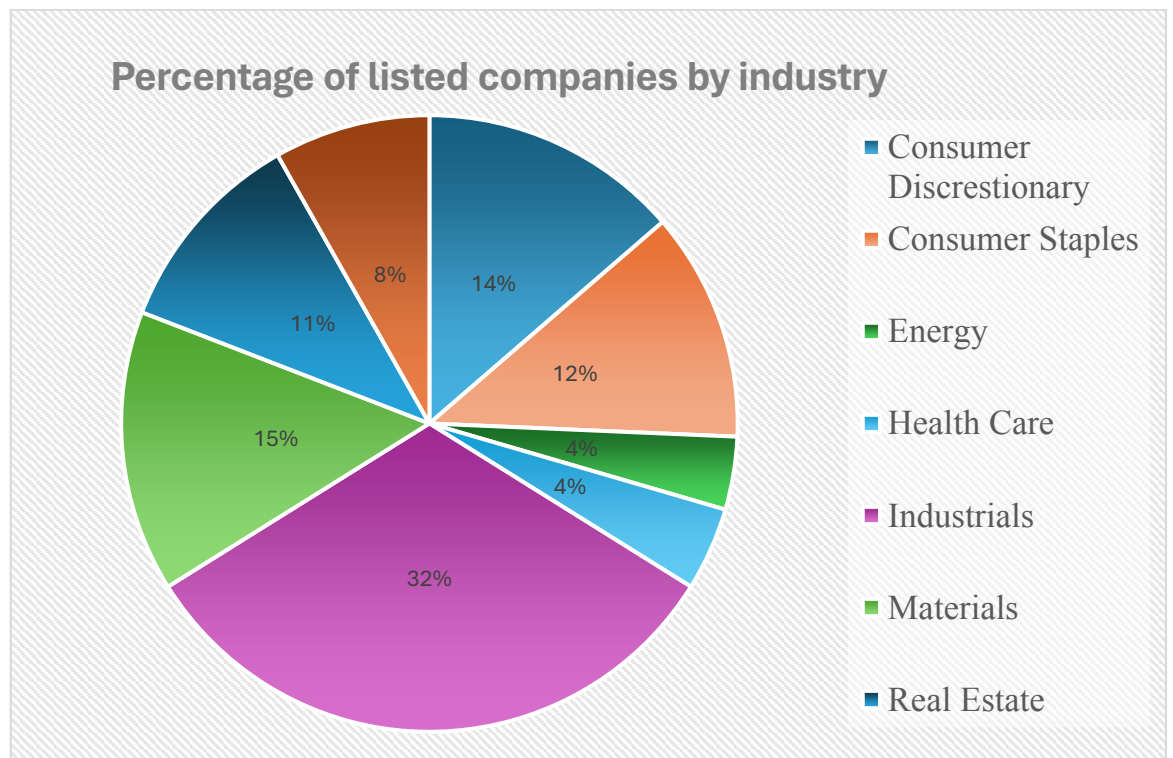
Table 3.2 Composition of the main sample

Industry	Observation	Number of companies	Percentage of companies by industry
Consumer Discretionary	1,331	25	14%
Consumer Staples	5,809	22	12%
Energy	480	7	4%
Health Care	426	8	4%
Industrials	24,594	59	32%
Materials	5,551	27	15%
Real Estate	4,640	20	11%
Utilities	2,347	15	8%
Total	45,178	183	100%

Source: created by author.

Figure 3.3 shows that in the main sample, the number of listed companies in the Industrials industry is the largest, accounting for 32 percent of the total companies. This is followed by the Materials industry with 15 percent, while the Energy and Health Care industries have the lowest, each comprising 4 percent.

Figure 3.3 Percentage of companies by industry



Source: created by the author

3.4 Measurement of variables

3.4.1 Accounting comparability

Following the model of De Franco et al. (2011) I measure comparability as the similarity of two companies' accounting systems in mapping economic events to their financial statements. Financial statements are produced by an accounting system, which can be seen as a mapping of economic events to financial statements. The following equation shows that logic:

Equation (3.1)

$$\text{Financial Statements}_i = f_i(\text{Economic Events}_i)$$

Where f_i denotes the accounting system of firm i . The financial statements of both firms are deemed comparable when their representation (mappings) exhibit similarity. Equation (3.1) presents that financial statements of a firm are a function of economic events and of accounting treatment of these events. Thus, comparable accounting systems of firm i and firm j ought to exhibit analogous mappings. Using

the earnings and stock return as proxies for financial statements and economic events respectively, i estimate the following time-series regression with the firms' 16 quarters of data.

Equation (3.2)

$$\text{Earnings}_{it} = \alpha_i + \beta_i \text{Return}_{it} + \varepsilon_{it}$$

Where Earnings_{it} is the firm i 's quarter net income after tax scaled by the beginning-of-period market value of equity, and Return_{it} is the stock price return during quarter t . Based on the idea that if two enterprises have undergone an identical series of economic occurrences, the greater the similarity in their accounting systems, the more akin their financial statements are likely to be. From the regression estimates, I calculate the alpha (α) and beta (β) regression coefficients for each company in quarter t to compute the expected earnings using the following formula:

Equation (3.3)

$$E(\text{Earnings})_{iit} = \hat{\alpha}_i + \hat{\beta}_i \text{Return}_{it}$$

Equation (3.4)

$$E(\text{Earnings})_{ijt} = \hat{\alpha}_j + \hat{\beta}_j \text{Return}_{it}$$

Where $E(\text{Earnings})_{iit}$ refers to the predicted earnings of firm i given firm i 's function and Return of firm i in period t ; and $E(\text{Earnings})_{ijt}$ is the predicted earnings of firm j given firm j 's function and firm i 's Return in period t . The economic events are held constant with firm i 's Return being used in both calculations. The estimated coefficients $\hat{\alpha}_i$ and $\hat{\beta}_i$ are firm i 's accounting system or function that maps firm i 's economic events into its financial statement.

The measure Acctcomp_{ijt} is constructed as the accounting comparability between firms i and j (the pairwise comparability score between firm i 's and firm j 's accounting systems).

Equation (3.5)

$$Acctcomp_{ijt} = -\frac{1}{16} * \sum_{t-15}^t abs \left(E(Earnings_{iit}) - E(Earnings_{ijt}) \right)$$

Where $Acctcomp_{ijt}$ is the negative value of the average absolute difference between the predicted earnings of firm i 's and j 's functions for the past 16 quarters. To facilitate interpretation, I multiply the average absolute difference in Equation (3.5) by minus one so that greater (less negative) numbers indicate greater accounting comparability between firms i and j .

Given $Acctcomp_{ijt}$ in Equation (3.5) is no positive, greater value of $Acctcomp_{ijt}$, that means, a smaller absolute difference between $E(Earnings)_{iit}$ and $E(Earnings)_{ijt}$, indicates higher accounting comparability between firm i and firm j .

3.4.2 Common auditors

Common auditors in this research are categorised into three levels: common audit firms, common audit offices, and common individual auditors. First, I examine the role of common audit firms in shaping the accounting comparability of their audit clients, then consider the common audit offices and common individual auditors.

In this research, a pair of listed companies is classified as sharing a common audit firm if both companies hire common audit firm for their audit services within the same year (Francis et al., 2014; Johnston and Zhang, 2021; Li et al., 2021). Common audit firm is represented as a dummy variable, which takes the value of 1 if the audit firm of listed company $_i$ is the same as the audit firm of listed company $_j$ in a pair of listed companies, and 0 otherwise.

The next level of common auditors consists of common audit offices. In practice, an audit firm usually has more than one audit office. In the context of Vietnam, nearly all audit firms maintain their audit offices in the two main cities: Hanoi and Ho Chi Minh City. Additionally, some audit firms also establish their presence in other locations such as Da Nang, Can Tho, or Hai Phong. Legally, each audit office is considered a branch of an audit firm in Vietnam. In this research, a pair of listed companies is classified as sharing a common audit office if both companies

use the same audit office of an audit firm for their audit services within the same year (Kawada, 2014; Chen, Chen, et al., 2020; Li et al., 2021). The common audit office is represented as a dummy variable, which is assigned a value of 1 if the audit office of listed company i is the same as the audit office of listed company j within the same audit firm in a pair of listed companies, and 0 otherwise.

The next level of common auditors consists of common individual auditors. In the context of Vietnam, an auditor's report requires the signatures of two individuals: one is the audit partner, who signs on behalf of the audit firm, and the other is the auditor in charge, who normally plans the audit engagement. In this research, a pair of listed companies is classified as sharing a common individual auditor if both companies have the same individual auditor (i.e., audit partner or auditor in charge) on their auditor's report for the same year (Chen, Chen, et al., 2020). The common audit partner is represented as a dummy variable, which is a value of 1 if listed company i and listed company j share the same audit partner within the same audit firm, and 0 otherwise. Similarly, the common auditor in charge is represented as a dummy variable, which is assigned a value of 1 if listed company i and listed company j share the same auditor in charge within the same audit firm, and 0 otherwise.

3.4.3 Industry specialisation

Industry specialisation is deemed “specialised knowledge of what clients do within any given industry and the issues and audit risks auditors face” (Kend, 2008). Thus, industry specialisation helps audit firms provide “leading edge” practices to their audit clients (Kend, 2008). An audit firm is considered as an industry specialist if that firm holds more than 30 percent of the audit market share in each observed year (Reichelt and Wang, 2010; Bills et al., 2015). The market share of an audit firm is calculated as the percentage of its clients' net sales audited in a given year, relative to the total net sales audited by all audit firms. As each observation in this research relates to two audit firms, industry specialisation is coded as 1 if at least one audit

firm holds 30 percent or more of the market share, and 0 otherwise. In addition, under Article 24 of the Vietnamese Competition Law, an enterprise is considered to hold a dominant position in the market if it has a market share of 30% or more in the relevant market (Vietnam, 2018).

3.4.4 Control variables

To control for firm-specific characteristics that can affect the relationship between the common auditors and accounting comparability, I adopt a range of control variables following Lang et al. (2010), Francis et al. (2014) and Li et al. (2021). These controls are based on firm size (*Size*), market to book ratio (*Mb*), financial leverage (*Lev*), operating cash flows (*Cfo*), probability of loss (*Lossprob*), volatility of sales (*Std_netsale*), volatility of operating cash flows (*Std_Cfo*), and volatility of sales growth (*Std_netsalegr*). Because the dependent variable is the difference in expected earnings of a listed company pair, I include both the difference in and the level of these firm characteristics for firm-pairs as control variables. Specifically, I control for levels using the minimum value as well as the difference of the paired control variable for firm *i* and firm *j* in year *t*. Definition of these control variables are represented at the Appendix.

I control for firm size because larger firms, subject to greater scrutiny from investment professionals and higher political costs, are less inclined to engage in accruals management, leading to lower information asymmetry (Datta et al., 2011). Thus, I use *Size_Diff* and *Size_Min* as control variables.

Datta et al. (2013) and Kawada (2014) suggest that management can use leverage as a managerial decision to influence the quality of financial reporting. To control for a firm's incentives to manipulate earnings due to debt, I include variables for both the differences in and the levels of firm leverage within each firm pair (*Lev_Diff* and *Lev_Min*, respectively). Majeed et al. (2018) posits that when firms report losses, pressures from owners and the threat of delisting can influence their

accounting choices, potentially impacting comparability. Thus, I deploy *LossProb_Diff* and *LossProb_Min* to control for this potential issue.

Lee et al. (2006) and Matsumoto (2002) suggest that firms may face pressure from capital markets to manipulate their earnings. To control for a firm's market incentives to manage earnings, I include variables for both the differences and the levels of the market-to-book ratio in each firm-pair (*MB_Diff* and *MB_Min*, respectively). These measures capture the capital market's perception of a firm's growth opportunities.

Additionally, Kawada (2014) argues that reported earnings may be influenced by the timing of cash flow receipts, as revenues earned but not yet received are accounted for through accruals within a given fiscal period. Therefore, I include variables for both the differences and the levels of operating cash flows in each firm-pair (*CFO_Diff* and *CFO_Min*, respectively) and volatility of such cash flows (*Std_CFO_Diff* and *Std_CFO_Min*).

Management of firms can have incentives to use aggressive accounting for their reported earnings. Thus, I control for the volatility of earnings as it impacts firm uncertainty. Higher volatility in earnings can lead to increased information asymmetry, potentially decreasing comparability (Majeed et al., 2018). Volatility is assessed using the standard deviation of net sales (*Std_NetSale*) and standard deviation of net sales growth (*Std_NetSaleGrowth*). I use the following control variables: *Std_NetSale_Diff*, *Std_NetSale_Min*, *Std_NetSaleGrowth_Diff* and *Std_NetSaleGrowth_Min*.

3.5 Empirical models

By combining the proposed research framework outlined in Chapter 2 with the relevant empirical studies discussed in Chapter 1, the following models are developed to test my hypotheses. For analytical clarity, the hypotheses are divided into two groups: the first group focuses on the audit firm level, while the second group

addresses the audit office and individual auditor levels. Group 1 includes Hypotheses H1, H2a, H2b, H3, and H4, whereas Group 2 consists of Hypotheses H5, H6, and H7.

The hypotheses related to common audit firms are tested first, followed by those concerning common audit offices and individual auditors. This sequence reflects the logical and organisational structure of the audit profession, in which audit offices and individual auditors operate under the umbrella of an audit firm. Legally, audit offices function as branches of audit firms, and individual auditors are employees of these firms.

3.5.1 Empirical model for testing the main hypothesis (H1)

As explained above, hypothesis 1 explores whether a pair of listed companies audited by common audit firm exhibits greater accounting comparability than a pair of companies audited by different audit firms. Based on previous studies (Francis et al., 2014; Johnston and Zhang, 2021; Li et al., 2021), this study proposes the following empirical model:

Equation (3.6)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 SameFirm_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where $Acctcomp_{ijt}$ is the comparability score of two companies (a pair) in the same industry (firm i and firm j) in year t . $SameFirm$ is the measure of common auditors, which is an indicator variable with the value of 1 if two companies i and j are audited by common audit firm, and 0 otherwise. I adopt a range of control variables following Lang et al. (2010), Francis et al. (2014) and Li et al. (2021). These controls are based on firm size ($Size$), market to book ratio (Mb), financial leverage (Lev), operating cash flows (Cfo), probability of loss ($Lossprob$), volatility of sales ($Std_netsale$), volatility of operating cash flows (Std_Cfo), and volatility of sales growth ($Std_netsalegr$).

FE stands for fixed effects, which help to control for potential omitted variables, such as time trends, and other innate firm characteristics (Francis et al.,

2014; Zhang, 2018; Nguyen, Dang, et al., 2023; Chircop et al., 2024). I run Equation (3.6) using OLS regressions with fixed effects. I expect that the coefficient α_1 on *SameFirm* is positive and significant, indicating that common audit firm is positively related to accounting comparability of client-firm pairs.

3.5.2 Empirical model for testing H2a

As explained above, H2a examines whether the positive relationship between using common (the same) audit firm and accounting comparability is more pronounced when all audit partners of common audit firm are female. Based on previous studies on moderation analysis (Baatwah et al., 2019; Asay et al., 2022; Jollineau and Bowen, 2023; Palazzi et al., 2023; Phung and Pham, 2024b), I propose the following empirical model to address the hypothesis 2a:

Equation (3.7)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 SameFirm_{ijt} + \alpha_2 FEMALE_{ijt} + \alpha_3 SameFirm_{ijt} * FEMALE_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where, $FEMALE_{ijt}$ represents female audit partners of listed company pairs, serving as a moderating variable. $Acctcomp_{ijt}$ is the comparability score of two companies i and j of a pair within the same industry in period t . *SameFirm* is the measure of common audit firms, which is an indicator variable with the value of 1 if two companies i and j are audited by the same audit firm, and 0 otherwise. I run Equation (3.7), using OLS regressions with fixed effects and expect the coefficient α_3 to be significant, positive and larger than the coefficient α_1 . See the Appendix for variable definition.

3.5.3 Empirical model for testing H2b

As explained above, hypothesis 2b examines whether the positive relationship between using the same audit firm and accounting comparability is more pronounced when the common audit firms are industry specialists.

Based on previous studies on moderation analysis (Baatwah et al., 2019; Asay et al., 2022; Jollineau and Bowen, 2023; Palazzi et al., 2023; Phung and Pham, 2024b), I proposes the following empirical model to address the hypothesis 2b:

Equation (3.8)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 SameFirm_{ijt} + \alpha_2 SPECIALIST_{ijt} + \alpha_3 SameFirm_{ijt} * SPECIALIST_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where *SPECIALIST_{ijt}* represents the industry specialisation of audit firms, serving as a moderating variable. *Acctcomp_{ijt}* is the comparability score of two companies (a pair) in the same industry (firm *i* and firm *j*) in year *t*. *SameFirm* is the measure of common audit firms, which is an indicator variable with the value of 1 if two companies *i* and *j* are audited by the same audit firm, and 0 otherwise. I run Equation (3.8), using OLS regressions with fixed effects and expect the coefficient α_3 to be significant, positive and larger than the coefficient α_1 . See the Appendix for variable definition.

3.5.4 Empirical model for testing H3

As explained above, Hypothesis 3 examines whether a pair of listed companies that switch from using different audit firms to sharing a common audit firm demonstrate higher accounting comparability. Based on previous studies on audit firm switches (Francis et al., 2014; Johnston and Zhang, 2021) I proposes the following empirical model to address the hypothesis 3:

Equation (3.9)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Same_Switch_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where *Same_Switch* represents the audit firm switch by a listed company pair from having two different audit firms to sharing a common audit firm. *Same_Switch* is an indicator variable that takes the value of 1 in the test years following the switch (sharing a common audit firm), and the value of 0 in the benchmark years prior to switch (having different audit firms). Therefore, the indicator variable *Same_Switch*

compares the differences in expected earnings for the same pair of listed companies, before and after the switch. I expect the coefficient α_1 to be significant and positive, supporting H3: a pair of listed companies that switch from having different audit firms to sharing a common audit firm exhibit higher accounting comparability. In Equation (3.9), $Acctcomp_{ijt}$ is the comparability score of two companies (a pair) in the same industry (firm i and firm j) in year t . I run Equation (3.9), using OLS regressions with fixed effects. See the Appendix for variable definition.

3.5.5 Empirical model for testing H4

As explained above, Hypothesis 4 examines whether a pair of listed companies that switch from sharing a common audit firm to using different audit firms exhibit lower accounting comparability. Based on previous studies on audit firm switches (Francis et al., 2014; Johnston and Zhang, 2021) I proposes the following empirical model to address the hypothesis 4:

Equation (3.10)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Diff_Switch_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where $Diff_Switch$ represents the audit firm switch by a listed company pair from sharing a common audit firm to having two different audit firms. $Diff_Switch$ is an indicator variable that takes the value of 1 in the test years following the switch (having different audit firms), and the value of 0 in the benchmark years prior to switch (sharing a common audit firm). Therefore, the indicator variable $Diff_Switch$ compares the differences in expected earnings for the same pair of listed companies, before and after the switch. I expect the coefficient α_1 to be significant and negative, supporting H4: a pair of listed companies that switch from sharing a common audit firm to having different audit firms exhibit lower accounting comparability. In Equation (3.10), $Acctcomp_{ijt}$ represents the comparability score of two listed companies (company i and company j) within the same industry during quarter t . I run Equation (3.10), using OLS regressions with fixed effects. See the Appendix for variable definition.

3.5.6 Empirical model for testing H5

As explained above, hypothesis 5 explores whether a pair of listed companies audited by common audit office of an audit firm exhibits greater accounting comparability than a pair of companies audited by different audit offices of such an audit firm. Based on previous studies (Chen, Chen, et al., 2020; Frost et al., 2024), I proposes the following empirical model to test H5:

Equation (3.11)

$$\begin{aligned} Acctcomp10(Acctcomp4)_{ijt} &= \beta_0 + \beta_1 SameFirm_DiffOffice_DiffAuditor_{ijt} \\ &+ \beta_2 SameOffice_DiffAuditor_{ijt} + \beta_3 SameAuditor_{ijt} \\ &+ Controls + FE + \varepsilon_{ijt} \end{aligned}$$

Where $Acctcomp10(Acctcomp4)$ is the top ten (four) highest comparability scores of listed company pairs in the same industry over quarter t . $SameFirm_DiffOffice_DiffAuditor$ is an indicator variable that equals 1 if both listed companies in a pair are audited by the same audit firm, but different audit offices and different individual auditors, and 0 otherwise (Chen, Chen, et al., 2020; Frost et al., 2024). $SameOffice_DiffAuditor$ is an indicator variable that equals 1 if both listed companies in a pair are audited by the same audit office of the same audit firm, but different individual auditors, and 0 otherwise (Chen, Chen, et al., 2020; Frost et al., 2024). $SameAuditor$ is an indicator variable that equals 1 if both listed companies in a pair have a common individual auditor, and 0 otherwise. In this measure $SameAuditor$, I do not differentiate between common individual auditors, such as audit partners and auditors in charge (Chen, Chen, et al., 2020). If there is at least one common individual auditor for the listed company pair, I code $SameAuditor$ as 1.

The advantage of Equation (3.11) is that it captures the distinct effects of each level of common auditor through the coefficients: β_1 for a common audit firm, β_2 for a common audit office and β_3 for a common individual auditor. I run Equation (3.11), using OLS regressions with fixed effects. I expect that the coefficient β_2 on

SameOffice_DiffAuditor_{ijt} to be positive and significant, suggesting that common audit office of the same audit firm has a positive influence on its clients' accounting comparability compared to different offices of the same audit firm. This finding would support Hypothesis 5 (H5). See Appendix for variable definitions.

3.5.7 Empirical model for testing H6 and H7

As explained above, Hypothesis 6 examines the relationship between a common audit partner within the same audit office of the same audit firm and accounting comparability. Meanwhile, Hypothesis 7 focuses on the relationship involving a common auditor in charge within the same audit office of the same audit firm.

