

ACCOUNTING INFORMATION CONSISTENCY AND AUDIT FEES: EVIDENCE FROM CHINA

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ABSTRACT

This article uses the financial data of China's A-share listed companies from 2007 to 2020 and examines the impact of accounting information consistency on audit fees. The study finds that higher consistency is significantly associated with a firm's lower audit fees after controlling for other factors. After the robustness test, the conclusion remains unchanged. The mechanism test finds that higher consistency reduces audit risks and thus reduces the company's audit fees. Further research finds that the reducing effect of consistency on audit fees is significantly more apparent in companies with higher financial leverage. Overall, this article expands the research on the influencing factors of audit fees from the consistency perspective. The research conclusions have reference value for information users to use accounting information to supervise governance, improve the quality of financial statement disclosure, and reduce the company's audit fees.

Keywords: Accounting information, Consistency, Audit fees, Audit risks, Financial leverage

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INTRODUCTION

Accounting information consistency is one of the critical characteristics of accounting information quality derived from comparability. The *Conceptual Framework for Financial Reporting* of the International Accounting Standards Board (IASB) states that consistency, although related to comparability, is not the same. Consistency refers to using the same methods for the same items, either from period to period within a reporting entity or in a single period across entities. Comparability is the goal; consistency helps to achieve that goal (IASB, 2018). Existing research has shown that accounting information consistency has positive economic consequences. For example, consistency is positively related to earnings quality (Peterson et al., 2015); comparability and consistency of revenue recognition in similar transactions across industries can improve earnings quality (Rutledge et al., 2016); and consistency has a positive impact on analyst forecasts (Wang, 2018) and consistent performance lowers firms' financing costs (Torabi et al., 2020). A Deloitte study revealed that over two-thirds of the 3,800 finance and accounting professionals surveyed said their organisations worked to improve accounting consistency across firms (Salierno, 2016).

Although there have been many studies on accounting information comparability, for example, Barth et al. (2012), Yip and Young (2012), Brochet et al. (2013), Francis et al. (2014), Young and Zeng (2015), Kim et al. (2016), Neel (2017), Lobo et al. (2018), Chircop et al. (2020), Ege et al. (2021), Wu and Xue (2022), and Bourveau et al. (2023), but studies on consistency are rare. Consistency and comparability have the following differences:

1. The objects of comparison are different. Comparability is to compare the accounting information of different enterprises in the same period, but consistency is to compare the accounting information of the same enterprise in different periods.
2. The scope of comparison is different. Comparability requires a company to compare with all other companies in the same industry, and the scope of comparison is prominent. In contrast, consistency only requires the company to compare its information in the past few years, and the scope of comparison is relatively small.
3. The cost of information collection is different. Comparability needs to be compared and analysed with other enterprises in the same industry, the cost of information collection is enormous, but the consistency only needs to be compared with the information of its past period (generally three to five years), which is more convenient and less expensive. Therefore, consistency is also helpful for decision-making and has significant research value.

Audit fees are fees charged by auditors (accounting firms) for providing audit services to clients. Many factors determine audit fees, including company size, accounting information quality, and others. The facts show that during the auditing process, auditors will pay attention to not only the company's accounting information of the year but also the company's previous accounting information, which may significantly impact audit risks, audit opinion and audit fees. For example, in April 2021, after auditing the 2020 financial report of Danbond Technology, Asia Pacific (Group) Accounting Firm (Special General Partnership) issued an audit report of "disclaimer of opinion". One of the reasons was that "there is uncertainty about whether there are misstatements in the previous financial statements." In April 2022, after auditing the 2021 financial report of Amethystum, Zhongxi Accounting Firm (special general partnership) issued an audit report of "disclaimer of opinion", partly because of two reasons: (i) Retrospectively adjusted the financial statements of previous years, it is impossible to determine whether the opening amount is accurate; (ii) It is impossible to judge whether the impact of the previously qualified opinions has been eliminated in the current period, and it is impossible to judge its impact on the financial statements of the current period. So, the motivation for this study is; since the auditors will pay attention to the company's previous accounting information during the auditing process, they will inevitably compare the company's current information with the previous information. Accounting information consistency is the comparison between the company's current information and previous information. So, will the level of consistency affect the audit costs, risks, and then the audit fees?

