

THE IMPACT OF AUDITOR INDUSTRY SPECIALIZATION ON AUDIT FEES: EVIDENCE FROM THAILAND

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ABSTRACT

This study is investigated whether the effect of an auditor specialist on the auditor's high earn. The pricing of auditor industry specialization in Thailand audit market is studied using audit fees for the 2012-2017 fiscal years. The multiple regression model is estimated as the industry fixed-effects and year fixed-effects model to control for systematic differences in fees across the 24 industry categories. The results support the assumption that there is a positive relation between auditor industry specialization and audit fees. Moreover, this study also presents that only auditor industry specialization among Big Four auditors have a significant fee premium. However, prices of Non-Big Four specialist auditors are insignificant. Our findings remain valid after controlling for self-selection issue and are robust to alternative methods of industry specialization. Overall, specialist auditors have higher audit fees than non-specialist auditors. We also believe that the evidence on the effects of industry specialists may have the implications for government regulators who driver the audit quality and should consider the costs and benefits that associated with different levels of specialization. In addition, this study may be of interest to enterprises pertain to hiring auditors, and also suggests to public accounting firms to invest and create a reputation for industry expertise.

Keywords: *Auditor industry specialization; Audit fees; Big Four auditors; Thailand*