Building on the previous study by Chen, Chen, et al. (2020), I have replaced the variable *SameAuditor* variable in Equation (3.11), with three other variables: *SamePartner_DiffIncharge*, *SameIncharge_DiffPartner* and *SameAuditor_Others* (Chen, Chen, et al., 2020). I proposes the following empirical model to test H6 and H7:

Equation (3.12)

$$\begin{aligned}
 &Acctcomp10(Acctcomp4)_{ijt} \\
 &= \beta_0 + \beta_1 SameFirm_DiffOffice_DiffAuditor_{ijt} \\
 &+ \beta_2 SameOffice_DiffAuditor_{ijt} \\
 &+ \beta_3 SamePartner_DiffIncharge_{ijt} \\
 &+ \beta_4 SameIncharge_DiffPartner_{ijt} + \beta_5 SameAuditor_Others_{ijt} \\
 &+ Controls + FE + \varepsilon_{ijt}
 \end{aligned}$$

Where *Acctcomp10(Acctcomp4)* is the top ten (four) highest comparability scores of listed company pairs in the same industry over quarter *t*. *SameFirm_DiffOffice_DiffAuditor* is an indicator variable that equals 1 if both listed companies in a pair are audited by the same audit firm, but different audit offices and different individual auditors, and 0 otherwise (Chen, Chen, et al., 2020; Frost et al.,

2024). *SameOffice_DiffAuditor* is an indicator variable that equals 1 if both listed companies in a pair are audited by the same audit office of the same audit firm, but different individual auditors, and 0 otherwise (Chen, Chen, et al., 2020; Frost et al., 2024). *SamePartner_DiffIncharge* is an indicator variable that equals 1 if both listed companies in a pair have a common audit partner but different auditors in charge, and 0 otherwise (Chen, Chen, et al., 2020). *SameIncharge_DiffPartner* is an indicator variable that equals 1 if both listed companies in a pair have a common auditor in charge but different audit partners, and 0 otherwise (Chen, Chen, et al., 2020). *SameAuditor_Others* is an indicator variable that equals 1 if *SameAuditor* = 1 but *SamePartner_DiffIncharge* = 0 and *SameIncharge_DiffPartner* = 0, and 0 otherwise (Chen, Chen, et al., 2020). *SameAuditor_Others* is an indicator variable that equals 1 if a pair of listed companies has at least one common individual auditor but no common audit partner or auditor in charge, and 0 otherwise.

The advantage of Equation (3.12) is that it captures the distinct effects of each level of common auditor through the coefficients: β_1 for a common audit firm, β_2 for a common audit office, β_3 for a common audit partner and β_4 for a common auditor in charge. I run Equation (3.12), using OLS regressions with fixed effects. I expect the coefficient β_3 on *SamePartner_DiffIncharge* to be positive and significant, suggesting that a pair of companies audited by the same audit partner within the same office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different audit partners within the same office of the same firm. This finding would support Hypothesis 6 (H6). I also expect the coefficient β_4 on *SameIncharge_DiffPartner* to be positive and significant, suggesting that a pair of companies audited by the same auditor in charge within the same office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different auditors in charge within the same office of the same firm. This finding would support Hypothesis 7 (H7). See Appendix for variable definitions.

3.6 Techniques for robustness checks

To provide additional evidence supporting the baseline results, I use four techniques for robustness checks: alternative measures of accounting comparability, the application of the propensity score matching (PSM) procedure, the extension of test windows, and inclusion of additional control variable (De Franco et al., 2011; Francis et al., 2014; Kim et al., 2016; DeFond et al., 2017; Shipman et al., 2017; Li et al., 2021; Nguyen, Dang, et al., 2023; Chircop et al., 2024).

3.6.1 *Using alternative measures of accounting comparability*

Based on studies of De Franco et al. (2011), Kim et al. (2016), Chircop et al. (2024), alternative measures of accounting comparability (Acctcomp) are used. These include Acctcomp10 and Acctcomp4, where Acctcomp10 is the average of the top ten highest comparability scores of firm i with its peer firms in the same industry, and Acctcomp4 is the average of the top four highest comparability scores, respectively. While the main sample of accounting comparability (Acctcomp) contains 45,178 observations, the restricted samples of Acctcomp10 and Acctcomp4 contain 17,992 and 7,665 observations, respectively.

3.6.2 *Using propensity score matching (PSM) procedure*

To address the concerns that the positive association between common audit firms and accounting comparability can be masked by confounding factors, I use PSM technique. This technique requires a quasi-treatment sample, and a quasi-control sample matched by the probability of being treated (DeFond et al., 2017; Shipman et al., 2017; Nguyen et al., 2023). The main sample is divided into 2 groups: those with common audit firm (i.e., the treatment group, where the *SameFirm* equals to 1) and those with different audit firms (i.e., the control group, where the *SameFirm* equals 0). A probit regression of *SameFirm* on control variables was conducted to estimate the probability that a client-firm in a client-firm pair shares common audit firm with its peer firm. As suggested by Shipman et al. (2017), the probit model includes all covariates used in the baseline regression as explanatory variables. Using an odds ratio of having the *SameFirm*, each treated observation is matched with one

control observation using nearest-neighbour matching, with a calliper of 0.01 and without replacement.

The following two tests are conducted to assess the quality of the matching procedure. First, the probit model is re-estimated using the matched sample, with the expectation that the explanatory variables will no longer be statistically significant. Second, a t-test for mean differences is performed to examine whether the firm characteristics of the treatment group are not statistically different from those of the control group.

Finally, after re-running the empirical models on the PSM-matched sample, if the testing results hold and are consistent with the baseline results, this would provide additional evidence supporting the preliminary conclusions.

3.6.3 Extended test windows

Based on studies of Francis et al. (2014), and Li et al. (2021), I extend the test window for audit firm switches (including switches to the same audit firm and switches to different audit firms) from the initial two years (one year before and one year after the switch) to four years (two years before and two years after the switch), and finally to five years (two years before and three years after the switch). After re-running the empirical models on the extended test windows, if the testing results hold and are consistent with the baseline results, this would provide additional evidence supporting the preliminary conclusions.

3.6.4 Using Big Four auditors as additional control variable

There may be concerns that Big Four affiliation may affect the baseline results of this research. Some research indicate that Big Four auditors impact audit outcomes more significantly than non-Big Four auditors due to substantial investments in audit technology and staff training, which enhances process innovation and IT infrastructure (Sirois and Simunic, 2011). Other evidence supports that the size of the Big Four firms allows them to attract and retain higher quality staff and benefit from economies of scale, leading to higher audit quality (Dopuch and Simunic, 1982; Anderson and Stokes, 1989). Eshleman and Guo (2014) find that clients of Big Four

firms are less likely to subsequently issue an accounting restatement than are clients of non-Big Four auditors.

To address concerns related to Big Four affiliation, I include the variable *Big4* as an additional control in all empirical models, following Johnston and Zhang (2021), Li et al. (2021), and Nguyen (2021). If the results remain consistent after re-running the models with this control, it shall provide further support for the preliminary conclusions.

Summary of Chapter 3

Chapter 3 outlines the methodological framework used to examine the impact of common auditors on accounting comparability. It begins by justifying the selected research method, aligning it with the study's objectives and the nature of the data. The chapter then details the procedures for sample selection and data collection, highlighting the representativeness of the sample to ensure the validity of the findings. It concludes with a description of the techniques employed to perform robustness checks.

A central component of the chapter is the explanation of variable measurement, and the empirical models used to test the hypotheses. Each variable is clearly defined and precisely measured, while suitable statistical techniques are outlined to ensure rigorous data analysis. This structured approach is essential for interpreting the results accurately and validating the proposed hypotheses. It also lays the groundwork for robust analysis and enhances the credibility of the study's empirical findings on the role of common auditors.

Chapter 4 RESULTS AND DISCUSSION

Introduction

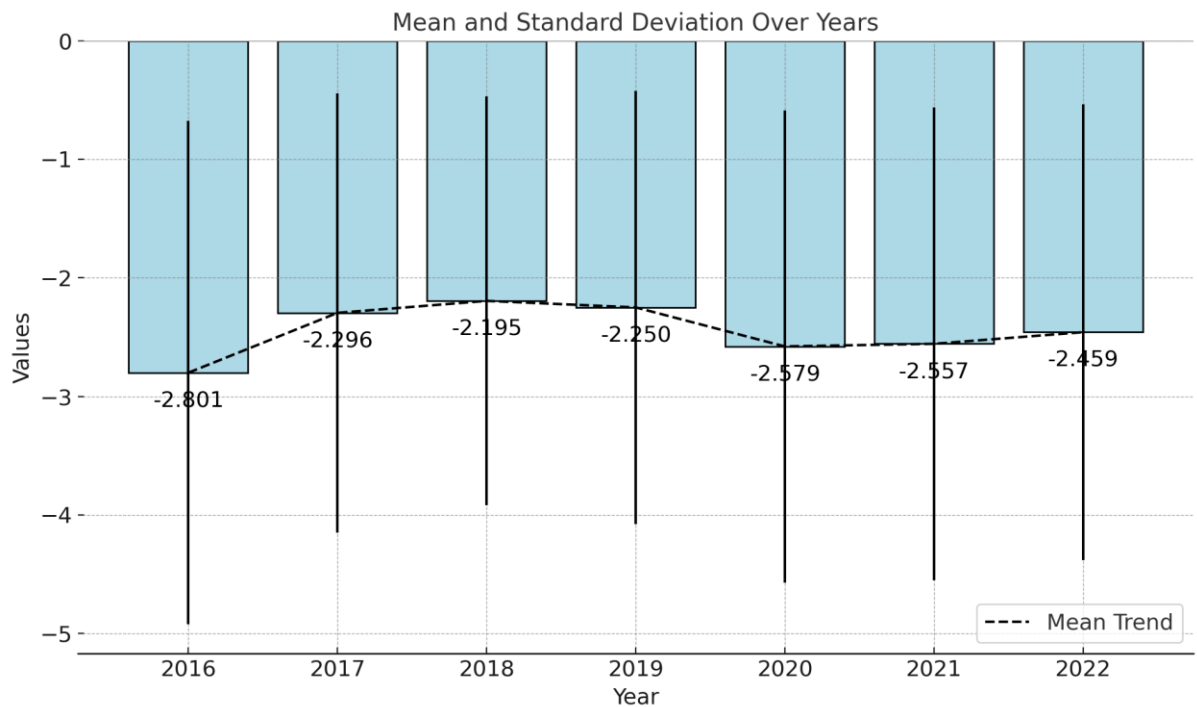
Chapter 4 presents the findings of the study within the Vietnamese context. It begins with an analysis of accounting comparability and the prevalence of common auditors among companies listed on the Ho Chi Minh City Stock Exchange (HOSE) from 2016 to 2022, segmented by industry. The chapter then details the baseline results of all hypotheses and includes robustness checks to ensure validity. Finally, it concludes with a discussion on the hypothesis testing results, interpreting their significance within the broader framework of audit practices and regulations, and comparing them with other empirical studies.

4.1 Research context

4.1.1 Status of accounting comparability of listed companies on HOSE

4.1.1.1 Accounting comparability of listed company pairs over time

Figure 4.1 Comparability status on HOSE over time (2016 - 2022)

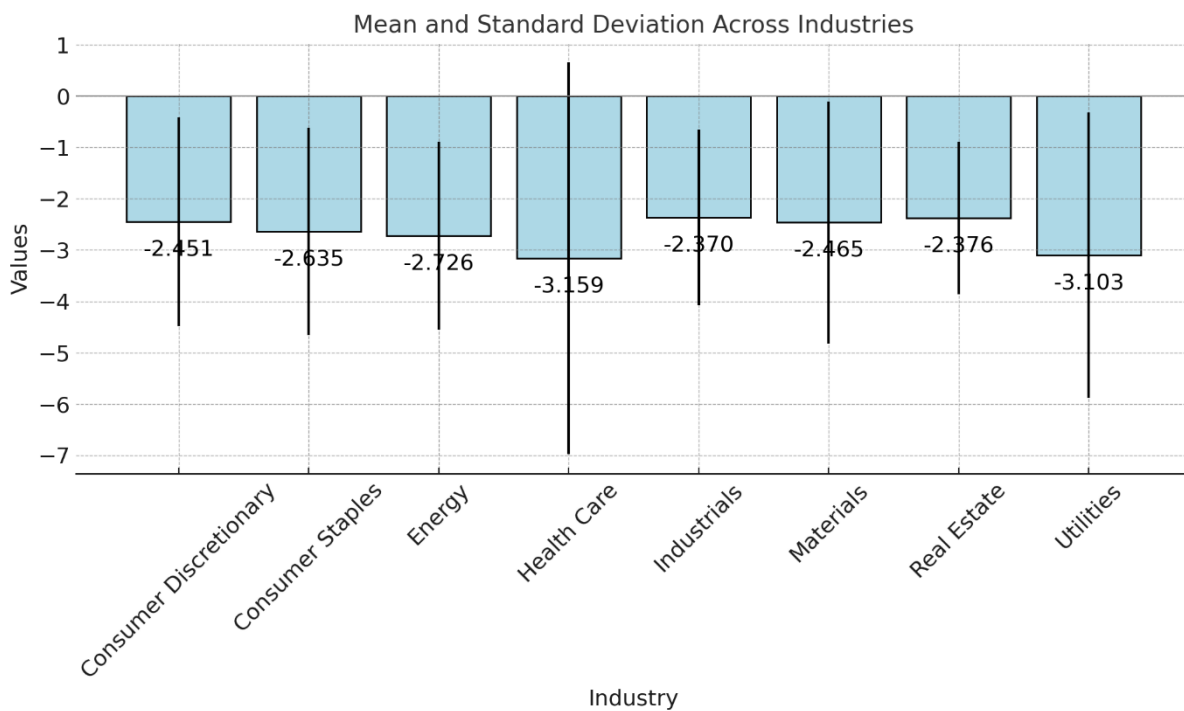


Source: synthesised by the author

Figure 4.1 presents comparability trends of listed company pairs on HOSE over the period from 2016 to 2022. Mean values of comparability are represented on bars while standard deviations are shown on error bars corresponding to each year. In general, the figure shows an upward trend in comparability over time. A typical feature of the figure is a downward step from 2019 to 2020, coinciding with the outbreak of the COVID-19 pandemic, which negatively impacted the comparability of listed company pairs on HOSE. From 2021 onwards, the pandemic has been significantly controlled, resulting in the resumption of the upward trend. Essentially, these results suggest that the comparability of listed company pairs on HOSE has improved over time, from 2016 to 2022.

4.1.1.2 Accounting comparability of listed companies by industries

Figure 4.2 Comparability status on HOSE by industry



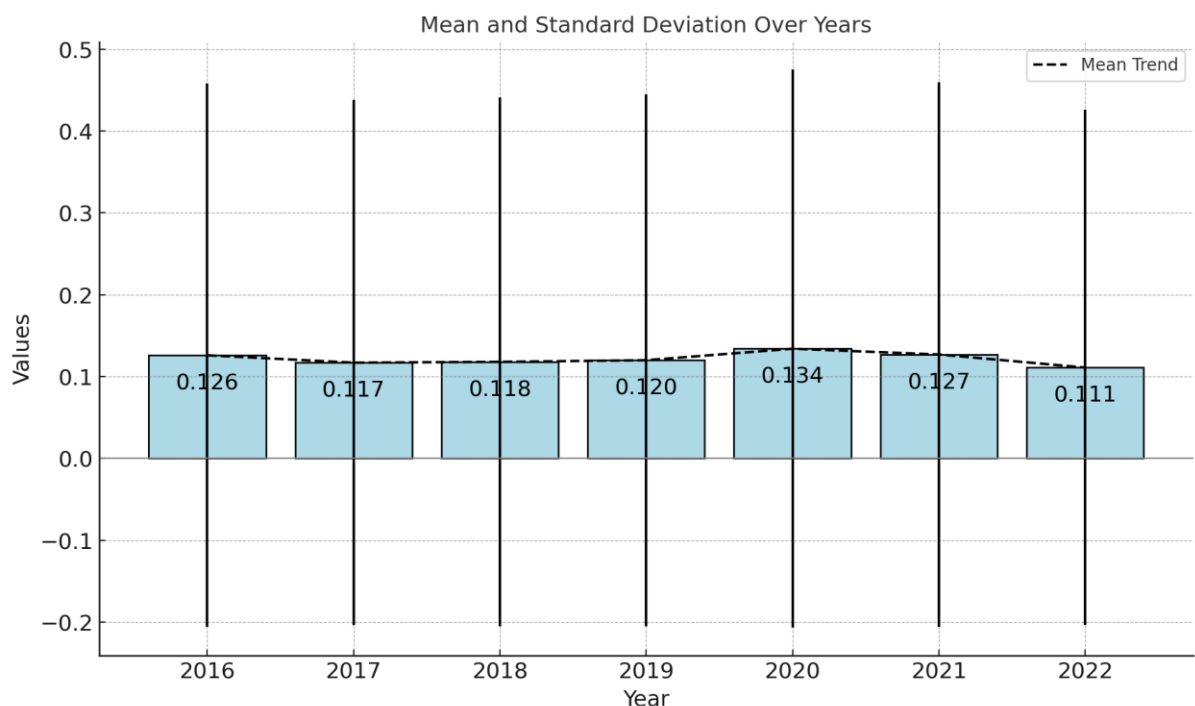
Source: Synthesised by the author

Figure 4.2 displays the mean values and standard deviations of comparability across various industries. The mean values of comparability are represented on bars, while the standard deviations are shown on error bars corresponding to each listed industry. Figure 4.2 illustrates that the mean values of comparability for the Industrials and Real Estate industries are -2.370 and -2.376, respectively, indicating that these two industries exhibit the highest comparability among the eight industries on HOSE. The other industries have mean values of comparability ranging from -2.451 (Consumer Discretionary) to -3.159 (Health Care). Furthermore, the standard deviations of comparability across industries have changed, suggesting that there has been a change in comparability for each industry over time.

4.1.2 Status of common auditors of listed companies on HOSE

4.1.2.1 Common auditors of listed companies over time

Figure 4.3 Common audit firms of listed companies over time

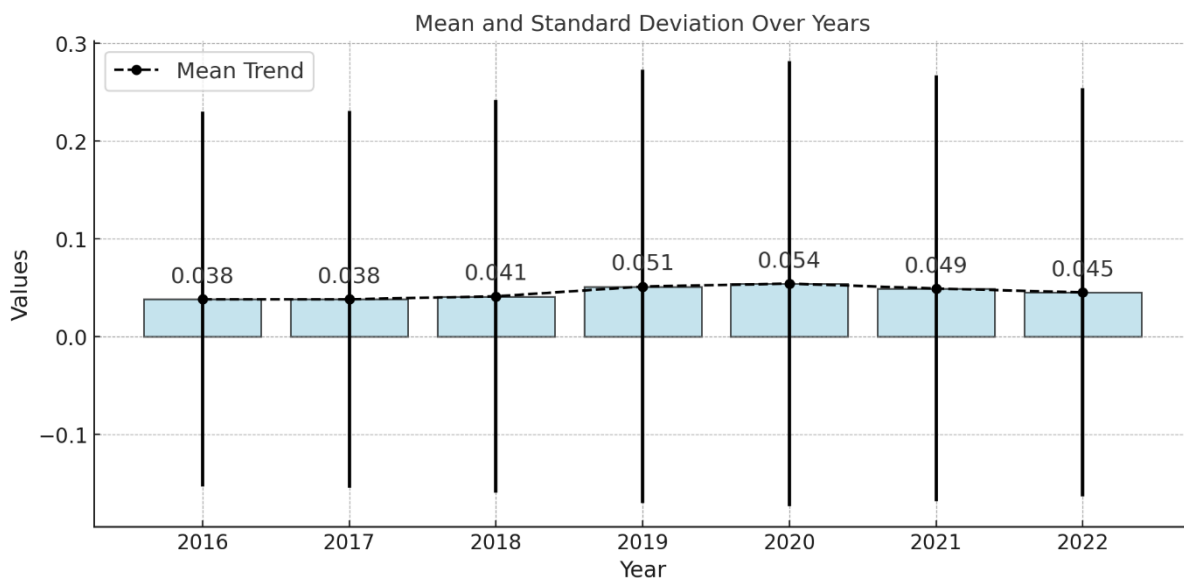


Source: synthesised by the author

Figure 4.3 presents common audit firms of listed companies on HOSE over the period from 2016 to 2022. The bars represent the mean values of common audit

firms, and the error bars show the standard deviations for each year observed. The lowest mean value of common audit firms is 0.111, representing that there is 11.1 percent of observations sharing a common audit firm, while the highest value is 13.4 percent. Essentially, there is little change in the mean values of common audit firms over time, which range from 0.111 (in 2022) to 0.134 (in 2020). However, fluctuations are quite high among years, characterized by high standard deviations for each year observed.

Figure 4.4 Common audit office of listed companies over time

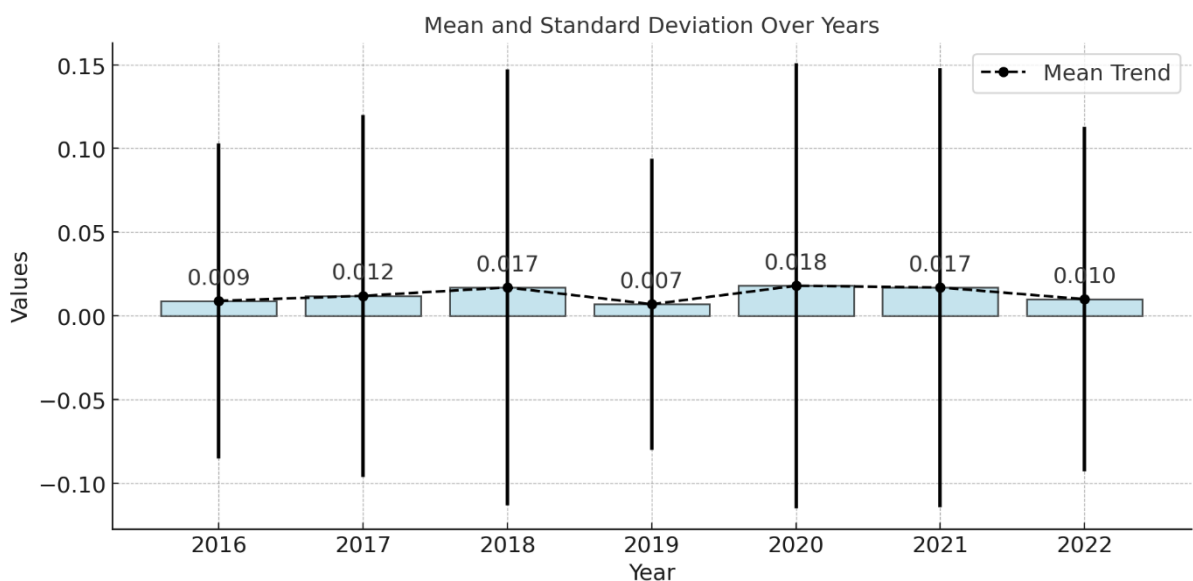


Source: synthesised by the author

Figure 4.4 presents common audit offices within the same audit firms of listed companies on HOSE over the period from 2016 to 2022. The bars represent the mean values of common audit offices, and the error bars show the standard deviations for each year observed. There is a significant variance in the mean values of common audit offices over time, ranging from 0.038 (in 2016, 2017) to 0.054 (in 2020). The lowest mean value of common audit offices is 0.038, indicating that 3.8 percent of observations share a common audit office within the same audit firm, while the highest value is 5.4 percent. Fluctuations are quite high among years, characterized by high standard deviations for each year observed.