According to the cost-benefit principle and the risk-benefit equilibrium principle, people demand high returns for high-cost or high-risk projects. Companies with low consistency may have higher information processing costs and corporate risks, and auditors may demand higher audit fees when auditing these companies. This paper starts with the financial data of China's listed companies and takes accounting information consistency as the starting point to study the impact of consistency on the company's audit fees. Drawing on the accounting system model of De Franco et al. (2011), we measure the consistency of accounting information of China's A-share listed companies at the company level during the sample period. Then, we use the financial data of China's listed companies from 2007 to 2020 as a sample, using the multiple linear regression method (fixed effect), empirically testing the impact of accounting information consistency on audit fees. The results show that a company's higher consistency can significantly reduce audit fees. The mechanism test found that higher consistency reduces audit risks, thus reducing the company's audit fees. In moderating effect testing, this article analyses and examines the heterogeneity of the reduction effect

of consistency on audit fees, finding that the effect is more pronounced in firms with higher financial leverage.

This article puts forward some revelations. Roughly speaking, these findings significantly impact company management, as they provide empirical evidence for the impact of accounting information consistency on audit fees for listed companies. The main consequences will be brought to the attention of listed companies and auditors through our audit pricing model. This research will help China (and other emerging markets) develop or improve internationally convergent accounting standards and market-oriented auditing standards to improve the accounting information quality and reduce audit fees continuously.

We consider the following institutional background in China. First, unlike the changes in the auditing system in Western countries, in China, with the change and development of economic responsibility in the past 20 years, auditing has developed along the direction of government auditing–internal auditing–civil auditing. With the transition from a planned economy to a market economy, China's auditing has also gradually changed. China began implementing the new *China Registered Accountants Auditing Standards* on 1 January 2007. At this point, China's auditing began to develop toward international standards. The typical performance is that auditing listed companies, including many state-owned enterprises, is fully submitted to private accounting firms. This change is also the development trend of globalisation. This institutional change allows this article to study the influence factors of audit fees in China's listed companies. It will help people understand the marketisation process of China's auditing, evaluate the effectiveness of China's auditing development and reform, and provide suggestions for the future international reform and development of China's auditing work. Second, China began to implement the new *Enterprise Accounting Standards* that converge with International Financial Reporting Standards (IFRS) in 2007 and have been continuously updated, which indicates that China's accounting standards have been in line with international standards, can provide higher quality and more globally comparable accounting information, reduce cross-border accounting information asymmetry, and also provide us with an opportunity to evaluate the effect of international convergence of accounting standards in emerging market countries. Third, China's economy has continued to develop rapidly for a long time, and it is now the largest trading nation and the second-largest economy in the world. Economic exchanges between China and other countries are becoming more frequent and prominent. Listed companies are an essential part of China's economy. In recent years, the global economic volatility has intensified, and China has continued to strengthen reform and opening up, so accounting information consistency is even more critical.

We use China's listed companies as samples for the following reasons: First, China is the world's largest developing country, with an increasingly perfect market economy system and business environment, and China's results can provide lessons for other emerging market countries. Second, significant changes in auditing and accounting in China, such as implementing market-oriented auditing standards and internationally convergent accounting standards for enterprises since 2007, affect all aspects of listed companies, accounting firms, regulators, and information users, and the economic consequences may be significant. Third, with the increasingly strict supervision and increasing punitive measures of listed companies' accounting information by Chinese regulators, the financial behaviour of China's listed companies has become more standardised, and the behaviour of auditors has also been subject to greater supervision, which provides us with an excellent opportunity to examine the relationship between accounting information and audit fees. So, we evaluated the economic consequences of accounting information consistency of China's listed companies and hope to verify whether the market-oriented reform of China's audit has achieved the expected results by examining the impact of consistency on audit fees, which can provide important insights for international multinational investors in their economic decision-making, and then provide references for other emerging market countries.

The marginal contributions of this article are:

1. Due to the need for measurement methods, there are few empirical studies on consistency in academic circles. This article extends the research object from comparability to consistency, quantitatively measures the accounting information consistency at the company level, provides new empirical evidence for its economic consequences, extends the connotation of accounting information quality characteristics, and helps people to recognise the decision-making usefulness of accounting information further.
2. Currently, no empirical research papers on the relationship between consistency and audit fees have been found. We find that consistency can significantly reduce audit fees, confirms the effectiveness of measurement for accounting information consistency, and further verifies the governance mechanism of accounting information, which can help people understand the relationship between accounting information consistency and audit fees from a new perspective, and enriches the literature on accounting information consistency.
3. The heterogeneity provides a reference for listed companies to adopt different risk response strategies during being audited.