Figure 4.5 presents common audit partners within the same offices of the same audit firms of listed companies on HOSE over the period from 2016 to 2022. The bars represent the mean values of common audit partners, and the error bars show the standard deviations for each year observed. There is a significant variance in the mean values of common audit partners over time, ranging from 0.007 (in 2019) to 0.018 (in 2020). The lowest mean value of common audit partners is 0.007, indicating that 0.7 percent of observations share a common audit partner within the same audit firm, while the highest value is 1.8 percent. Fluctuations are quite high among years, characterized by high standard deviations for each year observed.

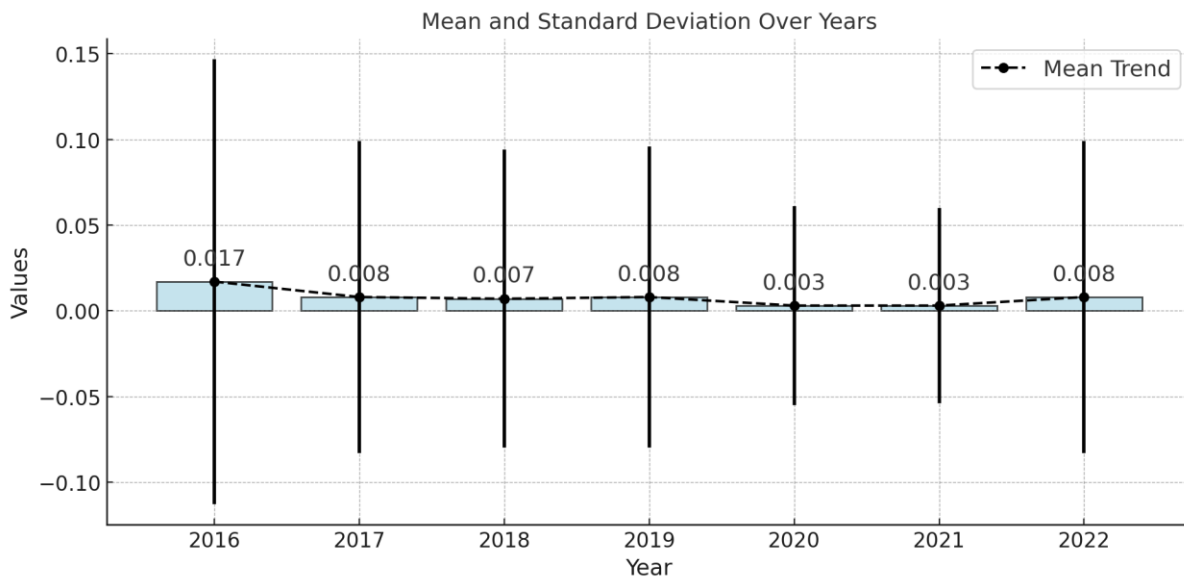
Figure 4.5 Common audit partner of listed companies over time



Source: synthesised by the author

Figure 4.6 presents common auditors in charge within the same offices of the same audit firms of listed companies on HOSE over the period from 2016 to 2022. The bars represent the mean values of common auditors in charge, and the error bars show the standard deviations for each year observed. There is significant variance in the mean values of common auditors in charge over time, ranging from 0.003 (in 2020 and 2021) to 0.017 (in 2016).

Figure 4.6 Common auditor in charge of listed companies over time



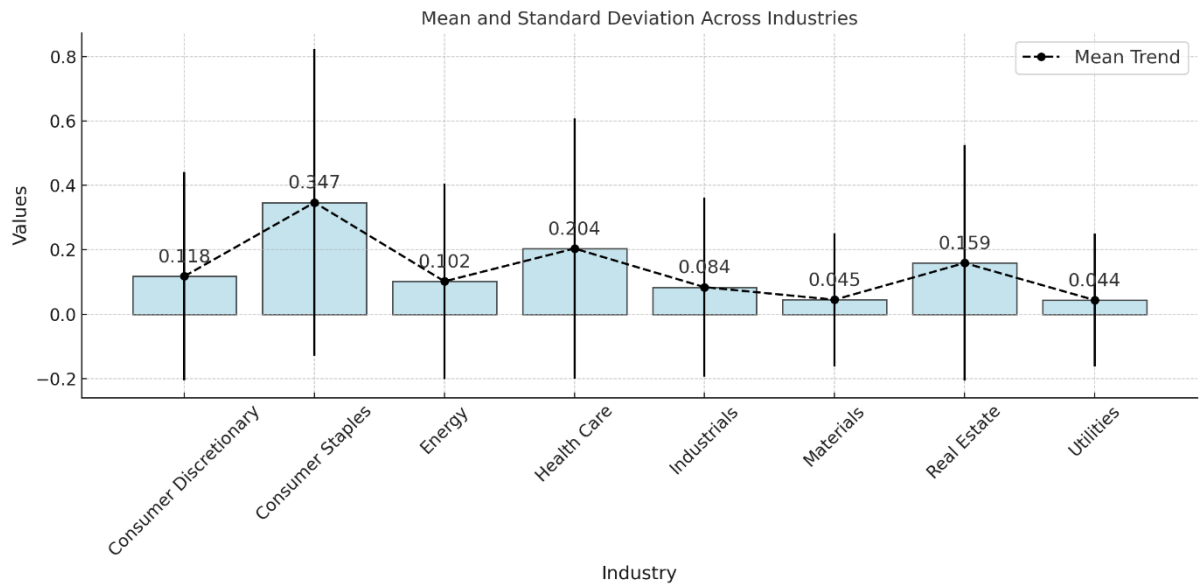
Source: synthesised by the author

The lowest mean value of common auditors in charge is 0.003, indicating that 0.3 percent of observations share a common auditor in charge within the same audit firm, while the highest value is 1.7 percent. Fluctuations are quite high among years, characterized by high standard deviations for each year observed.

4.1.2.2 Common auditors of listed companies by industries

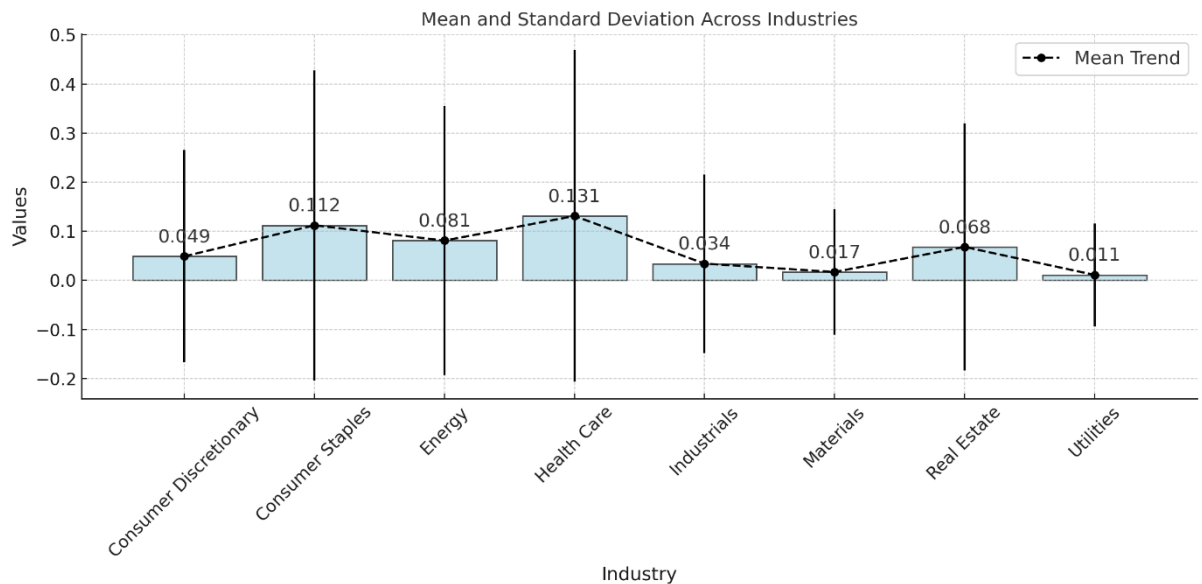
Figure 4.7 presents common audit firms of listed companies on HOSE by industry. The bars represent the mean values of common audit firms, and the error bars show the standard deviations for each industry observed. There is significant variance in the mean values of common audit firms across industries, ranging from 0.044 (in the Utilities industry) to 0.347 (in Consumer Staples). The lowest mean value of common audit firms is 0.044, indicating that 4.4 percent of observations share a common audit firm, while the highest value is 34.7 percent. Fluctuations are quite high among industries, characterized by high standard deviations for each industry observed.

Figure 4.7 Common audit firms of listed companies by industries



Source: synthesised by the author

Figure 4.8 Common audit offices of listed companies by industries

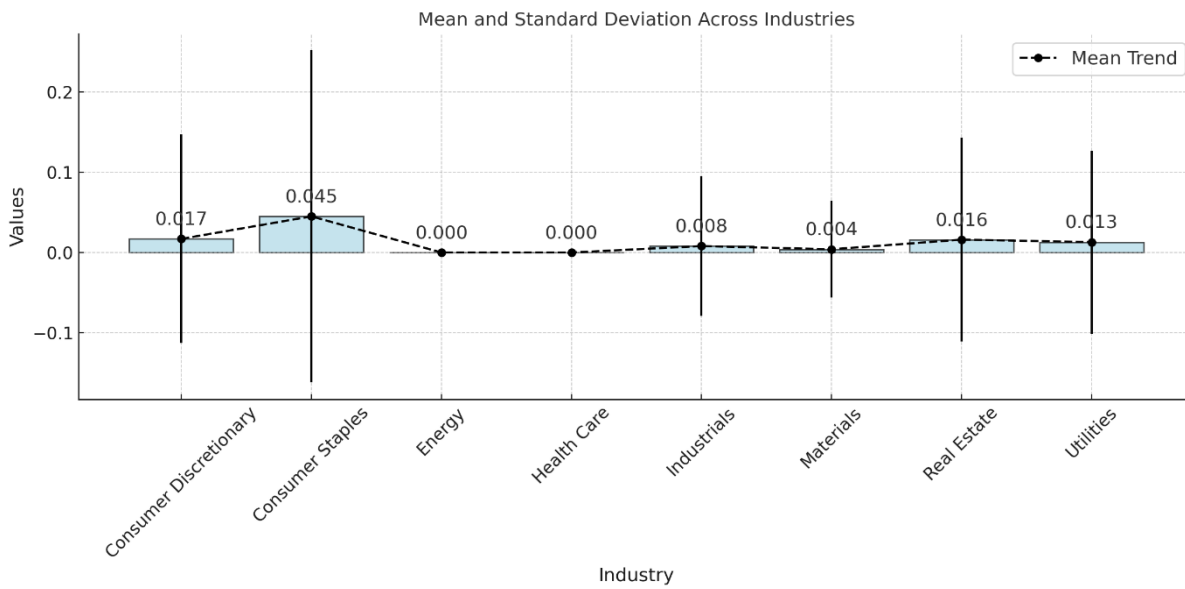


Source: synthesised by the author

Figure 4.8 presents common audit offices within the same audit firms of listed companies on HOSE by industry. The bars represent the mean values of common audit offices, and the error bars show the standard deviations for each industry observed. There is significant variance in the mean values of common audit offices across industries, ranging from 0.011 (in the Utilities industry) to 0.131 (in Health Care industry). The lowest mean value of common audit offices is 0.011, indicating

that 1.1 percent of observations share a common audit office, within the same audit firm, while the highest value is 13.1 percent. Fluctuations are quite high among industries, characterized by high standard deviations for each industry observed.

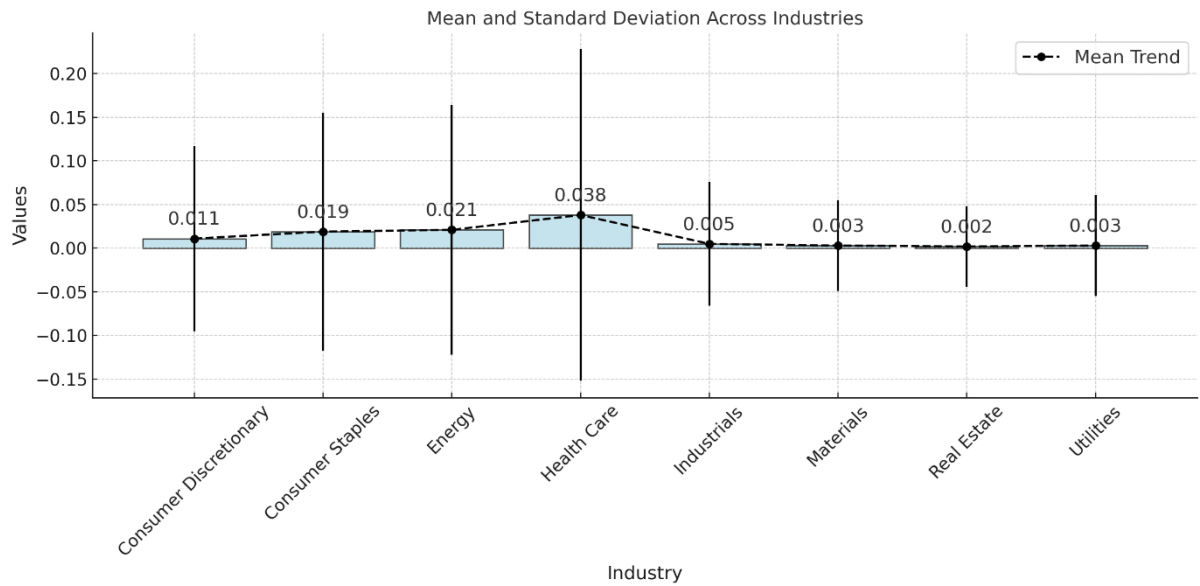
Figure 4.9 Common audit partners of listed companies by industries



Source: synthesised by the author

Figure 4.9 presents common audit partners within the same offices of the same audit firms of listed companies on HOSE by industry. The bars represent the mean values of common audit partners, and the error bars show the standard deviations for each industry observed. There is significant variance in the mean values of common audit partners across industries, ranging from 0.000 (in the Energy and Health Care industries) to 0.045 (in Consumer Staples). The lowest mean value of common audit partners is 0.000, indicating that virtually no observations share a common audit partner within the same audit firm, while the highest value is 4.5 percent. Fluctuations are quite high among industries, characterized by high standard deviations for each industry observed.

Figure 4.10 Common auditors in charge of listed companies by industries



Source: synthesised by the author

Figure 4.10 presents common auditors in charge within the same offices of the same audit firms of listed companies on HOSE by industry. The bars represent the mean values of common auditors in charge, and the error bars show the standard deviations for each industry observed. There is significant variance in the mean values of common auditors in charge across industries, ranging from 0.002 (in the Real Estate industry) to 0.038 (in Health Care). The lowest mean value of common auditors in charge is 0.002, indicating that 0.2 percent of observations share a common auditor in charge within the same audit firm, while the highest value is 3.8 percent. Fluctuations are quite high among industries, characterized by high standard deviations for each industry observed.

4.2 Empirical results

4.2.1 Descriptive statistics

Panel A of Table 4.1 shows the descriptive statistics for the main sample ($n=45,178$ observations). The mean of comparability measure *Acctcomp* is -2.468, which is broadly comparable to the score of -2.651 reported by Nguyen (2021) for Vietnamese companies, or the score of -3.010 reported by Chircop et al. (2024) for US markets.

At the audit firm level, the mean value of the *SameFirm* variable is 0.121, indicating that 12.1 percent of observations of listed company pairs sharing the same audit firms. In the US market, the mean value of the *SameFirm* variable is 0.081 and 0.222 for the studies by Johnston and Zhang (2021) and Francis et al. (2014), respectively. In China market, Chen, Chen, et al. (2020) report the mean value of the *SameFirm* variable is 0.021. These results can be explained by differences in the research settings and regulatory environments between the US, China and Vietnam.

At the audit office and individual auditor levels, the mean value of *SameOffice_DiffAuditor* is 0.046 (as shown in Panel A), indicating that 4.6 percent of the observations involve listed company pairs that share the same office of an audit firm (referred to as *common audit offices* in the research model). The value of *SameOffice_DiffAuditor* is 0.046, which is generally comparable to the score of 0.056 reported by Chen, Chen, et al. (2020) in the China or 0.020 reported by Frost et al. (2024) in the US.

The mean values of *SamePartner_DiffIncharge* and *SameIncharge_DiffPartner* are 0.013 and 0.007 respectively, suggesting that 1.3 percent of the observations share a common audit partner, while 0.7 percent share a common auditor in charge (referred to as *common audit partners* and *common auditors in charge* in the research model). The values of *SamePartner_DiffIncharge* and *SameIncharge_DiffPartner* are 0.013 and 0.007 respectively, which are broadly comparable to the scores of 0.003 and 0.001 reported by Chen, Chen, et al. (2020) in the China.

Panel B of Table 4.1 presents the descriptive statistics for two subsamples: the listed company pairs audited by the same audit firms (*SameFirm* = 1), and those audited by different audit firms (*SameFirm* = 0). The results indicate that the listed company pairs with common audit firms have higher comparability score (*Acctcomp* = -2.395) than the firm pairs with different auditors (*Acctcomp* = -2.477) and the difference is statistically significant at 1% level of significance.

Table 4.1 Descriptive statistics of main sample

Panel A Descriptive statistics of main sample (n =45,178)

	Min	STD	Mean	Median	Max
<i>Acctcomp</i>	-19.170	1.939	-2.468	-2.000	-0.004
<i>Same_Firm</i>	0.000	0.326	0.121	0.000	1.000
<i>SameFirm_DiffOffice_DiffAuditor</i>	0.000	0.213	0.048	0.000	1.000
<i>SameOffice_DiffAuditor</i>	0.000	0.210	0.046	0.000	1.000
<i>SameAuditor</i>	0.000	0.158	0.026	0.000	1.000
<i>SamePartner_DiffIncharge</i>	0.000	0.114	0.013	0.000	1.000
<i>SameIncharge_DiffPartner</i>	0.000	0.082	0.007	0.000	1.000
<i>SameAuditor_Others</i>	0.000	0.075	0.006	0.000	1.000
<i>Size_Diff</i>	0.000	1.148	1.592	1.380	6.112
<i>Size_Min</i>	25.606	1.056	27.525	27.476	30.379
<i>Mb_Diff</i>	0.002	11.313	9.781	5.982	59.312
<i>Mb_Min</i>	0.043	4.700	3.291	1.314	26.304
<i>Lev_Diff</i>	0.000	0.170	0.228	0.193	0.802
<i>Lev_Min</i>	0.041	0.190	0.375	0.382	0.763
<i>Cfo_Diff</i>	0.000	0.110	0.130	0.102	0.774
<i>Cfo_Min</i>	-0.794	0.134	-0.038	-0.020	0.215
<i>Lossprob_Diff</i>	0.000	0.086	0.027	0.000	1.000
<i>Lossprob_Min</i>	0.000	0.011	0.001	0.000	0.200
<i>Std_Netsale_Diff</i>	0.000	0.480	0.338	0.222	7.257
<i>Std_Netsale_Min</i>	0.011	0.199	0.287	0.280	2.667
<i>Std_Cfo_Diff</i>	0.000	0.174	0.173	0.114	1.044
<i>Std_Cfo_Min</i>	0.000	0.094	0.082	0.052	0.837
<i>Std_Netsalegrowth_Diff</i>	0.000	0.200	0.199	0.140	1.223
<i>Std_Netsalegrowth_Min</i>	0.014	0.129	0.306	0.316	0.659

Panel B Mean Values of the Comparability Measures for two subsamples

Acctcomp	Obs	Mean	Std. Dev.	Min	Max	Mean Difference
SameFirm = 1	5,472	-2.395	1.732	-14.42	-0.012	
SameFirm = 0	39,706	-2.477	1.966	-19.17	-0.004	0.082***

Source: created by the author.

4.2.2 Correlation analysis

Panel A of Table 4.2 presents the Pearson correlations among the variables in the main sample ($n = 45,178$ observations) at the audit firm level, while Panel B presents the Pearson correlations at the audit office and individual auditor levels.

The analysis results presented in Panel A of Table 4.2 below shows that the correlation between the independent variables and the dependent variable, as well as among the independent variables themselves, is below 0.6, indicating that multicollinearity is not a concern.

Panel B of Table 4.2 reports the Pearson pairwise correlation coefficients for the main variables at the audit office and individual auditor levels. Specifically, the correlation coefficient between *SameFirm_DiffOffice_DiffAuditor* and *SameOffice_DiffAuditor* is -0.05, while that between *SameOffice_DiffAuditor* and *SamePartner_DiffIncharge* is -0.03. All other coefficients are below 0.7, indicating that multicollinearity is not a concern.

Table 4.2 Pearson correlations for main sample

Table 4.2 reports the Pearson pairwise correlation coefficients for variables used in the regressions. * indicates significance at the 1% level.

Panel A Pearson correlations at audit firm level

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	<i>Acctcomp</i>	1.00																	
2	<i>SameFirm</i>	0.01*	1.00																
3	<i>Size_diff</i>	-0.02*	-0.03*	1.00															
4	<i>Size_min</i>	-0.02*	0.14*	-0.35*	1.00														
5	<i>Mb_diff</i>	-0.01	0.06*	0.16*	-0.27*	1.00													
6	<i>Mb_min</i>	-0.01	0.02*	-0.22*	-0.33*	0.09*	1.00												
7	<i>Lev_diff</i>	0.02*	-0.08*	0.11*	-0.10*	0.04*	-0.04*	1.00											
8	<i>Lev_min</i>	0.04*	0.02*	-0.10*	0.32*	-0.22*	-0.11*	-0.55*	1.00										
9	<i>Cfo_diff</i>	0.00	0.01	-0.01*	-0.08*	0.11*	0.07*	0.05*	-0.17*	1.00									
10	<i>Cfo_min</i>	-0.05*	-0.01	0.03*	-0.06*	0.12*	0.10*	-0.08*	-0.04*	-0.55*	1.00								
11	<i>Lossprob_diff</i>	-0.01	0.01	0.04*	-0.07*	-0.05*	-0.07*	0.06*	0.03*	0.01	-0.04*	1.00							
12	<i>Lossprob_min</i>	-0.00	-0.02*	0.00	0.01*	-0.05*	-0.04*	0.03*	0.01	0.00	-0.04*	-0.02*	1.00						
13	<i>Std_netsale_diff</i>	-0.04*	-0.01	0.05*	-0.09*	-0.01	-0.04*	0.00	-0.06*	0.05*	-0.06*	0.04*	0.02*	1.00					
14	<i>Std_netsale_min</i>	-0.04*	0.04*	0.05*	0.23*	-0.03*	-0.13*	-0.01	0.12*	0.01	-0.05*	0.04*	0.05*	-0.06*	1.00				
15	<i>Std_cfo_diff</i>	-0.00	-0.06*	0.49*	-0.70*	0.28*	0.13*	0.18*	-0.34*	0.16*	0.05*	0.03*	-0.02*	0.07*	-0.07*	1.00			
16	<i>Std_cfo_min</i>	-0.02*	-0.03*	-0.32*	-0.48*	0.11*	0.47*	-0.09*	-0.28*	0.09*	0.20*	0.02*	-0.03*	0.04*	-0.17*	0.10*	1.00		
17	<i>Std_netsalegr_diff</i>	-0.03*	0.01	0.02*	0.08*	-0.09*	-0.13*	0.04*	-0.01	0.05*	-0.14*	0.08*	0.05*	0.42*	0.07*	-0.06*	-0.10*	1.00	
18	<i>Std_netsalegr_min</i>	-0.03*	0.01*	0.01	0.02*	0.05*	0.04*	0.00	0.04*	0.05*	0.01*	-0.12*	-0.03*	-0.04*	0.42*	0.01*	-0.00	-0.26*	1.00

Panel B **Pearson correlations at audit office and individual auditor levels.**

		1	2	3	4	5	6	7
1	<i>Acctcomp</i>	1.00						
2	<i>Same_Firm</i>	0.01*	1.00					
3	<i>SameFirm_DiffOffice_DiffAuditor</i>	0.05*	0.60*	1.00				
4	<i>SameOffice_DiffAuditor</i>	0.01*	0.59*	-0.05*	1.00			
5	<i>SamePartner_DiffIncharge</i>	0.02	0.31*	-0.03*	-0.03*	1.00		
6	<i>SameIncharge_DiffPartner</i>	-0.00	0.23*	-0.02*	-0.02*	-0.01	1.00	
7	<i>SameAuditor_Others</i>	-0.00	0.20*	-0.02*	-0.02*	-0.01	-0.01	1.00

Source: created by the author.

4.2.3 Baseline regression results

4.2.3.1 Baseline result of H1

Table 4.3 presents the findings of Equation (3.6), which tests Hypothesis 1 regarding the relationship between common audit firms and accounting comparability. Columns [1], and [2] of Table 4.3 report the regression results with the inclusion of year, and firm-level fixed effects, respectively. Consistent with my prediction I find that coefficients on *SameFirm* are positive and statistically significant across all columns from [1] to [2]. In terms of economic significance, e.g., considering the coefficient on *SameFirm* (0.154) in column [2], a one-standard deviation increase in a common audit firm (0.326) is associated with an approximate 2% increase in accounting comparability ($=0.154 \times 0.326 / 2.468$, given that 2.468 is the mean of *Acctcomp* as reported in Table 4.1, which is non-trivial. The coefficients for control variables are statistically significant except for *Cfo_min*, consistent with previous studies (Francis et al., 2014; Li et al., 2021). Overall, these results support Hypothesis 1 that when two companies in the same industry are audited by the same (common) audit firm, they have higher accounting comparability.

Table 4.3 Baseline results of H1

	ACCTCOMP	
	[1]	[2]
<i>SameFirm</i>	0.176*** (6.18)	0.154*** (5.76)
<i>Size_diff</i>	-0.108*** (-9.71)	-0.112*** (-9.59)
<i>Size_min</i>	-0.183*** (-10.57)	-0.251*** (-13.09)
<i>Mb_diff</i>	0.001 (1.18)	0.007*** (6.63)
<i>Mb_min</i>	-0.008*** (-3.52)	0.015*** (6.10)
<i>Lev_diff</i>	0.746*** (10.79)	0.409*** (5.70)
<i>Lev_min</i>	0.831*** (12.19)	0.559*** (6.60)
<i>Cfo_diff</i>	-0.075 (-0.69)	0.408*** (4.00)
<i>Cfo_min</i>	-0.617*** (-6.75)	0.054 (0.61)
<i>Lossprob_diff</i>	-0.437*** (-4.02)	-0.241** (-2.42)
<i>Lossprob_min</i>	-0.758 (-0.96)	-1.326* (-1.89)
<i>Std_netsale_diff</i>	-0.100*** (-4.69)	-0.125*** (-5.81)
<i>Std_netsale_min</i>	-0.148*** (-2.69)	-0.187*** (-3.42)
<i>Std_cfo_diff</i>	-0.168** (-1.96)	-0.299*** (-3.40)
<i>Std_cfo_min</i>	-0.996*** (-6.18)	-1.278*** (-7.64)
<i>Std_netsalegrowth_diff</i>	-0.340*** (-6.21)	-0.322*** (-6.31)
<i>Std_netsalegrowth_min</i>	-0.658*** (-7.58)	-0.524*** (-6.37)
<i>Constant</i>	2.706***	4.616***

	(5.37)	(8.27)
Year FE	Yes	Yes
Firm FE	No	Yes
Observations	45,178	45,178
Adjusted R2	0.022	0.270

Source: created by the author.

4.2.3.2 Baseline result of H2a

Column [1] of Table 4.4 presents the findings of Equation (3.7) which tests Hypothesis 2a on the assertion that the positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners of common audit firm are female. Consistent with my prediction, I find that the coefficient α_3 on interaction term of $SameFirm_{ijt} * FEMALE_{ijt}$ is statistically significant and, as expected, larger than α_1 on $SameFirm_{ijt}$ in column [1] of Table 4.4. The coefficient α_3 on $SameFirm_{ijt} * FEMALE_{ijt}$ is 0.311 with a t-statistic of 2.67 while the coefficient α_1 on $SameFirm_{ijt}$ is 0.135 with a t-statistic of 4.93. The testing results from Column [1] of Table 4.4 support Hypothesis 2a (H2a).

Table 4.4 Baseline results of H2a and H2b

ACCTCOMP			
	[1]		[2]
<i>SameFirm</i> (α_1)	0.135*** (4.93)	<i>SameFirm</i> (α_1)	0.012 (0.32)
<i>FEMALE</i> (α_2)	0.220*** (5.32)	<i>SPECIALIST</i> (α_2)	0.255*** (10.83)
<i>SameFirm*FEMALE</i> (α_3)	0.311*** (2.67)	<i>SameFirm*SPECIALIST</i> (α_3)	0.364*** (6.75)
Controls	Yes		Yes
Year FE	Yes		Yes
Firm FE	Yes		Yes
Observations	45,178		45,178
Adjusted R2	0.271		0.273

Source: created by the author.

4.2.3.3 Baseline result of H2b

Column [2] of Table 4.4 presents the findings of Equation (3.8), which tests Hypothesis 2b on the assertion that the positive relationship between common audit firm and accounting comparability is more pronounced when common audit firms are industry specialists. Consistent with my prediction, I find that the coefficient α_3 on interaction term of $SameFirm_{ijt} * SPECIALIST_{ijt}$ is statistically significant and, as expected, larger than α_1 on $SameFirm_{ijt}$ in column [2] of Table 4.4. The coefficient α_3 on $SameFirm_{ijt} * SPECIALIST_{ijt}$ is 0.364 with a t-statistic of 6.75 while the coefficient α_1 on $SameFirm_{ijt}$ is 0.012 with a t-statistic of 0.32. The testing results from Column [2] of Table 4.4 support Hypothesis 2b (H2b).

4.2.3.4 Baseline result of H3

Column [1] of Table 4.5 presents the findings of Equation (3.9), which tests Hypothesis 3 on the relationship between pairs of listed companies that switch from having different audit firms to sharing a common audit firm and accounting comparability. Consistent with my prediction, I find that coefficient on $Same_Switch$ is positive (0.246) and statistically significant (with t-statistic of 9.09). This result supports Hypothesis 3 that a pair of listed companies that switch from having different audit firms to sharing a common audit firm exhibit higher accounting comparability.

Table 4.5 Baseline results of H3

	<u>ACCTCOMP</u>
	[1]
<i>Same_Switch</i>	0.246*** (9.09)
<i>Size_diff</i>	-0.116*** (-9.81)
<i>Size_min</i>	-0.268*** (-13.77)
<i>Mb_diff</i>	0.006***

	(6.30)
<i>Mb_min</i>	0.015*** (6.16)
<i>Lev_diff</i>	0.416*** (5.72)
<i>Lev_min</i>	0.570*** (6.64)
<i>Cfo_diff</i>	0.440*** (4.28)
<i>Cfo_min</i>	0.091 (1.01)
<i>Lossprob_diff</i>	-0.276*** (-2.74)
<i>Lossprob_min</i>	-1.354* (-1.93)
<i>Std_netsale_diff</i>	-0.122*** (-5.63)
<i>Std_netsale_min</i>	-0.177*** (-3.20)
<i>Std_cfo_diff</i>	-0.357*** (-3.99)
<i>Std_cfo_min</i>	-1.375*** (-8.10)
<i>Std_netsalegrowth_diff</i>	-0.302*** (-5.87)
<i>Std_netsalegrowth_min</i>	-0.470*** (-5.66)
<i>Constant</i>	5.079*** (8.96)
Year FE	Yes
Firm FE	Yes
Observations	44,181
Adjusted R2	0.269

Source: created by the author.

4.2.3.5 Baseline result of H4

Column [1] of Table 4.6 presents the findings of Equation (3.10), which tests Hypothesis 4 on the relationship between pairs of listed companies that switch from sharing a common audit firm to having different audit firms and accounting comparability. Consistent with my prediction I find that coefficient on *Diff_Switch* is negative (-0.279) and statistically significant (with t-statistic of -9.20). This result supports Hypothesis 4 that a pair of listed companies that switch from sharing a common audit firm to having different audit firms exhibit lower accounting comparability.

Table 4.6 Baseline results of H4

	<u>ACCTCOMP</u>
	<u>[1]</u>
<i>Diff_Switch</i>	-0.279*** (-9.20)
<i>Size_diff</i>	-0.115*** (-9.73)
<i>Size_min</i>	-0.265*** (-13.55)
<i>Mb_diff</i>	0.006*** (6.03)
<i>Mb_min</i>	0.015*** (6.10)
<i>Lev_diff</i>	0.425*** (5.85)
<i>Lev_min</i>	0.566*** (6.60)
<i>Cfo_diff</i>	0.435*** (4.22)
<i>Cfo_min</i>	0.075 (0.83)
<i>Lossprob_diff</i>	-0.330*** (-3.22)
<i>Lossprob_min</i>	-1.485**

	(-2.11)
<i>Std_netsale_diff</i>	-0.132*** (-6.10)
<i>Std_netsale_min</i>	-0.164*** (-2.96)
<i>Std_cfo_diff</i>	-0.336*** (-3.74)
<i>Std_cfo_min</i>	-1.313*** (-7.75)
<i>Std_netsalegrowth_diff</i>	-0.304*** (-5.87)
<i>Std_netsalegrowth_min</i>	-0.548*** (-6.54)
<i>Constant</i>	5.296*** (9.23)
Year FE	Yes
Firm FE	Yes
Observations	44,022
Adjusted R2	0.272

Source: created by the author.

4.2.3.6 Baseline result of H5

Columns [1] and [2] of Panel A of Table 4.7 presents the regression results of Equation (3.11) on two subsamples of Acctcomp10 and Acctcomp4, respectively. As expected, the coefficients β_2 on *SameOffice_DiffAuditor_{ijt}* are positive and significant across two subsamples, suggesting that common audit office of the same audit firm has a stronger influence on its clients' accounting comparability compared to different offices of the same audit firm. Specifically, the coefficients β_2 on *SameOffice_DiffAuditor_{ijt}* are 0.149 with t-statistic of 2.98 and 0.149 with t-statistic of 2.66 for subsamples of Acctcomp10 and Acctcomp4, respectively.

Panel B of Table 4.7 presents the t-test of coefficient differences between the coefficients β_1 , β_2 and β_3 across two subsamples, Acctcomp10 and Acctcomp4. β_1 , β_2 , and β_3 are coefficients on *SameFirm_DiffOffice_DiffAuditor*,

SameOffice_DiffAuditor, and *SameAuditor* of Equation (3.11), respectively. The distinct effects of each level of common auditor are captured by the coefficients: β_1 for a common audit firm, β_2 for a common audit office and β_3 for a common individual auditor. The results of the t-test of coefficient differences in Panel B of Table 4.7 indicate significant differences at the 1 percent level. In summary, the baseline results provide evidence supporting H5.

Table 4.7 Baseline results of H5

Panel A OLS regression results of H5

	ACCTCOMP10	ACCTCOMP4
	[1]	[2]
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.330*** (6.82)	0.226*** (3.99)
<i>SameOffice_DiffAuditor</i> (β_2)	0.149*** (2.98)	0.149*** (2.66)
<i>SameAuditor</i> (β_3)	0.132** (2.08)	0.233*** (3.31)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,992	7,665
Adjusted R2	0.335	0.248

Panel B Test of coefficient differences

	ACCTCOMP10		ACCTCOMP4	
Test of coefficient differences	Value	t-stat.	Value	t-stat.
$(\beta_2) - (\beta_1) = 0$	-0.011***	-4.46	-0.003	-0.84
$(\beta_3) - (\beta_2) = 0$	-0.022***	-10.59	-0.026***	-7.70

Source: created by the author.

4.2.3.7 Baseline results of H6 and H7

Columns [1] and [2] of Panel A of Table 4.8 presents the regression results of Equation (3.12), on two subsamples of Acctcomp10 and Acctcomp4, respectively. As expected, the coefficients β_3 on *SamePartner_DiffIncharge* are positive and significant across two subsamples, suggesting a pair of companies audited by the same audit partner within the same office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different audit partners within the same office of the same firm. This finding support H6. Specifically, the coefficients β_3 on *SamePartner_DiffIncharge* are 0.164 with a t-statistic of 1.78 and 0.247 with a t-statistic of 2.51 for subsamples of Acctcomp10 and Acctcomp4, respectively.

Meanwhile, the coefficients β_4 on *SameIncharge_DiffPartner* are insignificant across two subsamples of Acctcomp10 and Acctcomp4, suggesting that a pair of companies audited by the same auditor in charge within the same office of the same audit firm do not exhibit greater accounting comparability than a pair of companies audited by two different auditors in charge within the same office of the same firm. This finding does not support H7. Specifically, the coefficients β_4 on *SameIncharge_DiffPartner* are -0.057 with a t-statistic of -0.53 and 0.170 with a t-statistic of 1.46 for subsamples of Acctcomp10 and Acctcomp4, respectively.

Panel B of Table 4.8 presents the t-test of coefficient differences between (β_2) - (β_1) , (β_3) - (β_2) and (β_4) - (β_3) across the two subsamples, Acctcomp10 and Acctcomp4. The distinct effects of each level of common auditor are captured by the coefficients: β_1 for a common audit firm, β_2 for a common audit office, β_3 for a common audit partner and β_4 for a common auditor in charge. The results indicate that the coefficient differences are statistically significant at the 1 percent level. Overall, the baseline findings provide evidence supporting Hypothesis 6 while rejecting Hypothesis 7.

Table 4.8 Baseline results of H6 and H7

Panel A OLS regression results.

	ACCTCOMP10	ACCTCOMP4
	[1]	[2]
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.325*** (6.71)	0.224*** (3.95)
<i>SameOffice_DiffAuditor</i> (β_2)	0.146*** (2.92)	0.148*** (2.64)
<i>SamePartner_DiffIncharge</i> (β_3)	0.164* (1.78)	0.247** (2.51)
<i>SameIncharge_DiffPartner</i> (β_4)	-0.057 (-0.53)	0.170 (1.46)
<i>SameAuditor_Others</i> (β_5)	0.356*** (2.68)	0.314* (1.96)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,992	7,665
Adjusted R2	0.335	0.248

Panel B Test of coefficient differences

	ACCTCOMP10		ACCTCOMP4	
Test of coefficient differences	Value	t-stat.	Value	t-stat.
$(\beta_2) - (\beta_1) = 0$	-0.011***	-4.46	-0.003	-0.84
$(\beta_3) - (\beta_2) = 0$	-0.037***	-20.29	-0.042***	-13.99
$(\beta_4) - (\beta_3) = 0$	-0.003***	-2.82	-0.004***	-2.12

Source: created by the author

Next section presents robustness checks of all hypotheses.

4.2.4 Robustness checks

4.2.4.1 Alternative measures of comparability for H1

To verify whether the positive association between the same audit firms and accounting comparability (Hypothesis 1) is consistent across various situations, I use alternative measures of accounting comparability for testing H1. Specifically, in the baseline regression (with Equation (3.6) above), I calculate accounting comparability by averaging all comparability scores of a firm and its peers. In this robustness check, I construct alternative measures of accounting comparability by using the average of the top ten highest comparability scores of client-firm pairs (*Acctcomp10*) and the top four highest comparability scores (*Acctcomp4*). I use the following model to test the robustness of the Hypothesis 1:

Equation (4.1)

$$Acctcomp10(Acctcomp4)_{ijt} = \alpha_0 + \alpha_1 SameFirm_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where $Acctcomp10_{ijt}(Acctcomp4_{ijt})$ is the comparability score of two companies (a client-firm pair) in the same industry (firm i and firm j) in year t , based on the average of the top ten (top four) highest comparability scores of client-firm pairs. *SameFirm* is the measure of common auditors, which is an indicator variable with the value of 1 if two companies i and j are audited by common audit firm, and 0 otherwise. All control variables and fixed effects are as the same in Equation (3.6). I run Equation (4.1), using OLS regression and fixed effects. If the coefficient α_1 on *SameFirm* remains significant and positive across the two alternative measures of comparability, this shall provide robustness for the result of Hypothesis 1.

Columns [1] and [2] of Table 4.9 Table 4.9 reports the regression results of Equation (4.1) across two restricted samples *Acctcomp10* and *Acctcomp4*, respectively. Specifically, the coefficients α_1 on *SameFirm* are 0.221 with a t-statistic of 6.50 and 0.189 with a t-statistic of 4.77 for subsamples *Acctcomp10* and *Acctcomp4*, respectively, which provides additional evidence supporting H1.

Table 4.9 Alternative measures of accounting comparability for H1

	<i>Acctcomp10</i>	<i>Acctcomp4</i>
	[1]	[2]
<i>SameFirm</i>	0.221*** (6.50)	0.189*** (4.77)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,992	7,665
Adjusted R2	0.33	0.25

Source: created by the author

4.2.4.2 Application of PSM technique to the main hypothesis (H1)

To address the concerns that the positive association between common audit firms and accounting comparability can be masked by confounding factors, I use PSM technique. The results of the PSM analyses are reported in Table 4.10. Panels A and B demonstrate that the PSM process is of high quality. Importantly, while Panel C shows that the average treatment effect is significant, Panel D indicates that the coefficient on *SameFirm* for the PSM-matched sample is positive and significant (the coefficient on *SameFirm* is 0.143 with a t-statistic of 4.06, which provides additional evidence supporting H1. Overall, this robustness test provides evidence suggesting that the relationship between common audit firms and accounting comparability is unlikely to be driven by confounding factors.

Table 4.10 Propensity score matching for H1

Panel A Probit model

	Before	matching	After	matching
<i>Variable</i>	Coefficient	Wald Chi-squared	Coefficient	Wald Chi-squared
<i>Size_Min</i>	0.485***	(34.93)	-0.019	(-0.98)
<i>Size_Diff</i>	0.120***	(12.35)	0.027*	(1.77)
<i>Lev_Diff</i>	-1.086***	(-17.58)	-0.101	(-1.02)
<i>Lev_Min</i>	-0.430***	(-7.35)	-0.261***	(-2.86)
<i>Mb_Diff</i>	0.013***	(19.20)	-0.000	(-0.10)
<i>Mb_Min</i>	0.031***	(16.48)	-0.005*	(-1.91)
<i>Cfo_Diff</i>	-0.626***	(-6.65)	0.107	(0.76)
<i>Cfo_Min</i>	-0.775***	(-10.36)	0.079	(0.71)
<i>Lossprob_Diff</i>	0.648***	(7.30)	0.194	(1.49)
<i>Lossprob_Min</i>	-2.393**	(-2.47)	-2.355	(-1.37)
<i>Std_Netsale_Diff</i>	-0.018	(-1.02)	-0.036	(-1.42)
<i>Std_Netsale_Min</i>	-0.195***	(-3.83)	-0.153*	(-1.90)
<i>Std_Cfo_Diff</i>	0.830***	(11.26)	-0.445***	(-4.04)
<i>Std_Cfo_Min</i>	1.391***	(10.24)	0.027	(0.13)
<i>Std_Netsalegrowth_Diff</i>	0.162***	(3.49)	0.153**	(2.18)
<i>Std_Netsalegrowth_Min</i>	0.291***	(3.87)	0.279**	(2.33)
<i>Constant</i>	-14.878***	(-36.34)	0.633	(1.08)
Observations	45,178		10,872	
Pseudo R2	0.068		0.003	

Panel B Balance of the matched sample

<i>Variable</i>	Control	Treatment	Difference	t-sat
<i>Size_Min</i>	27.919	27.919	0.000	0.01
<i>Size_Diff</i>	1.481	1.511	-0.030	-1.35
<i>Lev_Diff</i>	0.189	0.191	-0.002	-0.79
<i>Lev_Min</i>	0.394	0.387	0.007	2.00
<i>Mb_Diff</i>	11.588	11.642	-0.054	-0.20
<i>Mb_Min</i>	3.751	3.578	0.173	1.59

<i>Cfo_Diff</i>	0.133	0.133	0.000	0.04
<i>Cfo_Min</i>	-0.040	-0.040	0.000	-0.23
<i>Lossprob_Diff</i>	0.025	0.027	-0.002	-1.44
<i>Lossprob_Min</i>	0.000	0.000	0.000	1.41
<i>Std_Netsale_Diff</i>	0.334	0.329	0.005	0.57
<i>Std_Netsale_Min</i>	0.310	0.306	0.004	1.01
<i>Std_Cfo_Diff</i>	0.155	0.148	0.007	2.37
<i>Std_Cfo_Min</i>	0.073	0.074	-0.001	-0.34
<i>Std_Netsalegrowth_Diff</i>	0.197	0.203	-0.006	-1.51
<i>Std_Netsalegrowth_Min</i>	0.308	0.310	-0.002	-0.78
Observations	5,436	5,436		

Panel C Average treatment effects on treated (ATT)

<i>Variable</i>	<i>Sample</i>	<i>Treated</i>	<i>Controls</i>	<i>Difference</i>	<i>S.E.</i>	<i>T-stat</i>
<i>Acctcomp</i>	Unmatched	-2.395	-2.477	0.082***	0.028	2.95
	ATT	-2.394	-2.527	0.133***	0.036	3.72

Panel D Regression on the matched sample

	<u>ACCTCOMP</u>
<i>SameFirm</i>	0.143*** (4.06)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	10,872
Adjusted R2	0.300

Source: created by the author

4.2.4.3 Alternative sample (using PSM matched sample) for H2a

To verify whether the H2a is consistent across various situations, I conduct the following robustness test by using an alternative sample (using PSM matched sample). This PSM-matched sample is derived from applying the Propensity Score Matching technique (PSM) to H1 on the main sample, as outlined in the application

of the PSM technique to H1, which was presented in the preceding section. Specifically, I re-run Equation (3.7) on the PSM matched sample. I expect the coefficient α_3 on interaction term $SameFirm_{ijt} * FEMALE_{ijt}$ to be significant, positive and larger than the coefficient α_1 , which would provide additional evidence to support H2a.

Table 4.11 reports the coefficient α_3 on interaction term $SameFirm_{ijt} * FEMALE_{ijt}$ is 0.393 with a t-statistic of 2.45, and the coefficient α_1 on $SameFirm$ is 0.023 with a t-statistic of 0.64. This result suggests that $FEMALE_{ijt}$ is a significant moderator in the relationship between common audit firms and accounting comparability, providing additional evidence to support H2a.

Table 4.11 Using PSM matched sample for H2a

	<u>ACCTCOMP</u>
<i>SameFirm</i> (α_1)	0.023 (0.64)
<i>FEMALE</i> (α_2)	0.362*** (2.89)
<i>SameFirm * FEMALE</i> (α_3)	0.393** (2.45)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	10,872
Adjusted R2	0.313

Source: created by the author

4.2.4.4 Alternative sample (using PSM matched sample) for H2b

To verify whether the H2b is consistent across various situations, I conduct the following robustness test using an alternative sample (using PSM matched sample). This PSM-matched sample is derived from applying the Propensity Score Matching technique (PSM) to H1 on the main sample, as outlined in the application of the PSM technique to H1, which was presented in the preceding section. Specifically, I re-run

Equation (3.8) on the PSM matched sample. I expect the coefficient α_3 on interaction term $SameFirm_{ijt} * SPECIALIST_{ijt}$ to be significant, positive and larger than the coefficient α_1 , which would provide additional evidence to support H2b.

Table 4.12 reports the coefficient α_3 on interaction term $SameFirm_{ijt} * SPECIALIST_{ijt}$ is 0.154 with a t-statistic of 2.11, and the coefficient α_1 on $SameFirm$ is 0.016 with a t-statistic of 0.33. This result suggests that $SPECIALIST_{ijt}$ is a significant moderator in the relationship between common audit firms and accounting comparability, providing additional evidence to support H2b.

Table 4.12 Using PSM matched sample for H2b

	<u>ACCTCOMP</u>
$SameFirm (\alpha_1)$	0.016 (0.33)
$SPECIALIST (\alpha_2)$	0.243*** (4.34)
$SameFirm * SPECIALIST (\alpha_3)$	0.154** (2.11)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	10,872
Adjusted R2	0.312

Source: created by the author

4.2.4.5 Using PSM matched sample for H2a and H2b together

To further check the robustness of H2a and H2b, I include both moderators (*FEMALE* and *SPECIALIST*) in the following model and run it on PSM-matched sample. This PSM-matched sample is derived from applying the Propensity Score Matching technique (PSM) to H1 on the main sample, which was presented in the preceding section.

Equation (4.2)

$$\begin{aligned}
Acctcomp_{ijt} = & \alpha_0 + \alpha_1 SameFirm_{ijt} + \alpha_2 FEMALE_{ijt} + \alpha_3 SameFirm_{ijt} \\
& * FEMALE_{ijt} + \alpha_4 SPECIALIST_{ijt} + \alpha_5 SameFirm_{ijt} \\
& * SPECIALIST_{ijt} + Controls + FE + \varepsilon_{ijt}
\end{aligned}$$

I expect the coefficient α_3 on *SameFirm*FEMALE* and the coefficient α_5 on *SameFirm*SPECIALIST* to continue being significant, positive and larger than the coefficient α_1 , which would further support H2a and H2b. Table 4.13 reports the coefficient α_3 on the interaction term *SameFirm_{ijt}*FEMALE_{ijt}* is 0.409 with a t-statistic of 2.55, and the coefficient α_5 on the interaction term *SameFirm_{ijt}*SPECIALIST_{ijt}* is 0.190 with a t-statistic of 2.61. Meanwhile, the coefficient α_1 on *SameFirm* is -0.031 with a t-statistic of -0.62. Both coefficients on the interaction terms of the moderators remain significant, positive, and larger than the coefficient on *SameFirm*, further supporting H2a and H2b.

Table 4.13 Using PSM matched sample for H2a and H2b together

	<u>ACCTCOMP</u>
<i>SameFirm</i> (α_1)	-0.031 (-0.62)
<i>FEMALE</i> (α_2)	0.363*** (2.91)
<i>SameFirm*FEMALE</i> (α_3)	0.409** (2.55)
<i>SPECIALIST</i> (α_4)	0.231*** (4.13)
<i>SameFirm*SPECIALIST</i> (α_5)	0.190*** (2.61)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	10,872
Adjusted R2	0.315

Source: created by the author

4.2.4.6 Alternative measures of comparability for H3

In this robustness check of H3, I construct two alternative measures of accounting comparability by using the average of the top ten highest comparability scores of client-firm pairs (*Acctcomp10*) and the top four highest comparability scores (*Acctcomp4*). I run the following model across two restricted samples.

Equation (4.3)

$$\begin{aligned} &Acctcomp10(Acctcomp4)_{ijt} \\ &= \alpha_0 + \alpha_1 Same_Switch_{ijt} + Controls + FE + \varepsilon_{ijt} \end{aligned}$$

Where $Acctcomp10_{ijt}(Acctcomp4_{ijt})$ is the comparability score of two companies (a client-firm pair) in the same industry (firm i and firm j) in year t , based on the average of the top ten (top four) highest comparability scores of client-firm pairs. *Same_Switch* represents the audit firm switch by a listed company pair from having two different audit firms to sharing a common audit firm. *Same_Switch* is an indicator variable that takes the value of 1 in the test years following the switch (sharing a common audit firm), and the value of 0 in the benchmark years prior to switch (having different audit firms). Therefore, the indicator variable *Same_Switch* compares the differences in expected earnings for the same pair of listed companies, before and after the switch. I run Equation (4.3), using OLS regressions with fixed effects. I expect the coefficient α_1 to be significant and positive, supporting H3: a pair of listed companies that switch from having different audit firms to sharing a common audit firm exhibit higher accounting comparability.

Table 4.14 presents the results across two alternative measures. The coefficients α_1 on *Same_Switch* are significant and positive across two restricted subsamples, *Acctcomp10* and *Acctcomp4*. Specifically, the coefficients α_1 on *Same_Switch* are 0.100 with a t-statistic of 2.96 for the *Acctcomp10* subsample and 0.167 with a t-statistic of 4.16 for the *Acctcomp4* subsample. This result suggests that the relationship between the switch to common audit firm and accounting comparability is robust for alternative measures of accounting comparability. *, **,

*** indicate significance at the 0.10, 0.05 and 0.01 levels, respectively. See Appendix for variable definitions.

Table 4.14 Alternative measures of accounting comparability for H3

	ACCTCOMP	
	<i>Acctcomp10</i>	<i>Acctcomp4</i>
	[1]	[2]
<i>Same_Switch</i>	0.100*** (2.96)	0.167*** (4.16)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,573	7,479
Adjusted R2	0.33	0.24

Source: created by the author

4.2.4.7 Extended test windows for H3

In this robustness check, I extend the test window for *Same_Switch* (in Equation (3.9)) from the initial two years (one year before and one year after the switch) to four years (two years before and two years after the switch), and finally to five years (two years before and three years after the switch). I use the following models to conduct the robustness check.

Equation (4.4)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Same_Switch2_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Equation (4.5)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Same_Switch3_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where *Same_Switch2* represents the audit firm switch by a listed company pair from having two different audit firms to sharing a common audit firm when the test window is extended to 4 years (two years before and two years after the switch) while *Same_Switch3* represents the audit firm switch by a pair from having two

different audit firms to sharing a common audit firm when the test window is extended to 5 years (two years before and three years after the switch). *Same_Switch* starts from the initial two years (one year before and one year after the switch) and then extends to 4 and 5 years, corresponding to *Same_Switch2* and *Same_Switch3*, respectively. Period $t0$ denotes the year when the switch to a common audit firm occurs. Accordingly, the test windows for *Same_Switch*, *Same_Switch2*, and *Same_Switch3* are defined as $[t-1, t0]$, $[t-2, t+1]$, and $[t-2, t+2]$, respectively. I expect the coefficient α_1 to be significant and positive across two extended test windows, supporting H3: a pair of listed companies that switch from having different audit firms to sharing a common audit firm exhibit higher accounting comparability. The *Controls* and *FE* are the same as those in Equation (3.9).

Table 4.15 presents the regression results of Equation (4.4) and Equation (4.5). Columns [1], [2], and [3] of Table 4.15 display the regression results corresponding to the three test windows: $[t-1, t0]$, $[t-2, t+1]$, and $[t-2, t+2]$, for the variables *Same_Switch*, *Same_Switch2*, and *Same_Switch3*, respectively. All coefficients for *Same_Switch*, *Same_Switch2*, and *Same_Switch3* are significant and positive, as predicted. Specifically, the coefficients for *Same_Switch2*, and *Same_Switch3* are 0.194 with a t-statistic of 5.55 and 0.269 with a t-statistic of 7.22, respectively. These results provide additional evidence that the relationship between the switch to a common audit firm and accounting comparability is robust across different test window lengths.

Table 4.15 Extended test windows for H3

Test windows	ACCTCOMP		
	$[t-1, t0]$	$[t-2, t+1]$	$[t-2, t+2]$
	[1]	[2]	[3]
<i>Same_Switch</i>	0.246*** (9.09)		
<i>Same_Switch2</i>		0.194*** (5.55)	
<i>Same_Switch3</i>			0.269***

			(7.22)
Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Observations	44,181	30,435	30,008
Adjusted R2	0.269	0.306	0.307

Source: created by the author

4.2.4.8 Alternative measures of comparability for H4

In this robustness check of H4, I construct two alternative measures of accounting comparability by using the average of the top ten highest comparability scores of client-firm pairs (*Acctcomp10*) and the top four highest comparability scores (*Acctcomp4*). I run the following model across two restricted samples.

Equation (4.6)

$$Acctcomp10(Acctcomp4)_{ijt} = \alpha_0 + \alpha_1 Diff_Switch_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where $Acctcomp10_{ijt}(Acctcomp4_{ijt})$ is the comparability score of two companies (a client-firm pair) in the same industry (firm i and firm j) in year t , based on the average of the top ten (top four) highest comparability scores of client-firm pairs. *Diff_Switch* represents the audit firm switch by a listed company pair from sharing a common audit firm to having two different audit firms. *Diff_Switch* is an indicator variable that takes the value of 1 in the test years following the switch (having different audit firms), and the value of 0 in the benchmark years prior to switch (sharing a common audit firm). Therefore, the indicator variable *Diff_Switch* compares the differences in expected earnings for the same pair of listed companies, before and after the switch. I run Equation (4.6), using OLS regressions with fixed effects. I expect the coefficient α_1 to be significant and negative, supporting H4: a pair of listed companies that switch from sharing a common audit firm to having different audit firms exhibit lower accounting comparability. All control variables and fixed effects are defined as in Equation (3.10). Table 4.16 presents the primary results

across these measures. The coefficients α_1 on *Diff_Switch* are significant and negative across two restricted subsamples, Acctcomp10 and Acctcomp4. Specifically, the coefficients α_1 on *Diff_Switch* are -0.174 with a t-statistic of -4.62 for the Acctcomp10 subsample and -0.159 with a t-statistic of -3.50 for the Acctcomp4 subsample. This result suggests that the relationship between the switch to having different audit firms and accounting comparability is robust for alternative measures of accounting comparability.

Table 4.16 Alternative measures of accounting comparability for H4

	Acctcomp10	Acctcomp4
	[1]	[2]
<i>Diff_Switch</i>	-0.174*** (-4.62)	-0.159*** (-3.50)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,418	7,412
Adjusted R2	0.34	0.25

Source: created by the author

4.2.4.9 Extended test windows for H4

In this robustness check, I re-run Equation (3.10) by extending the test window for *Diff_Switch* from the initial two years (one year before and one year after the switch) to four years (two years before and two years after the switch), and finally to five years (two years before and three years after the switch). I use the following models to conduct the robustness check.

Equation (4.7)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Diff_Switch2_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Equation (4.8)

$$Acctcomp_{ijt} = \alpha_0 + \alpha_1 Diff_Switch3_{ijt} + Controls + FE + \varepsilon_{ijt}$$

Where *Diff_Switch2* represents the audit firm switch by a listed company pair from sharing a common audit firm to having two different audit firms when the test window is extended to 4 years (two years before and two years after the switch) while *Diff_Switch3* represents the audit firm switch by a listed company pair from sharing a common audit firm to having two different audit firms when the test window is extended to 5 years (two years before and three years after the switch). *Diff_Switch* starts from the initial two years (one year before and one year after the switch) and then extends to 4 and 5 years, corresponding to *Diff_Switch2* and *Diff_Switch3*, respectively. Period $t0$ denotes the year when the switch to having two different audit firms occurs. Accordingly, the test windows for *Diff_Switch*, *Diff_Switch2* and *Diff_Switch3* are defined as $[t-1, t0]$, $[t-2, t+1]$, and $[t-2, t+2]$, respectively. I expect the coefficient α_1 to be significant and negative, supporting H4: a pair of listed companies that switch from sharing a common audit firm to having different audit firms exhibit lower accounting comparability. All control variables are defined as in the Appendix.

Table 4.17 presents the regression results of Equation (4.7) and Equation (4.8) across the extended test windows. Columns [1], [2], and [3] display the regression results corresponding to the three test windows: $[t-1, t0]$, $[t-2, t+1]$, and $[t-2, t+2]$, for the variables *Diff_Switch*, *Diff_Switch2* and *Diff_Switch3*, respectively.

Table 4.17 Extended test windows for H4

Test windows	ACCTCOMP		
	$[t-1, t0]$	$[t-2, t+1]$	$[t-2, t+2]$
	[1]	[2]	[3]
<i>Diff_Switch</i>	-0.279*** (-9.20)		
<i>Diff_Switch2</i>		-0.300*** (-9.02)	
<i>Diff_Switch3</i>			-0.281*** (-8.54)

Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Observations	44,022	40,077	39,354
Adjusted R2	0.272	0.287	0.290

Source: created by the author

All coefficients for *Diff_Switch*, *Diff_Switch2* and *Diff_Switch3* are significant and negative, as predicted. Specifically, the coefficients for *Diff_Switch2* and *Diff_Switch3* are -0.300 with a t-statistic of -9.02 and -0.281 with a t-statistic of -8.54, respectively. These results provide additional evidence that the relationship between the switch to having two different audit firms and accounting comparability is robust across different test window lengths.

4.2.4.10 Control for Big Four auditors (H1, H2a, H2b, H3 and H4)

To address concerns that Big Four affiliation may affect the baseline results of H1, H2a, H2b, H3 and H4, I include the variable *Big4* as an additional control variable in my models, following Johnston and Zhang (2021), Li et al. (2021), and Nguyen (2021). *Big4* is an indicator variable, assigned a value of 1 when at least one company in a pair of listed companies is audited by a Big Four audit firm, and 0 otherwise.

Table 4.18 presents the regression results of Equations (3.6), (3.7), (3.8), (3.9) and (3.10) after the inclusion of an additional control variable *Big4*. Specifically, Columns [1], [2], [3], [4] and [5] of Table 4.18 display the testing results for Hypotheses H1, H2a, H2b, H3 and H4, respectively, after the inclusion of *Big4*.

Table 4.18 indicates that the coefficients for *SameFirm*, *SameFirm*FEMALE*, *SameFirm*SPECIALIST* and *Same_Switch* remain statistically significant and positive, consistent with the baseline results. Table 4.18 also shows that the coefficient for *Diff_Switch* continues to be statistically significant and negative, aligning with the baseline results. These findings suggest that all five of my

hypotheses remain robust following the inclusion of the additional control variable, *Big4*.

Table 4.18 Control for Big Four auditors (H1, H2a, H2b, H3 and H4)

	ACCTCOMP				
	[1] (H1)	[2] (H2a)	[3] (H2b)	[4] (H3)	[5] (H4)
<i>SameFirm</i>	0.215*** (7.96)	0.199*** (7.22)	0.056 (1.50)		
<i>FEMALE</i>		0.266*** (6.44)			
<i>SameFirm*FEMALE</i>		0.255** (2.20)			
<i>SPECIALIST</i>			0.093*** (3.41)		
<i>SameFirm*SPECIALIST</i>			0.337*** (6.25)		
<i>Same_Switch</i>				0.289*** (10.63)	
<i>Diff_Switch</i>					-0.325*** (-10.73)
<i>Big4</i>	0.388*** (16.44)	0.398*** (16.81)	0.325*** (11.86)	0.390*** (16.45)	0.397*** (16.76)
Controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Observations	45,178	45,178	45,178	44,181	44,022
Adjusted R2	0.274	0.275	0.275	0.273	0.276

Source: created by the author

4.2.4.11 Alternative sample (PSM matched sample) for H5

To verify whether the H5 is consistent across various situations, I conduct the following robustness test by using an alternative sample (using PSM matched sample). This PSM-matched sample is derived from applying the Propensity Score Matching technique (PSM) to Equation (4.9) on the main sample of 45,178 observations.

Equation (4.9)

$$\begin{aligned}
 Acctcomp_{ijt} = & \beta_0 + \beta_1 SameFirm_DiffOffice_DiffAuditor_{ijt} \\
 & + \beta_2 SameOffice_DiffAuditor_{ijt} \\
 & + \beta_3 SamePartner_DiffIncharge_{ijt} \\
 & + \beta_4 SameIncharge_DiffPartner_{ijt} + \beta_5 SameAuditor_Others_{ijt} \\
 & + Controls + FE + \varepsilon_{ijt}
 \end{aligned}$$

Specifically, I re-run the Equation (3.11) on the PSM matched sample, using OLS regressions with fixed effects. I expect that the coefficient β_2 on *SameOffice_DiffAuditor_{ijt}* to be positive and significant, suggesting that common audit office of the same audit firm has a stronger influence on its clients' accounting comparability compared to different offices of the same audit firm. This finding would support Hypothesis 5 (H5).

Columns [1] of Panel A of Table 4.19 presents the regression results of the Equation (3.11) on PSM matched sample. As expected, the coefficients β_2 on *SameOffice_DiffAuditor_{ijt}* are positive and significant, suggesting that common audit office of the same audit firm has a stronger influence on its clients' accounting comparability compared to different offices of the same audit firm. Specifically, the coefficients β_2 on *SameOffice_DiffAuditor_{ijt}* are 0.288 with t-statistic of 2.11 in Column [1] of Panel A of Table 4.19.

Panel B of Table 4.19 presents the t-test of coefficient differences between the coefficients $(\beta_2) - (\beta_1)$, and $(\beta_3) - (\beta_2)$ on PSM matched sample. β_1, β_2 , and β_3 are coefficients on *SameFirm_DiffOffice_DiffAuditor*, *SameOffice_DiffAuditor*, and *SameAuditor* of Equation (3.11), respectively. The results of the t-test of coefficient differences in Panel B of Table 4.19 indicate significant differences at the 1 percent level. *, **, *** indicate significance at the 0.10, 0.05 and 0.01 levels, respectively. See Appendix for variable definitions.

These results provide additional evidence supporting H5.

Table 4.19 Using PSM matched sample for H5

Panel A OLS regression results	
	ACCTCOMP
	[1]
	PSM matched sample
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.320*** (5.22)
<i>SameOffice_DiffAuditor</i> (β_2)	0.288** (2.11)
<i>SameAuditor</i> (β_3)	0.207 (1.12)
Year FE	Yes
Firm FE	Yes
Observations	4,330
Adjusted R2	0.352

Panel B Test of coefficient differences

Test of coefficient differences	Value	t-stat.
$(\beta_1) - (\beta_2) = 0$	0.465***	54.09
$(\beta_2) - (\beta_3) = 0$	0.020***	16.06

Source: created by the author

4.2.4.12 Control for Big Four auditors (related to H5)

To address concerns that Big Four affiliation may affect the baseline results of H5, I include the variable *Big4* as an additional control variable in the Equation (3.11), following Johnston and Zhang (2021), Li et al. (2021), and Nguyen (2021). *Big4* is an indicator variable, assigned a value of 1 when at least one company in a pair of listed companies is audited by a Big Four audit firm, and 0 otherwise. Table 4.20 presents the regression results of Equation (3.11), after the inclusion of an additional control variable *Big4*. Specifically, Columns [1], and [2] of Table 4.20 display the testing results for H5, on two samples of Acctcomp10 and Acctcomp4,

respectively, after the inclusion of *Big4* which indicates that the coefficient for *SameOffice_DiffAuditor* continues to be statistically significant and positive, consistent with the baseline results. These findings suggest that my hypothesis (H5) remain robust following the inclusion of the additional control variable, *Big4*.

Table 4.20 Control for Big Four auditors (related to H5)

	ACCTCOMP10	ACCTCOMP4
	[1]	[2]
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.350*** (7.23)	0.230*** (4.06)
<i>SameOffice_DiffAuditor</i> (β_2)	0.173*** (3.46)	0.155*** (2.77)
<i>SameAuditor</i> (β_3)	0.161** (2.54)	0.240*** (3.41)
<i>Big4</i>	0.192*** (6.21)	0.049 (1.40)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,992	7,665
Adjusted R2	0.336	0.248

Source: created by the author

4.2.4.13 Alternative sample (PSM matched sample) for H6 and H7

To verify whether the H6 and H7 are consistent across various situations, I conduct the following robustness test by using an alternative sample (using PSM matched sample). This PSM-matched sample is derived from applying the Propensity Score Matching technique (PSM) to Equation (4.9) on the main sample of 45,178 observations.

Specifically, I re-run the Equation (3.12), on the PSM matched sample, using OLS regressions with fixed effects. I expect the coefficient β_3 on *SamePartner_DiffIncharge* to be positive and significant, suggesting that a pair of companies audited by the same audit partner within the same office of the same audit

firm exhibit greater accounting comparability than a pair of companies audited by two different audit partners within the same office of the same firm. This finding would support Hypothesis 6 (H6). I also expect the coefficient β_4 on *SameIncharge_DiffPartner* to be positive and significant, suggesting that a pair of companies audited by the same auditor in charge within the same office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different auditors in charge within the same office of the same firm. This finding would support Hypothesis 7 (H7) .

Columns [1] of Panel A of Table 4.21 presents the regression results of Equation (3.12), on PSM matched sample. As expected, the coefficient β_3 on *SamePartner_DiffIncharge* are positive and significant on PSM matched sample, suggesting a pair of companies audited by the same audit partner within the same office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different audit partners within the same office of the same firm. This finding support H6. Specifically, the coefficient β_3 on *SamePartner_DiffIncharge* are 0.441 with a t-statistic of 1.86 in columns [1] of Panel A of Table 4.21. Meanwhile, the coefficients β_4 on *SameIncharge_DiffPartner* in columns [1] of Panel A of Table 4.21 is -0.639 with a t-statistic of -2.00, suggesting that a pair of companies audited by the same auditor in charge (but different audit partners) within the same office of the same audit firm exhibits lower comparable earnings. This finding provides additional evidence rejecting H7.

Panel B of Table 4.21 presents the t-test of coefficient differences between $(\beta_1) - (\beta_2)$, $(\beta_2) - (\beta_3)$ and $(\beta_3) - (\beta_4)$ on the PSM matched sample. The results indicate that the coefficient differences are statistically significant at the 1 percent level. *, **, *** indicate significance at the 0.10, 0.05 and 0.01 levels, respectively. See Appendix for variable definitions.

Table 4.21 Using PSM matched sample for H6 and H7

Panel A Regression results of PSM-matched sample

	ACCTCOMP
	[1]
	[PSM-matched sample]
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.323*** (5.27)
<i>SameOffice_DiffAuditor</i> (β_2)	0.291** (2.13)
<i>SamePartner_DiffIncharge</i> (β_3)	0.441* (1.86)
<i>SameIncharge_DiffPartner</i> (β_4)	-0.639** (-2.00)
<i>SameAuditor_Others</i> (β_5)	0.979** (2.34)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	4,330
Adjusted R2	0.354

Panel B t-test results of coefficient differences on the PSM-matched sample

Test of coefficient differences	Values	t-stat.
$(\beta_1) - (\beta_2) = 0$	0.465***	54.09
$(\beta_2) - (\beta_3) = 0$	0.033***	29.01
$(\beta_3) - (\beta_4) = 0$	0.006***	9.27

Source: created by the author

In summary, the robustness results provide additional evidence that supports H6 while rejecting H7.

4.2.4.14 Control for Big Four auditors (related to H6 and H7)

To address concerns that Big Four affiliation may affect the baseline results of H6 and H7, I include the variable *Big4* as an additional control variable in the Equation (3.12), following Johnston and Zhang (2021), Li et al. (2021), and Nguyen (2021). *Big4* is an indicator variable, assigned a value of 1 when at least one company in a pair of listed companies is audited by a Big Four audit firm, and 0 otherwise.

Table 4.22 Table 4.22 presents the regression results of Equation (3.12), after the inclusion of an additional control variable *Big4*.

Table 4.22 Control for Big Four auditors (related to H6 and H7)

	ACCTCOMP10	ACCTCOMP4
	[1]	[2]
<i>SameFirm_DiffOffice_DiffAuditor</i> (β_1)	0.345*** (7.13)	0.228*** (4.02)
<i>SameOffice_DiffAuditor</i> (β_2)	0.170*** (3.39)	0.154*** (2.75)
<i>SamePartner_DiffIncharge</i> (β_3)	0.196** (2.13)	0.259*** (2.62)
<i>SameIncharge_DiffPartner</i> (β_4)	-0.030 (-0.28)	0.174 (1.48)
<i>SameAuditor_Others</i> (β_5)	0.382*** (2.87)	0.314** (1.96)
<i>Big4</i>	0.192*** (6.21)	0.050 (1.41)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	17,992	7,665
Adjusted R2	0.336	0.248

Source: created by the author

Specifically, Columns [1], and [2] of Table 4.22 display the testing results for H6 and H7, on two samples of *Acctcomp10* and *Acctcomp4*, respectively, after the inclusion of *Big4*.

Table 4.22 indicates that the coefficients for *SamePartner_DiffIncharge* (β_3) continues to be statistically significant and positive across two samples, consistent with the baseline results.

Table 4.22 also shows that the coefficients for *SameIncharge_DiffPartner* (β_4) remain statistically insignificant as the baseline results. These findings suggest that my conclusions on hypotheses H6 and H7 remain robust following the inclusion of the additional control variable, *Big4*.

4.2.4.15 Additional analysis

To examine whether the testing results of H1 vary across different scenarios, an additional analysis is conducted. Specifically, a modification of the PSM technique previously applied in Section 4.2.4.2 (Application of the PSM technique to the main hypothesis (H1)) is used. The matching procedure is refined by applying the PSM technique with a reduced set of covariates - specifically, eight control variables representing 50 percent of the original set. The selected covariates include the minimum values of firm size, market-to-book ratio, leverage, operating cash flow, loss probability, standard deviation of operating cash flow, net sales, and net sales growth (i.e. *size_min*, *mb_min*, *lev_min*, *cfo_min*, *lossprob_min*, *std_cfo_min*, *std_netsale_min*, *std_netsalegrowth_min*).

Table 4.23 presents the results of applying the PSM technique using a reduced set of covariates. Panels A and B of Table 4.23 demonstrate the high quality of the PSM process, as there are no significant differences between the coefficients of the treatment and control groups after matching. Notably, while Panel C shows that the average treatment effect is significant at the 1 percent level, Panel D indicates that the coefficient on *SameFirm* for the PSM-matched sample is positive and significant (0.123 with a t-statistic of 3.42). These results are consistent with earlier findings (a coefficient of 0.143 with a t-statistic of 4.06). Together, these outcomes provide further evidence supporting the conclusion that the relationship between common audit firms and accounting comparability is unlikely to be driven by confounding

factors, thereby supporting H1. In addition, these outcomes reinforce the validity of the PSM approach.

Table 4.23 Re-application of the Propensity Score Matching for H1

Panel A Probit model

<i>Variables</i>	Before matching		After matching	
	Coefficients	Wald Chi-squared	Coefficients	Wald Chi-squared
<i>Size_Min</i>	0.257***	(29.93)	0.004	(0.33)
<i>Mb_Min</i>	0.024***	(13.44)	0.005*	(1.92)
<i>Lev_Min</i>	-0.145***	(-3.28)	0.011	(0.16)
<i>Cfo_Min</i>	-0.136**	(-2.35)	0.044	(0.49)
<i>Lossprob_Min</i>	-4.255***	(-4.27)	0.001	(0.00)
<i>Std_Netsale_Min</i>	0.008	(0.18)	-0.093	(-1.28)
<i>Std_Cfo_Min</i>	0.270**	(2.50)	0.187	(1.07)
<i>Std_Netsalegrowth_Min</i>	0.086	(1.25)	0.112	(1.01)
<i>Constant</i>	-8.353***	(-34.88)	-0.150	(-0.44)
Observations	45,178		10,816	
Pseudo R2	0.034		0.001	

Panel B Balance of the matched sample

<i>Variables</i>	Control	Treatment	Difference	t-sat
<i>Size_Min</i>	27.947	27.908	0.039	1.60
<i>Mb_Min</i>	3.226	3.530	-0.304	-3.06
<i>Lev_Min</i>	0.390	0.387	0.003	0.68
<i>Cfo_Min</i>	-0.042	-0.040	-0.002	-0.85
<i>Lossprob_Min</i>	0.000	0.000	0.000	0.22
<i>Std_Netsale_Min</i>	0.311	0.304	0.007	1.63
<i>Std_Cfo_Min</i>	0.070	0.075	-0.005	-1.58
<i>Std_Netsalegr_Min</i>	0.308	0.309	-0.001	-0.48
Observations	5,408	5,408		

Panel C Average treatment effects on treated (ATT)

<i>Variable</i>	<i>Sample</i>	<i>Treated</i>	<i>Controls</i>	<i>Difference</i>	<i>S.E.</i>	<i>T-stat</i>
<i>Acctcomp</i>	Unmatched	-2.395	-2.477	0.082***	0.028	2.95
	ATT	-2.401	-2.552	0.151***	0.035	4.27

Panel D Regression on the matched sample

ACCTCOMP

<i>SameFirm</i>	0.123*** (3.42)
Controls	Yes
Year FE	Yes
Firm FE	Yes
Observations	10,816
Adjusted R2	0.269

Source: created by the author

After performing different statistics tests on all hypotheses and various robustness checks, I summarise the hypothesis testing results in Table 4.24.

Table 4.24 Summary of hypothesis testing results

Hypotheses	Expected signs	Tested signs	Conclusions
H1	+	+	Accepted
H2a	+	+	Accepted
H2b	+	+	Accepted
H3	+	+	Accepted
H4	-	-	Accepted
H5	+	+	Accepted
H6	+	+	Accepted
H7	+	insignificant	Rejected

Source: created by the author

4.3 Discussion of hypothesis testing results

4.3.1 Discussion of H1

Table 4.3 demonstrates that a pair of companies audited by a common audit firm exhibits greater accounting comparability than a pair of companies audited by two different audit firms in the Vietnamese context (H1). Francis et al. (2014) argue that when two listed companies in a pair are audited by the same audit firm, the firm applies its unique audit methodologies and testing procedures consistently across its

clients. This consistency fosters greater alignment in financial reporting, resulting in enhanced comparability in earnings for companies audited by the same firm compared to those audited by different firms. Similarly, Johnston and Zhang (2021) document that each audit firm employs structured auditing processes and internal working rules that standardise its audit engagements, influencing the overall presentation and reporting of financial statements. Consequently, when two companies are audited by the same firm, their financial statements are more likely to exhibit greater comparability.

Column [3] of Table 4.3 reports that the coefficient α_1 on *SameFirm* is 0.154 with a t-statistic of 5.76. This result aligns with findings of Francis et al. (2014), Johnston and Zhang (2021), and Kawada (2014) in the US and Li et al. (2021) in China. For example, in the US context, Johnston and Zhang (2021) report a coefficient on *SameFirm* of 0.009 with a t-statistic of 8.19, while Francis et al. (2014) find a coefficient of 0.001 with a t-statistic of 4.68. Meanwhile, Kawada (2014) finds that the coefficient on *Same_B4* (equivalent to *SameFirm* in this research) are 0.0006 with a t-statistic of 2.22. Also using the US data, Frost et al. (2024) reveal that the coefficients on *Samefirm_DiffOff_DiffPart* (equivalent to *SameFirm* in this research) are 0.001 with a t-statistic of 1.65 and 0.001 with a t-statistic of 0.93 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Similarly, in China, Li et al. (2021) reveal that the coefficients on *Same_Auditfirm* (equivalent to *SameFirm* in this research) are 0.0013 with a t-statistic of 2.00 and 0.0013 with a t-statistic of 1.86 for the subsamples *Comp_TAC* and *Comp_DAC*, respectively. However, Chen, Chen, et al. (2020) find that common audit firms have insignificant impacts on accounting comparability in China. Specifically, Chen, Chen, et al. (2020) report that the coefficients on *SameFirm_DiffOffice_DiffPartner* (equivalent to *SameFirm* in this research) are 0.002 with a t-statistic of 1.09 and 0.001 with a t-statistic of 1.39 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Although Chen, Chen, et al. (2020) and Li et al. (2021) draw contrary conclusions on the roles of common audit firms in China, both studies find that

common audit offices and common individual auditors have positive impacts on comparability.

My findings represent the first study to explore the positive relationship between common audit firms and accounting comparability in Vietnam, a rapidly growing economy. These empirical results are essentially consistent with the conclusions drawn by other authors in the US and China on the roles of common audit firms on comparability.

From a theoretical perspective, the test results for H1 offer a new dimension to the understanding of the role of audit firms, thereby enriching the application of Agency Theory within the auditing profession. While Agency Theory highlights the role of audit firms in reducing information asymmetry between company management and external stakeholders, this thesis provides original evidence that shared audit firms are particularly effective in this regard. Specifically, it shows that, in the Vietnamese context, a pair of companies audited by the same audit firm display higher accounting comparability than a pair audited by different firms.

4.3.2 Discussion of H2a

Table 4.4 suggests that the positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners of common audit firm are female. Specifically, Column [1] of Table 4.4 presents that the coefficient α_3 on interaction term of $SameFirm_{ijt} * FEMALE_{ijt}$ is 0.311 with a t-statistic of 2.67 while the coefficient α_1 on $SameFirm_{ijt}$ is 0.135 with a t-statistic of 4.93. These results suggest that the female gender of audit partners in a common audit firm significantly moderates the positive relationship between a common audit firm and accounting comparability. In other words, within a common audit firm, a group of two female audit partners exhibits higher comparability for their audit clients than groups of all male or mixed gender partners. The outperformance of female audit partners can be attributed to unique characteristics such as females tend to be more diligent, more conservative, and less tolerant of risk than males (Peni and Vähämaa,

2010; Palvia et al., 2015). Additionally, females are more accurate in detecting and interpreting subtle nonverbal cues (e.g., body language, paralanguage) (Rosip and Hall, 2004) and tend to scan more data (i.e., perform more eye fixations), which provides them with a recognition advantage (Heisz et al., 2013).

My findings on the role of female audit partners align with studies of other authors (Khlif and Achek, 2017; Hossain et al., 2018; Karjalainen et al., 2018; Garcia-Blandon et al., 2019). For example, female auditors are associated with reduced abnormal accruals (Garcia-Blandon et al., 2019), shorter audit report delays, and an increased probability of issuing adverse audit opinions (Khlif and Achek, 2017). Additionally, female audit partners are more likely to issue going-concern opinions (Hossain et al., 2018) or issue modified opinions (Karjalainen et al., 2018). With Taiwanese data, Kung et al. (2019) reveal that having a female lead auditor can act as a constraint on accrual earnings management, irrespective of the gender of the remainder (joint auditor), be it male or female.

The finding related to Hypothesis 2a is consistent with several theoretical frameworks. It fully supports Agency Theory, which emphasises the role of audit firms in reducing information asymmetry. It also introduces a new perspective on the role of auditor gender, thereby enriching the application of Upper Echelons Theory within the auditing profession. Although Upper Echelons Theory has traditionally been applied in the field of management, this thesis provides novel evidence confirming its relevance in a different domain—auditing services—and within the context of a developing country such as Vietnam. Furthermore, the results of H2a align with three major theoretical perspectives on gender differences—socio-cultural, evolutionary, and hormone-brain theories—which suggest that male and female audit partners differ in how they perceive and approach audit engagements.

The main difference between my findings and those of others is that I consider female audit partners as a moderator, while others examine female auditors as an independent variable. A moderator should provide more meaningful insight than an

independent factor because “Things aren’t as simple as perhaps they have seemed” (Hayes, 2017). Moderation analyses help deepen the understanding of causal relationships revealed by regressions (Baatwah et al., 2019; Palazzi et al., 2023). Jollineau and Bowen (2023) state that using a moderated model can capture the dependent nature of an entire set of relationships, rather than attempting to make piecemeal inferences from a series of individual regressions.

4.3.3 Discussion of H2b

Table 4.4 suggests that the positive relationship between common audit firm and accounting comparability is more pronounced when common audit firms are industry specialists. Specifically, Column [2] of Table 4.4 presents that the coefficient α_3 on interaction term of $SameFirm_{ijt} * SPECIALIST_{ijt}$ is 0.364 with a t-statistic of 6.75 while the coefficient α_1 on $SameFirm_{ijt}$ is 0.012 with a t-statistic of 0.32. These results suggest that the industry specialisation of audit firms significantly moderates the positive relationship between a common audit firm and accounting comparability. In other words, industry-specialised audit firms exhibit higher comparability for their audit clients than non-specialists. Industry specialisation is deemed “specialised knowledge of what clients do within any given industry and the issues and audit risks auditors face” (Kend, 2008). My findings are relevant to the industry specialisation process of many audit firms. For example, major accounting firms structure their audit practices by industry, reflecting a belief that industry specialisation leads to higher quality audits. For example, Ernst & Young (EY) organises its assurance services into four specialised teams: Audit Services, Climate Change and Sustainability Services, Financial Accounting Advisory Services, and Forensic & Integrity Services (EY, 2024). Deloitte’s assurance services encompass the following specialised areas: Accounting Operations Advisory, Accounting and Reporting Advisory, Disruptive Events Advisory and Sustainable and Climate (Deloitte, 2024). PricewaterhouseCoopers (PwC) states on its website: “Our audit approach, which is at the leading edge of best practice and draws upon our extensive industry knowledge, is tailored to suit the size and nature of your organisation.” (PwC, 2024) while

“KPMG is transforming the audit experience by harnessing next-generation AI-driven technology to power audits and combining deep local and global multidisciplinary knowledge to see the bigger picture and bring more value” (KPMG, 2024). Thus, industry specialisation helps audit firms provide “leading edge” practices to their audit clients (Kend, 2008).

My findings on the role of industry-specialised audit firms align with studies of other authors such as Balsam et al. (2003), Lim and Tan (2008), Reichelt and Wang (2010), Bills et al. (2015), and Anissa and Petronila (2019) on the positive effects of industry specialisation on the audit outcomes. For example, industry specialist auditors are associated with lower discretionary accruals (Balsam et al., 2003; Reichelt and Wang, 2010), an increased propensity to issue going-concern opinions, and higher earnings-response coefficients (Lim and Tan, 2008) compared to non-specialists. Additionally, auditors with industry specialisation have a negative effect on real earnings management (Anissa and Petronila, 2019) or achieve cost efficiencies in industries with homogeneous operations (Bills et al., 2015).

The finding related to Hypothesis 2b aligns with two key theoretical frameworks. It strongly supports Agency Theory, which highlights the role of audit firms in mitigating information asymmetry. It also adds a new layer to our understanding of contextual factors—specifically, the role of industry specialisation—thereby broadening the application of Upper Echelons Theory within the auditing practice. Although Upper Echelons Theory has conventionally been applied in the field of management, this thesis provides novel evidence confirming its relevance in a different domain—auditing services—and within the context of a developing country such as Vietnam.

The key difference between my findings and those of others is that I consider industry specialisation of audit firms as a moderator, while others examine industry specialist as an independent variable. A moderator should provide more meaningful insight than an independent factor (Hayes, 2017) and help deepen the understanding

of causal relationships revealed by regressions (Baatwah et al., 2019; Palazzi et al., 2023).

4.3.4 Discussion of H3

Column [1] of Table 4.5 demonstrates that a pair of listed companies that switch from having different audit firms to sharing a common audit firm exhibit higher accounting comparability. Specifically, Column [1] of Table 4.5 presents that the coefficient on *Same_Switch* is positive (0.246) and statistically significant (with t-statistic of 9.09). This result aligns with findings of Francis et al. (2014), Johnston and Zhang (2021) in the US on the consequence of audit firm switches. Specifically, Francis et al. (2014) report the coefficient on *S_Switch* (equivalent to *Same_Switch* in this study) is 0.003 with t-statistic of 2.93 while Johnston and Zhang (2021) present the coefficient on *Switch_S* (equivalent to *Same_Switch* in this study) is 0.035 with t-statistic of 4.16. Even when extending the test windows from the initial 2 years to 4 and then 5 years, my findings regarding audit firm switches are still consistent with those of Francis et al. (2014), Johnston and Zhang (2021) in the US. The result of Hypothesis 3 provides additional support for Agency Theory by demonstrating that switching to a common audit firm leads to a greater reduction in information asymmetry compared to using different audit firms. In summary, this research provides original evidence on the consequences of audit firm switches on accounting comparability in a developing country like Vietnam. This evidence confirms that auditor style, as termed by Francis et al. (2014) exist in the context of Vietnam.

4.3.5 Discussion of H4

Column [1] of Table 4.6 demonstrates that a pair of listed companies that switch from sharing a common audit firm to having different audit firms exhibit lower accounting comparability. Specifically, Column [1] of Table 4.6 presents that the coefficient on *Diff_Switch* is negative (-0.279) and statistically significant (with t-statistic of -9.20). This result aligns with findings of Johnston and Zhang (2021) in the US on the consequence of audit firm switches. Specifically, Johnston and Zhang (2021) present the coefficient on *Switch_D* (equivalent to *Diff_Switch* in this study) is -0.024 with t-

statistic of -1.86. Even when extending the test windows from the initial 2 years to 4 and then 5 years, my findings regarding audit firm switches are still consistent with those of Johnston and Zhang (2021) in the US. Meanwhile, Francis et al. (2014) report an insignificant impact of switching to different audit firms, with the coefficient on *D_Switch* (equivalent to *Diff_Switch* in this study) being -0.001 with a t-statistic of -0.82. The test result of H4 still supports Agency Theory by showing that using different audit firms results in a smaller reduction in information asymmetry compared to using a common audit firm. In summary, this research provides original evidence on the consequences of audit firm switches for accounting comparability in a developing country context, such as Vietnam.

4.3.6 Discussion of H5

Panel A of Table 4.7 demonstrates that a pair of companies audited by common office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different offices of the same firm (H5). Panel A of Table 4.7 shows that the coefficients β_2 on *SameOffice_DiffAuditor* are 0.149 with a t-statistic of 2.98 and 0.149 with a t-statistic of 2.66 for the subsamples of *Acctcomp10* and *Acctcomp4*, respectively. My empirical results on the role of common audit offices align with the findings of Kawada (2014) in the US, and Chen, Chen, et al. (2020) and Li et al. (2021) in China. For example, Kawada (2014) finds that the coefficient on *Same_B4_Office* (equivalent to *SameOffice_DiffAuditor* in this research) are 0.0045 with a t-statistic of 4.40. Also using the US data, Frost et al. (2024) reveal that the coefficients on *SameOffice_DiffPartner* (equivalent to *SameOffice_DiffAuditor* in this research) are 0.001 with a t-statistic of 0.71 and 0.007 with a t-statistic of 3.65 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Meanwhile, in China, Chen, Chen, et al. (2020) find that the coefficients on *SameOffice_DiffPartner* (equivalent to *SameOffice_DiffAuditor* in this research) are 0.007 with a t-statistic of 6.13 and 0.002 with a t-statistic of 3.91 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Similarly, Li et al. (2021) reveal that the coefficients on *Same_Office* (equivalent to

SameOffice_DiffAuditor in this research) are 0.0018 with a t-statistic of 1.90 and 0.0032 with a t-statistic of 3.13 for the subsamples *Comp_TAC* and *Comp_DAC*, respectively.

Although Big Four audit firms are commonly perceived as international entities, they operate as largely decentralized organizations. Local, city-based offices function with considerable autonomy and are likely to instruct their staff on how to interpret their respective audit methodology from audit firm level. Each individual office acts as the decision-making unit, contracting with clients, managing audit engagements, and issuing auditor reports. Additionally, each audit office conducts localized training for its staff on how the audit firm's overall methodology is implemented in engagements with local audit clients. Therefore, given that audit office styles influence audit engagements and the resulting audited financial statements, increased comparability should be observed in the financial statements of two companies audited by the same audit office. Ferguson et al. (2003) provide evidence that affirms that the market's perception and valuation of industry expertise in Australia predominantly relies on the leadership of audit offices at the city-specific level within their respective audit markets. Kawada (2014) provide evidence that company-pair subjected to audits conducted by the same audit office has higher earnings comparability in contrast to those undergoing audits performed by the different audit offices of the same audit firm. Obviously, the audit offices play a certain role in shaping the level of accounting comparability.

The result of Hypothesis 5 provides new evidence that deepens the understanding of Agency Theory at the audit office level, extending beyond the broader audit firm level. It demonstrates that using a common audit office - rather than different offices -enhances accounting comparability among audit clients, thereby further reducing information asymmetry.

In the context of Vietnam, nearly all audit firms have their audit offices in two main cities (Hanoi and Ho Chi Minh). In addition, some audit firms also have their

presence in other locations such as Danang or Hai Phong cities. Legally, each audit office is a branch of an audit firm in Vietnam.

My findings represent the first study to explore the positive relationship between common audit offices of an audit firm and accounting comparability in Vietnam, a rapidly growing economy. These empirical results are essentially consistent with the conclusions of other authors in the US and China.

4.3.7 Discussion of H6 and H7

Table 4.8 demonstrates that a pair of companies audited by a common audit partner but different auditors in charge within the same audit office of the same audit firm exhibit greater accounting comparability than a pair of companies audited by two different audit partners within the same audit office of the same audit firm. In other words, Table 4.8 suggests that a common audit partner has a significant positive impact on accounting comparability, thus supporting Hypothesis 6 (H6). Specifically, Panel A of Table 4.8 shows that the coefficients β_3 on *SamePartner_DiffIncharge* are 0.164 with a t-statistic of 1.78 and 0.247 with a t-statistic of 2.51 for the subsamples *Acctcomp10* and *Acctcomp4*, respectively. This result aligns with study of Chen, Chen, et al. (2020) in China, when they find that common individual auditors of the same audit firm indeed imprints their impact on the accounting comparability of their audit clients. Specifically, Chen, Chen, et al. (2020) report the coefficients on *SamePartner_Senior* (equivalent to *SamePartner_DiffIncharge* in this research) are 0.017 with a t-statistic of 8.06 and 0.013 with a t-statistic of 7.93 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Table 4.8 also reveals that a pair of companies audited by a common auditor in charge but different audit partners within the same audit office of the same audit firm does not exhibit greater accounting comparability than a pair of companies audited by two different auditors in charge within the same audit office of the same audit firm. In other words, Table 4.8 suggests that a common auditor in charge has an insignificant impact on accounting comparability, thus rejecting Hypothesis 7 (H7). Specifically, Panel A of

Table 4.8 shows that the coefficients β_4 on *SameIncharge_DiffPartner_{ijt}* are -0.057 with a t-statistic of -0.53 and 0.170 with a t-statistic of 1.46 for the subsamples *Acctcomp10* and *Acctcomp4*, respectively. This result is different from conclusion of Chen, Chen, et al. (2020) in China about the role of auditor in charge. For example, Chen, Chen, et al. (2020) show that the coefficients on *SamePartner_Junior* (equivalent to *SameIncharge_DiffPartner* in this research) are 0.009 with a t-statistic of 2.33 and 0.007 with a t-statistic of 2.40 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively. Similarly, in China, Li et al. (2021) document that common engagement auditors have positive impacts on accounting comparability with the coefficients on *Same_Partner* (equivalent to *SameIncharge_DiffPartner* in this research) are 0.0036 with a t-statistic of 2.70 and 0.0040 with a t-statistic of 2.96 for the subsamples *Comp_TAC* and *Comp_DAC*, respectively. Using the US data, Frost et al. (2024) reveal that the coefficients on *SameB4Partner* (equivalent to *SameIncharge_DiffPartner* in this research) are 0.007 with a t-statistic of 2.83 and 0.017 with a t-statistic of 5.16 for the subsamples *Total Accrual_Diff* and *Abnormal Accrual_Diff*, respectively.

My empirical results suggest that a common audit partner within the same audit firm has a significant positive impact on accounting comparability (H6), while a common auditor in charge within the same audit firm (H7) does not significantly impact the accounting comparability of their audit clients. The differing roles of common auditors in charge (H7) compared to common audit partners (H6) reflect the realities of the Vietnamese context. Firstly, in a typical audit firm, auditors in charge generally have less working experience than audit partners. Consequently, their impact on audit outcomes is weaker than that of audit partners. Secondly, within an audit firm in Vietnam, audit partners undoubtedly wield more power than auditors in charge. The Vietnamese Standard on Auditing (VSA) 220 clearly states that “audit partners are members of the executive board of an audit firm and have ultimate responsibility for the audit engagement”. Therefore, audit partners are the ones who

make final decisions on the audit engagement and can override decisions made by auditors in charge.

The finding related to Hypothesis 6 is consistent with two key theoretical frameworks. It provides strong support for Agency Theory, which underscores the role of audit partners as key executors of the audit engagement in reducing information asymmetry. It also aligns with Upper Echelons Theory, which posits that top decision-makers—such as audit partners—play a critical role in shaping judgement and influencing outcomes during the audit process. The result of H6 confirms the relevance of Upper Echelons Theory in understanding the role of top decision-makers within a new domain—the auditing profession—and in the context of a developing country such as Vietnam. The result of H7 still supports Agency Theory by showing that audit partners play a more significant role than auditors in charge in shaping audit outcomes.

Additionally, my findings indicate that in the Vietnamese context, the impact of common audit firms on accounting comparability is the most significant, followed by the influence of common audit offices, and then common individual auditors (including audit partners and auditors in charge). The relatively smaller effect of common individual auditors, compared to audit firms and offices, may be attributed to several factors. First, the use of standardised audit methodologies may limit the scope for individual auditor judgment, making the influence of common individuals on comparability secondary to that of shared firm-wide or office-level practices. The influence of audit firms and offices encompasses a broader range of operational and strategic decisions affecting audit outcomes than individual auditors, who might focus on specific areas or clients. Second, internal working rules of audit firms and audit offices standardize audit practices which may contribute to greater uniformity in the audit outcomes and reduce the idiosyncrasies in individual auditors' judgments. The third reason could be that judgments and decision-making by common individuals can change across contexts and over time, which could reduce

comparability. Factors such as differences in expertise, gender, and approaches to handling complex accounting issues can all contribute to these variations, ultimately affecting the degree of comparability. The next section discusses my testing results concerning common auditors compared to those in other countries.

My research findings reveal that in the Vietnamese context, the impact of common audit firms on accounting comparability is the most significant, followed by the role of common audit offices, while common individual auditors have least impacts. These results differ from the conclusions drawn by other researchers in China and the US. For instance, Jiu et al. (2020) and Shi et al. (2021) find that in the Chinese context, common individual auditors have a stronger impact on comparability than common audit offices and firms. Furthermore, Chen, Chen, et al. (2020) and Li et al. (2021) report that in China, common individual auditors have the most substantial impact on comparability, followed by common audit offices, and least by common audit firms. Similarly, the study by Frost et al. (2024) corroborates the findings of Chen, Chen, et al. (2020) regarding the relative importance of common audit firms, audit offices, and individual auditors in US settings.

The divergence in empirical results regarding the roles of common individual auditors between my research and that of Chen, Chen, et al. (2020), Li et al. (2021) in the China context, and Frost et al. (2024) in the US context can be attributed to several factors. Firstly, my research utilises data from listed companies in Vietnam, whereas Chen, Chen, et al. (2020) and Li et al. (2021) analyse data from China and Frost et al. (2024) employ data from the US. Although both Vietnam and China are developing countries, Vietnam is at an earlier stage of economic development, whereas China is nearing the end of this cycle. The size of China's economy and its degree of international economic integration far surpass those of Vietnam. These distinct characteristics can lead to differences in the roles that common individual auditors play in shaping accounting comparability in each country. Furthermore, the regulatory environments between Vietnam and the US differ significantly,

particularly in aspects such as investor protections, litigation risks, and the monitoring of public accounting practices (the role of the PCAOB in the US). For example, Vietnam does not have a body equivalent to the PCAOB, and the audit market in Vietnam is deemed to have low litigation risks and low investor protection (Le et al., 2021; Khuong et al., 2023), which contrasts with the US settings. More importantly, Chen, Chen, et al. (2020), Li et al. (2021) and Frost et al. (2024) measure accounting comparability in their studies using accrual differences, including total and abnormal accrual differences. Meanwhile, my research measures comparability with differences in the expected earnings of company pairs (De Franco et al., 2011). These differing measurement methods can lead to variations in the testing results of common individual auditors' influence.

In summary, my findings reveal that in the Vietnamese context, the impact of common audit firms on accounting comparability is the most significant, followed by the role of common audit offices, then common audit partners, with common auditors in charge having the least impact. This order of impact contrasts with prior studies in China and the US, where the influence of common individual auditors is the most pronounced, followed by common audit offices, and the least significant impact comes from common audit firms (Chen, Chen, et al., 2020; Jiu et al., 2020; Li et al., 2021; Shi et al., 2021; Frost et al., 2024). This variation highlights the importance of considering cross-border differences in regulatory and economic environments and their effects on financial reporting quality, particularly accounting comparability. Notably, this research is the first to examine the effects of common auditors on accounting comparability within the Vietnamese context. Given its pioneering nature, there is a clear need for further studies on this topic to facilitate comparison with results from other countries.

Summary of Chapter 4

Chapter 4 presents the outcomes of the research conducted within the Vietnamese context, specifically focusing on the Ho Chi Minh City Stock Exchange (HOSE) from 2016 to 2022. The chapter commences with a detailed analysis of accounting comparability and the prevalence of common auditors among listed companies, with data segmented by industry. This initial analysis sets the stage for a deeper understanding of the audit landscape and its evolution over the specified period.

Following this, the chapter provides a thorough presentation of the baseline results for each of the study's hypotheses. It documents the findings and integrates robustness checks to affirm the reliability and validity of the results. This section is critical as it not only tests the proposed hypotheses but also strengthens the study's credibility through rigorous verification processes.

The chapter concludes with a comprehensive discussion of the hypothesis testing results. This discussion explores the significance of the findings in the context of existing audit practices and regulatory frameworks in Vietnam. Additionally, it positions the study's results alongside other empirical studies in China and the US, offering a comparative perspective that highlights unique insights and contributions to the field of audit research.

Overall, Chapter 4 encapsulates the core empirical insights of the study, providing a robust analysis and thoughtful discussion that collectively enhance our understanding of auditor roles and accounting comparability within the Vietnamese market.

Chapter 5 CONCLUSIONS AND IMPLICATIONS

Introduction

Chapter 5 serves to synthesize the findings and address the research questions posed throughout the study. The author has performed various tests with data collected from the Ho Chi Minh City Stock Exchange (HOSE) in Vietnam to examine all hypotheses. This chapter not only reviews these conclusive results but also elaborates on the scientific and practical implications for various stakeholders, including investors, analysts, banks, regulators, and leaders of audit firms. Additionally, it discusses the limitations encountered during the research and suggests potential directions for future studies. This final chapter aims to provide a comprehensive closure to the study, highlighting its contributions to the field and its relevance to the identified stakeholders.

5.1 Conclusions

This research explores the relationships between common auditors (e.g., audit firms, audit offices, and individual auditors), and accounting comparability within the Vietnamese context. Additionally, it examines the moderating factors that influence the relationship between common audit firms and accounting comparability. Viet Nam has been a rapidly growing economy with a unique audit market. Unlike developed countries such as the UK and the US, where Big Four firms dominate over 90% of the market, Vietnam's audit market is more competitive, with the Big Four accounting for only 50.41% of revenues in 2018 (Kiemtoan, 2019). Additionally, the Vietnamese audit environment features low litigation risks compared to the high litigation risks in developed nations (Le et al., 2021; Khuong et al., 2023).

This research is expected to make significant and original contributions to the existing literature and practices, particularly in the Vietnamese context.

Firstly, it reveals original evidence of a positive relationship between common audit firms, and accounting comparability within Vietnam. The research document that a pair of listed companies audited by the same audit firm exhibits greater accounting comparability than those audited by different firms. By using a Vietnamese sample, this research extends the existing literature on the relationship between common audit firms, and accounting comparability (Francis et al., 2014; Kawada, 2014; Johnston and Zhang, 2021; Frost et al., 2024), offering insights specific to a developing country that has become an increasingly important player in the global economy and supply chain. My research highlights the roles of audit firms as a critical component of the financial reporting supply chain, by demonstrating a positive relationship between common audit firms, and accounting comparability.

My research is different from some recent accounting studies using Vietnamese data (Nguyen, 2021; Ngo and Nguyen, 2024; Phung and Pham, 2024b). Nguyen (2021) finds comparability reduces firms' tendency to engage in earnings management while Phung and Pham (2024b) document that market concentration has a positive relationship with accounting comparability. Ngo and Nguyen (2024) reveal that CEOs with financial and accounting expertise adversely affect the financial reporting quality. To the best of my knowledge, this research is the first study to establish a positive relationship between common audit firms and accounting comparability in Vietnam, marking a significant contribution to the country's auditing and financial reporting literature.

Secondly, this research provides the first evidence of a positive relationship between common audit offices of the same audit firm and accounting comparability in the context of Vietnam. It documents that a pair of listed companies audited by the same audit office of an audit firm exhibits greater accounting comparability than those audited by different offices of such an audit firm. These findings enrich our understanding of the roles of common auditors not only at the audit firm level but

also at the audit office level. This finding aligns with the conclusions of Kawada (2014) in the US, and Chen, Chen, et al. (2020) and Li et al. (2021) in China.

Thirdly, this research provides pioneer evidence of a positive relationship between common audit partners of the same audit firm and accounting comparability in the context of Vietnam. It documents that a pair of listed companies audited by the same audit partner of an audit firm exhibits greater accounting comparability than those audited by different partners of such an audit firm. This finding highlights the importance of individual audit partners in performing their jobs. It extends the existing literature on individuals' roles in professional environments as concluded by Chen, Chen, et al. (2020), Li et al. (2021), Jiu et al. (2020) and Shi et al. (2021) in China, as well as Frost et al. (2024) in the US. Additionally, this research documents that common auditors in charge of the same audit firm do not have significant impacts on accounting comparability as common audit partners do. This evidence aligns with Chen, Chen, et al. (2020) about more important roles of audit partners (senior partners) than auditors in charge (junior partners). However, it does not align with the conclusions of Li et al. (2021) in China, and Frost et al. (2024) in the US, where these authors document that the signing auditor (e.g., auditors in charge in this study) has positive impacts on accounting comparability. Meanwhile, Jiu et al. (2020) and Shi et al. (2021) in China do not differentiate between senior partners (e.g., audit partners in this study) and junior partners (e.g., auditors in charge in this study). They treat them as one and find that common individual auditors have positive impacts on accounting comparability.

Fourthly, this research provides original evidence that when a pair of listed companies switches from having different audit firms to sharing a common audit firm, their accounting comparability improves. Conversely, switching from sharing a common audit firm to having different audit firms reduces their accounting comparability. In other words, audit firm switches by listed companies have consequences on accounting comparability. This finding in the context of Vietnam

aligns with conclusions of Francis et al. (2014), Johnston and Zhang (2021) on the impacts of audit firm switches in developed countries.

Fifthly, this research advances the understanding of gender-related dynamics in audit practices. It demonstrates that the positive relationship between common audit firm and accounting comparability is more pronounced when all audit partners of common audit firm are female. This finding highlights the importance of gender in improving audit outcomes, offering new insights into auditor characteristics that can influence the future direction of personnel audit assignments and promotions in audit firms in Vietnam. This findings align with studies of other authors (Khelif and Achek, 2017; Hossain et al., 2018; Karjalainen et al., 2018; Garcia-Blandon et al., 2019). For example, female auditors are associated with reduced abnormal accruals (Garcia-Blandon et al., 2019), shorter audit report delays, and an increased probability of issuing adverse audit opinions (Khelif and Achek, 2017). Additionally, female audit partners are more likely to issue going-concern opinions (Hossain et al., 2018) or issue modified opinions (Karjalainen et al., 2018).

Sixthly, this research extends the understanding of industry specialisation in audit practices by demonstrating that the positive relationship between common audit firms and accounting comparability is more pronounced when the common audit firms are industry specialists in Vietnam. This finding highlights the importance of industry specialisation in audit practices and align with studies of other authors such as Balsam et al. (2003), Lim and Tan (2008), Reichelt and Wang (2010), Bills et al. (2015), and Anissa and Petronila (2019) on the positive effects of industry specialisation on the audit outcomes.

This research is expected to make several significant contributions to the literature and the auditing profession in Vietnam, while also offering valuable implications for researchers, regulators, investors, and leaders of audit firms.

5.2 Implications

5.2.1 Theoretical implications

This research provide some important theoretical implications, based on results on the relationships between common audit firms, common audit offices, common individual auditors and accounting comparability.

Firstly, this research identifies a positive relationship between common audit firms, audit offices, and accounting comparability in Vietnam. It finds that a pair of listed companies audited by the same audit firm or office exhibits greater accounting comparability than those audited by different firms or offices. These findings not only support Agency Theory but also enrich its application within the auditing profession by offering a new dimension to the understanding of the roles of audit firms and offices. Specifically, common audit firms and offices appear to be more effective in mitigating information asymmetry than their non-common counterparts, thereby extending the traditional interpretation of Agency Theory.

Secondly, this research shows that the positive relationship between common audit firms and accounting comparability is stronger when the audit firms are industry specialists or when all audit partners involved are female. These findings lend support to both Upper Echelons Theory and theories on gender differences. According to Upper Echelons Theory, the characteristics of key decision-makers—such as gender—and contextual factors—such as industry specialisation—can influence organisational outcomes. While the theory has traditionally been applied in management research, this study extends its relevance to the auditing profession, particularly within the context of a developing country.

Additionally, the research provides further evidence supporting gender differences in a professional setting. Specifically, it finds that male and female audit partners tend to approach audit engagements differently, and that female audit partners are more likely to share similar perspectives on audit issues when paired together than their male or mixed-gender counterparts. The outperformance of female audit partners may be attributed to certain distinctive characteristics, as prior studies suggest that women tend to be more diligent, more conservative, and less tolerant of

risk than men (Peni and Vähämaa, 2010; Palvia et al., 2015), which may contribute to a recognition advantage (Heisz et al., 2013).

Thirdly, this research provides empirical evidence on the varying impacts of common audit firms, audit offices, and individual auditors on the accounting comparability of their audit clients. Considering these three levels of common auditors offers meaningful and comprehensive insights into the dynamics and interdependence between organisations and individuals. These findings may serve as a foundation for further research in the fields of management and psychology, particularly regarding the relationship between organisational structures and individual characteristics in shaping organisational performance.

5.2.2 Practical implications

For investors, analysts, and banks

These stakeholders could consider the findings of this research (e.g., roles of common audit firms, audit offices and audit partners) when assessing the comparability of peer companies for investment, valuation, and lending decisions. A peer company within the same industry, if it shares common auditors or its auditors have industry specialisation, exhibit greater accounting comparability than a peer company without common auditors or non-specialist audit firms. Higher accounting comparability reduces information asymmetry (Majeed and Yan, 2021). Investors frequently base their pricing decisions on information relevant to their investments in capital markets (Fama, 1970). Esty (2000) concludes that a key condition for making pricing decisions is the need for investors to select a set of comparable companies. This peer group allows investigation of operations and financial metrics, evaluates various aspects of operations, and incorporates these factors into valuation models. Consequently, if the peer group exhibits high comparability, it facilitates more precise pricing decisions by investors. Participants in the capital market react positively to information from companies that have high comparability with their peers. For example, Chen, Kurt, et al. (2020), using US data, find that a \$1 increase in EPS leads to a \$4.04 rise in stock price for firms with low accounting comparability, while the

stock price increases by \$6.76 for firms with high accounting comparability. Chen and Gong (2019) reveal that accounting comparability enhances investors' understanding of accruals and improves the efficiency of accruals pricing. This clearly shows that investors take accounting comparability into account in their valuation decisions. Thus, my findings regarding the higher comparability of listed company pairs resulting from sharing a common audit firm, audit offices and audit partners should be particularly relevant to the decision-making processes of investors, analysts, and banks in Vietnam.

In addition, this research provides original evidence that when pairs of listed companies switch from having different audit firms to sharing a common audit firm, their accounting comparability improves. Conversely, switching from sharing a common audit firm to having different audit firms reduces their accounting comparability. In other words, audit firm switches by listed companies have consequences on accounting comparability. This finding has meaningful implications for investors, bankers, analysts, and management when evaluating the comparability of financial statements of peer companies for making business decisions.

For leaders of audit firms

The findings of this research indicate that female audit partners outperform their male and mixed-gender colleagues in enhancing the comparability of their audit clients' financial statements. Leaders of audit firms could use these findings to inform personnel assignment policies. For instance, they might consider promoting more female auditors to senior positions or prioritising the assignment of female audit partners to high-risk engagements. These findings are particularly relevant to Vietnam, where the accounting profession remains male-dominated. They also contribute to the ongoing discourse on gender equity in the profession. For instance, the State Audit Office of Vietnam (SAV) reports that female auditors account for only 34% of its total personnel SAV (State Audit of Vietnam, 2023). According to the annual report of VACPA for the fiscal year 2022, in the Vietnamese audit market,

female auditors account for 48.9 percent of total registered auditors. However, the percentage of female auditors in senior positions is much lower (VACPA, 2023). Similarly, in the United States, female lead engagement partners represented 20% of those working with S&P 500 companies in 2021 and 24% within the S&P 100 during the same year (CFA Institute, 2023). In New Zealand, Whiting and Wright (2001) reveal that women in higher-status positions within the accounting profession exhibit a stronger desire for responsibility and a more competitive nature compared to other female accountants. These insights underscore the importance of recognising and leveraging the contributions of female auditors, not only to enhance firm performance but also to promote gender equity within the profession.

The findings of this research demonstrate that common audit offices within the same audit firm exhibit higher accounting comparability. This indicates that, beyond the overarching influence of audit firms, individual audit offices significantly contribute to shaping audit outcomes. These results advocate for leaders of audit firms to endow greater autonomy to their audit offices in the development of localized working rules. Local audit offices are likely to have a deeper understanding of local audit clients compared to more distant offices. This insight has practical implications for the allocation of personnel to audit engagements, particularly for large clients with extensive networks of subsidiaries in diverse geographic areas. Employing local audit offices for local clients not only enhances cost efficiency but also improves audit outcomes, as evidenced by the increased comparability of clients audited by common offices of the same audit firm.

For regulators

One finding of this research indicates that common audit firms are positively associated with the accounting comparability of listed companies. In a related study, Nam and Thompson (2023) find that the likelihood of the SEC issuing a comment letter for higher abnormal accruals increases with accounting comparability. Nam and Thompson (2023) explain that comparable accounting numbers across listed firms

help the SEC detect significant accounting violations that necessitate restatements. Nam and Thompson (2023) conclude that greater accounting comparability enhances the effectiveness of the SEC's oversight of accounting quality by reducing the information costs associated with cross-firm comparisons. In the context of Vietnam, regulators such as the State Securities Commission (SSC), a body equivalent to the SEC in the US, or the Ministry of Finance could consider these findings to enhance the effectiveness of oversight of accounting quality for listed companies, like the actions taken by SEC officials. Specifically, the SSC should select companies within the same industry and those that share common auditors when reviewing audited financial statements and assessing audit quality. This targeted sampling approach increases the likelihood of detecting misstatements compared to random sampling.

Another key finding of this research is that the use of a common audit partner positively influences accounting comparability. This insight has important implications for regulators such as SSC and the Ministry of Finance, particularly when considering regulations on the mandatory rotation of audit partners. Under current Vietnamese regulations, an audit partner may serve a maximum term of five years. However, the findings of this study suggest that extending the rotation period more could enhance accounting comparability by allowing the benefits associated with common audit partners to be fully realised. This implication is strongly supported by both Agency Theory and Upper Echelons Theory, which emphasise the role of audit partners as key decision-makers during audit engagements and their significant influence on audit outcomes.

5.3 Limitation and future direction

Although this research provides interesting and original evidence on the relationships between common auditors and accounting comparability of listed companies in Vietnam, it has its limitations. First, it has not yet considered other characteristics of individual auditors such as age, working experience, and academic degrees. Secondly, it has not yet examined the consequences of switching audit offices and individual auditors on accounting comparability. Thirdly, this research

has not utilised companies listed on the second stock exchange of Vietnam (HNX - the Hanoi Stock Exchange). These limitations restrict the scope of the research. Future studies could address these limitations by considering more characteristics of auditors, changes in audit offices and audit partners, and expanding the research sample to include companies from the HNX.

Summary of Chapter 5

Chapter 5 of the thesis offers comprehensive conclusions that address each research question posed throughout the study. It confirms that common audit firms, common audit offices, and common audit partners positively influence the accounting comparability of their clients' financial statements. In contrast, it shows that common auditors in charge do not have as significant an impact on accounting comparability as do common audit partners.

Additionally, the thesis examines the effects of audit firm switches on comparability, noting that such changes can positively and negatively affect the accounting comparability of the switched pairs. It also uncovers that factors such as audit partner gender and industry specialization moderate the relationship between common audit firms and comparability in Vietnam.

The chapter outlines the theoretical and practical implications of these findings for various stakeholders, including investors, analysts, banks, regulators, and leaders of audit firms. These insights could significantly influence decision-making and policy formulation.

Lastly, the thesis recognizes the limitations of the research and suggests directions for future studies, which could provide further valuable insights into the dynamics of audit practices and their effects on financial reporting quality. This chapter aims to encapsulate the contributions of the thesis and highlight its relevance to both the academic community and industry practitioners.

CONCLUSION

Accounting comparability is so important to investors because they always must compare and choose among alternative decisions. Globalisation of foreign investment significantly emphasizes the needs of comparable financial information across countries. In addition, comparability of financial statements has also drawn increasing attention of regulators (IASB, FASB...) and researchers all over the world. Figure 1.2 illustrates the number of published articles on accounting comparability, which shows a steady upward trend over the years, thus highlighting the growing interest in the subject of comparability.

Vietnam's economy has seen steady growth, ranking as the fifth-largest in ASEAN in 2023 and the 35th globally (Vietnamnet, 2024). As a major recipient of the global supply chain shift, Vietnam recorded \$27.72 billion in Foreign Direct Investment inflows in 2022 (BrunswickReview, 2023). The increasing importance of financial statement comparability for international investors is evident, both currently and projected into the future. Auditors have been considered as important component of financial supply chain by IFAC. Prior studies in developed countries have consistently demonstrated a positive relationship between common audit firms (Francis et al., 2014; Johnston and Zhang, 2021), common audit offices (Kawada, 2014; Chen, Chen, et al., 2020; Shi et al., 2021), and common individual auditors (Chen, Chen, et al., 2020; Li et al., 2021; Frost et al., 2024) with accounting comparability. However, despite these findings being robust in developed markets, little is known about the impact of common auditors on financial statement comparability in developing economies, such as Vietnam.

This thesis examines the impact of common auditors—including audit firms, audit offices, and individual auditors—on the accounting comparability of companies listed on the Ho Chi Minh City Stock Exchange in Vietnam from 2016 to 2022. It also explores moderating factors that influence this relationship. Employing a

quantitative methodology, this study analyses a large sample comprising 45,178 firm-pair observations to test its hypotheses. The findings reveal that common audit firms, audit offices, and audit partners significantly enhance accounting comparability. However, common auditors in charge do not exhibit a significant effect on such comparability. Notably, the positive impact of common audit firms on comparability is more pronounced when all involved audit partners are female or when the audit firms are industry specialists. The study also finds that when a pair of listed companies switches from different audit firms to a common one, their accounting comparability increases. Conversely, comparability decreases when listed companies switch from a common audit firm to different ones. These results, supported by various robustness checks, offer valuable theoretical and practical insights for stakeholders, highlighting the critical role of common auditors in enhancing financial statement comparability in the context of a rapidly developing country like Vietnam.

LIST OF PAPERS

Bui, Quang Hung, Nguyen, Tri Tri and Mai, Duc Nghia (2025). “Common Auditors And Accounting Comparability: Evidence From Vietnam”, *Journal of Financial Reporting and Accounting, Forthcoming*

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APPENDICES

Appendix 01: Variable definitions

Variables	Definitions	Sources
Main variables		
<i>Acctcomp</i>	<i>Acctcomp</i> denotes the accounting comparability between companies <i>i</i> and <i>j</i> . <i>Acctcomp</i> is measured as the average absolute difference between the predicted earnings of company <i>i</i> and company <i>j</i> over 16 consecutive quarters. <i>Acctcomp</i> is not positive, greater value of <i>Acctcomp</i> , higher accounting comparability between company <i>i</i> and company <i>j</i> .	De Franco et al. (2011), Kim et al. (2016), Chircop et al. (2024)
<i>Acctcomp10</i>	<i>Acctcomp10</i> denotes the accounting comparability between companies <i>i</i> and <i>j</i> , measured as the ten largest comparability scores of listed company pairs in each industry.	De Franco et al. (2011), Kim et al. (2016), Chircop et al. (2024)
<i>Acctcomp4</i>	<i>Acctcomp4</i> denotes the accounting comparability between companies <i>i</i> and <i>j</i> , measured as the four largest comparability scores of listed company pairs in each industry.	De Franco et al. (2011), Kim et al. (2016), Chircop et al. (2024)

<i>SameFirm</i>	<i>SameFirm</i> denotes the same audit firm and is coded 1 if both companies <i>i</i> and <i>j</i> of a pair are audited by the same audit firm, and 0 otherwise.	Kawada (2014), Francis et al. (2014), Johnston and Zhang (2021)
<i>Same_Switch</i>	<i>Same_Switch</i> represents the audit firm switch by a listed company pair from having two different audit firms to sharing a common audit firm. <i>Same_Switch</i> is an indicator variable that is coded 1 in the test years following the switch (sharing a common audit firm), and the value of 0 in the benchmark years prior to switch (having different audit firms). Therefore, <i>Same_Switch</i> compares the differences in expected earnings for the same pair of listed companies, before and after the switch.	Francis et al. (2014), Johnston and Zhang (2021)
<i>Diff_Switch</i>	<i>Diff_Switch</i> represents the audit firm switch by a listed company pair from sharing a common audit firm to having two different audit firms. <i>Diff_Switch</i> is an indicator variable that is coded 1 in the test years following the switch (having different audit firms), and the value of 0 in the benchmark years prior to switch (sharing a common audit firm). Therefore, <i>Diff_Switch</i> compares the differences in expected earnings for the same pair of listed companies, before and after the switch.	Francis et al. (2014), Johnston and Zhang (2021)

<i>SameFirm_DiffOffice_DiffAuditor</i>	An indicator variable that equals 1 if both listed companies in a pair are audited by the same audit firm, but different audit offices and different individual auditors, and 0 otherwise.	Chen, Chen, et al. (2020), Frost et al. (2024)
<i>SameOffice_DiffAuditor</i>	An indicator variable that equals 1 if both listed companies in a pair are audited by the same audit office but different individual auditors of the same audit firm, and 0 otherwise.	Chen, Chen, et al. (2020), Frost et al. (2024)
<i>SameAuditor</i>	An indicator variable that equals 1 if both listed companies in a pair have at least a common individual auditor, within the same audit office of the same audit firm, and 0 otherwise. I do not differentiate the roles of common individual auditors (e.g., common audit partner vs. common auditor in charge) in this measure.	Chen, Chen, et al. (2020), Frost et al. (2024)
<i>SamePartner_DiffIncharge</i>	An indicator variable that equals 1 if both listed companies in a pair have a common audit partner but different auditors in charge, within the same audit office of the same audit firm, and 0 otherwise.	Chen, Chen, et al. (2020)

<i>SameIncharge_DiffPartner</i>	An indicator variable that equals 1 if both listed companies in a pair have a common auditor in charge but different audit partners within the same audit office of the same audit firm, and 0 otherwise.	Chen, Chen, et al. (2020)
<i>SameAuditor_Others</i>	An indicator variable that equals 1 if a pair of listed companies has at least one common individual auditor but no common audit partner or auditor in charge, and 0 otherwise. <i>SameAuditor_Others</i> equals 1 if <i>SameAuditor</i> = 1, <i>SamePartner_DiffIncharge</i> = 0 and <i>SameIncharge_DiffPartner</i> = 0, and 0 otherwise.	Chen, Chen, et al. (2020)
Additional variables		
<i>FEMALE</i>	<i>FEMALE</i> denotes female auditors and is coded as 1 if both audit partners of a client-firm pair are female, and 0 otherwise.	Lee et al. (2019), Li et al. (2021)
<i>SPECIALIST</i>	<i>SPECIALIST</i> denotes industry specialisation and is coded 1 if at least one audit firm holding 30 percent or more of the market share, and 0 otherwise. An audit firm is deemed as an industry specialist if that firm holds more than 30 percent of the audit market share in each observed year. The market share of an audit firm is proportional to the percentage of its clients' net sales	Reichelt and Wang (2010), Bills et al. (2015)

	audited in a year, relative to the total net sales audited by all other audit firms.	
Control variables		
<i>Size_Diff</i>	<p>Absolute value of difference in size of firm i and firm j which belongs to a firm-pair.</p> <p>Size is equal to the natural logarithm of total assets.</p>	<p>Datta et al., (2011), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)</p>
<i>Size_Min</i>	Minimum value of size in a pair of firm i and firm j .	<p>Datta et al., (2011), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)</p>
<i>Lev_Diff</i>	Absolute value of the difference in leverage of firm i and firm j where leverage is a debt-to-assets ratio of a company.	<p>Datta et al. (2013), Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al.</p>

		(2021) and Frost et al. (2024)
<i>Lev_Min</i>	Minimum value of debt-to-assets ratios between firm <i>i</i> and firm <i>j</i> .	Datta et al. (2013), Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)
<i>MB_Diff</i>	<p>Absolute value of the difference in market-to-book ratios between firm <i>i</i> and firm <i>j</i>.</p> <p>The market-to-book ratio equals the market value of equity divided by book value of equity.</p>	Matsumoto (2002), Lee et al. (2006), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)
<i>Mb_Min</i>	Minimum value of market-to-book ratios between firm <i>i</i> and firm <i>j</i> .	Matsumoto (2002), Lee et al. (2006), Lang et al. (2010), Francis et al.

		(2014), Li et al. (2021) and Frost et al. (2024)
<i>CFO_Diff</i>	Absolute value of the difference in cash flow from operations scaled by lagged total assets between firm <i>i</i> and firm <i>j</i> of a firm pair.	Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)
<i>CFO_Min</i>	Minimum value of cash flow from operations scaled by lagged total assets between firm <i>i</i> and firm <i>j</i> of a firm pair.	Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)
<i>LossProb_Diff</i>	Absolute value of the difference in loss probability in firm-pair of firm <i>i</i> and firm <i>j</i> . Loss probability is the number of years a firm reports negative annual income before extraordinary items over the 7 years.	Lang et al. (2010), Francis et al. (2014), Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)

<i>LossProb_Min</i>	Minimum value of loss probability between firm <i>i</i> and firm <i>j</i> .	Lang et al. (2010), Francis et al. (2014), Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)
<i>Std_NetSale_Diff</i>	Absolute value of the difference in standard deviation of annual net sales over the past 7 years between firm <i>i</i> and firm <i>j</i> .	Lang et al. (2010), Francis et al. (2014), Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)
<i>Std_NetSale_Min</i>	Minimum value of standard deviation of annual net sales over the past 7 years between firm <i>i</i> and firm <i>j</i> .	Lang et al. (2010), Francis et al. (2014), Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)
<i>Std_NetSaleGrowth_Diff</i>	Absolute value of the difference in standard deviation of annual net sales growth in firm <i>i</i> and firm <i>j</i> , where standard deviation of net sales growth is	Lang et al. (2010), Francis et al. (2014),

	calculated over the preceding 7 years. Net sales growth equals net sales in current year t minus net sales in year $t-1$ divided by net sales in year $t-1$.	Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)
<i>Std_NetSaleGrowth_Min</i>	Minimum value of the standard deviation of annual net sales growth between firm i and firm j .	Lang et al. (2010), Francis et al. (2014), Majeed et al. (2018), Li et al. (2021) and Frost et al. (2024)
<i>Std_CFO_Diff</i>	Absolute value of the difference in standard deviation of annual operating cash flows over the past 7 years between firm i and firm j .	Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al. (2021) and Frost et al. (2024)
<i>Std_CFO_Min</i>	Minimum value of standard deviation of annual operating cash flows over the past 7 years between firm i and firm j .	Kawada (2014), Lang et al. (2010), Francis et al. (2014), Li et al.

		(2021) and Frost et al. (2024)
<i>Big4</i>	An indicator variable, assigned a value of 1 when at least one company in a pair of listed companies is audited by a Big Four audit firm, and 0 otherwise.	Johnston and Zhang (2021), Li et al. (2021), and Nguyen (2021).

Appendix 02: Summary of methods for measuring accounting comparability

Measurement methods	Authors	Measurement base	Essence and Comments
Input-based	Van der Tas (1988)	H-index, I index and C- index	<p>H-index (Herfindahl index) states that comparability increases when the result of the choice that companies make between alternative accounting methods becomes concentrated on one or on only a limited number of accounting methods, even where the number of available methods remains the same. Thus, comparability can be considered as an increase in the degree of consensus concerning the choice between the alternative methods of accounting for an item in financial reports.</p> <p>H-index allows to estimate the extent of accounting harmonization, but it did not enable complete comparability of financial reporting practices. The main drawback of the H-index is the difficulty in calculating the significance of comparisons and the inability to apply multiple measurement methods.</p> <p>I index, a variant of H index allows to gauge the extent of accounting harmonization at international level.</p>

			Van der Tas (1988) expanded the C index to consider the situation where information published in the footnotes allows reprocessing of data that later appear in the accounts.
Input-based	Tay and Parker (1990)	Chi-square test	The advantage of the chi-square was simple calculation, but it did not take the sample size into account rendering its value statistically insignificant due to a limited number of observations.
Input-based	Archer et al. (1996)	Regression models to measure the degree of accounting harmonization	Archer et al. (1996) propose a hierarchy of nested statistical models based on logistic Poisson regression, utilising a probability model for count data in the context of multiple accounting choices.
Input-based	Brown and Tucker (2011)	Cosine similarity of items reported in the financial statements.	Essentially, this measurement relies on counting unique words in the financial reports of two companies and then comparing them to each other. The studies used this measurement in recent years: (Brown and Knechel, 2016; Loughran and McDonald, 2016).

			The commonality of these studies is the use of textual analysis, a unique text-based measurement, of financial disclosures.
Output-based	Johnston and Zhang (2021)	Financial reporting similarity (FRS).	<p>To calculate FRS for a pair of firms (i.e., firm i versus firm j) we use the ratio of the number of unique line items reported by both firms divided by the total number of unique line items reported by either firm. The interpretation of the measure is intuitive in that it measures the percent of line items the two firms share. It needs to identify items in XBRL reports that are presented on the face of the financial statements.</p> <p>Although measuring financial reporting similarity using items reported on financial statements (outputs of accounting systems) is useful, it remains subjective when selecting the number of unique line items to calculate the similarity between two companies.</p>
Output-based	De Franco, Kothari & Verdi (2011)	Using earnings on financial reports and stock returns as proxies for the	De Franco et al. (2011) describes comparability as the closeness between two firms' accounting systems in mapping economic events to financial statements. The financial statements of both

		<p>accounting system and economic events, respectively.</p>	<p>firms are deemed comparable when their representation (mappings) exhibit similarity.</p> <p>Advantages of output-based measurement compared to input-based measurement (Gross and Perotti, 2017):</p> <ul style="list-style-type: none"> • it is more relevant for users because their focus is on the output; • it is more objective as it does not require the selection and weighting of the inputs; • it is easier to implement in practice due to the widely available data sources; and • it is potentially more accurate in measuring accounting comparability because it allows researchers to control for the similarity of economic events. <p>The studies used this measurement in recent years: Francis, Pinnuck & Watanabe (2014), Yip and Young (2012), Chircop et al. (2020), Phung and Pham (2024a), Nguyen (2021), Do (2021), Kim et al. (2016), Kim et al. (2018).</p>
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			Some authors use the exact measurement by De Franco et al. (2011), while others adopt it with varying levels of modification.
Output-based	Kim et al. (2016), Kim et al. (2018), Nguyen (2021), Zhang (2018) and Do (2021)	Follow De Franco et al. (2011) measurement	Kim et al. (2016), Kim et al. (2018), Nguyen (2021), Zhang (2018) and Do (2021) follow exactly the measurement of De Franco et al. (2011).
Output-based	Francis et al. (2014)	Follow De Franco et al. (2011) measurement with modification	Francis et al. (2014) follow the logic of De Franco et al. (2011) but they use total accruals and abnormal accruals to measure comparability instead of earnings as (De Franco et al., 2011).
Output-based	Chircop et al. (2020)	Follow De Franco et al. (2011) measurement with modification	Chircop et al. (2020) follow the logic of De Franco et al. (2011) but they use earnings adjusted for R&D capitalization to measure comparability instead of earnings as (De Franco et al., 2011).

Output-based	Yip and Young (2012)	Follow De Franco et al. (2011) measurement with modification	Yip and Young (2012) follow the logic of De Franco et al. (2011) but they use ROA (returns on assets) to measure comparability instead of earnings as (De Franco et al., 2011).
Output-based	Phung and Pham (2024a)	Follow De Franco et al. (2011) measurement with modification	Phung and Pham (2024a) follow the logic of De Franco et al. (2011) but they use ROA (returns on assets) instead of stock price returns to measure comparability as (De Franco et al., 2011).

Appendix 03: The relationship between common auditors and accounting comparability

Author	Research Objectives	Samples	Methodology	Results
Francis, Pinnuck & Watanabe (2014)	Effect of auditor style on financial statement comparability.	2,471,917 firm-year observations from 1987-2011 in the US.	OLS with archival study	The authors find that companies audited by the same big4 auditors have more comparable financial statements than those audited by different big4 auditors. They find the same result for companies that are audited by big4 auditors, compared to those audited by non-big4 auditors.
Johnston and Zhang (2021)	Effect of auditor style on financial reporting similarity	19,698 firm-year observations from 2011 to 2016 in the US.	OLS with archival study	The authors show that firms that share the same auditor have more similarities in their financial statements. They also find that financial reporting similarity increases (decreases) when firms switch from having different (the same) auditors to having the same (different) auditors.

Kawada (2014)	Examine the role of the local auditor office in the comparability and quality of their clients' earnings.	1,579,980 firm-pair observations from 2003 to 2011 in the US.	OLS with archival study	The author finds that firm-pairs audited by the same local auditor office of a Big 4 auditor have more comparable earnings, on average, than firm-pairs audited by either the same Big 4 auditor but different local auditor offices or by different Big 4 auditors.
Li et al. (2021)	The effect of engagement auditors on financial statement comparability	15,230 client-year observations from 1999 to 2017 in China	OLS with archival study	The authors find that two clients audited by the same engagement auditor have more comparable accruals than two clients audited by different auditors. In addition, gender, experience, qualification, and specialization of auditors are associated with higher comparability.
Ahn and Sonu (2021)	The effect of audit partner style on financial statement comparability	45,741 pairs of firms over the period 2003–2016 in Korea.	OLS with archival study	The authors find that the accounting comparability between two firms in a pair is higher when they are audited by the same expert partner than when they are audited by the same non-expert partner.

Chen, Chen, et al. (2020)	Examine the relation between individual auditor style and client firms' earnings comparability in China	267,312 firm-pair observations from 2003 to 2013 in China.	OLS with archival study	The authors find a positive effect on client firms' earnings comparability when firm-pairs have a common audit office or a common signing auditor but not a common audit firm only.
Shi et al. (2021)	Examine the relation between individual auditors and the financial statement comparability of Chinese companies	758,305 firm-pair observations from 2006 to 2015 in China.	OLS with archival study	The authors find that individual auditors have an incremental effect on comparability, beyond the office-level effect.

Frost et al. (2024)	Examine the influence of individual audit partner style on financial statement comparability in the US.	233,812 firm-pair observations for the period 2016 to 2020 in the US	OLS with archival study	The authors find evidence of an audit partner style effect on comparability incremental to audit firm and audit office effects.
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