4. The conclusion may arouse the interest of the company's management, regulators, other information users, and researchers and help further to play the role of information users' supervision, improve accounting information quality, reduce audit fees, enhance audit effectiveness, and improve capital market information disclosure.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Literature Review

Empirical studies on accounting information consistency are scarce, and the fields covered need to be completed and better representative. Peterson et al. (2015) earlier involved quantitative research on accounting information consistency, and they called it "comparability in time series". They found that consistency positively correlates with earnings quality indicators such as earnings persistence, predictability, accrual quality, and absolute discretionary accrual. They also found that higher comparability in time series and cross-section is associated with lower information asymmetry (measured by bid-ask spreads and liquidity). Wang (2018) measured accounting information consistency by converting economic events into financial statements. The findings are that consistency is positively correlated with the analysts' covering and accuracy of forecasting and negatively related to the divergence of analysts' forecasts, which pointed out that consistency will benefit users of financial statements. Torabi et al. (2020) studied the impact of comparability and consistency on the cost of equity capital for companies listed on the Tehran Stock Exchange. They measured accounting consistency using text mining and vector space models and found that comparability and consistency significantly negatively impacted the cost of equity capital. This negative impact was exacerbated by information asymmetry and market imperfection. Fan et al. (2023) found that ownership concentration could reduce accounting information consistency, and higher executives' shareholding alleviated the reduction.

Audit fees are a hot research topic in the auditing field, and the research on its influencing factors has achieved many fruitful results. Many studies have shown that accounting information disclosure affects audit fees in recent years. Cho et al. (2017) found a negative correlation between accrued quality and audit time/fees, which indicates that auditors increase audit work by modifying audit procedures and materiality testing and charging higher fees for increased cash flow risks. Florou et al. (2020) looked at the costs and benefits of mandatory review of financial reporting by the UK Financial Reporting Review Panel. They found evidence that increased enforcement intensity leads to a temporary increase

in audit fees and more conservative accrual costs. Pittman and Zhao (2021) found that audit fees were positively correlated with misstatements of unfavourable non-revenue increases but not with misstatements of favorable non-revenue increases. Bastos et al. (2021) found that audit firms recognise that fair value measurement means more effort and that associated audit risks rise, leading audit firms to charge a risk premium for service delivery. Zhan et al. (2022) found that the amplification effect of the consolidated financial statements (the number of items in the consolidated financial statements has expanded relative to the parent company's financial statements) is positively correlated with audit fees, and audit risks play an intermediary role. Regarding the tone of accounting information, Castro et al. (2019) found that optimistic accounting information intonation can reduce audit fees. Nevertheless, we found no studies on the impact of accounting information consistency on audit fees.

In addition, audit fees are subject to other factors. In the area of corporate governance, for the nature of corporate ownership, Axén et al. (2019) found that municipal corporations pay significantly lower audit fees than equivalent private companies, mainly due to their lower commercial risks. Smith et al. (2019) found that board-level risk committees and more active audit committees may help mitigate the audit fees premium about the risks of breaches. Lobanova et al. (2020) found that dual ownership structures are associated with lower audit fees than a single class of companies. Gul et al. (2018) found that the greater the number of parent-subsidiary tiers, the higher the audit fees. Alves (2023) used data on listed companies in Portugal and Spain from 2010 to 2021 to study the impact of management shareholding on audit fees in the context of ownership concentration and poor investor protection and showed a nonlinear relationship between management shareholding and audit fees. In other areas, Datta et al. (2020) found that the company's higher proportion of intangible assets was associated with a higher workload of auditors and higher litigation risks, manifested by higher audit fees. Wang et al. (2020) found that providing debt guarantees to another entity significantly increased the company's audit fees, and the disclosure of CSR information attenuated the fee-based effect of loan guarantees. Lim and Monroe (2022) found that auditors charge companies higher fees when a company is covered by more analysts, which supports the argument about analyst pressure.

There are also some empirical studies on audit fees in developing countries. Li et al. (2020) used the quality of employees (based on employee education as an indicator) of China's listed companies. They found that companies run by highly qualified employees enjoyed lower audit fees, which was more pronounced in companies with a high culture of integrity. Tsai and Huang (2020) found that the convergence of China accounting standards to IFRS leads to increased audit fees,

as adopting internationally converged accounting standards alleviates the pre-existing fierce price competition in the China audit market. Liang et al. (2021) examined the impact of a pyramid-shaped ownership structure on corporate audit fees using a sample of China's listed companies from 2004 to 2014. The results show that, generally, the more layers of the pyramid, the more audit fees the company pays; This relationship is weaker in state-owned enterprises than in non-state-owned enterprises. Rahayu et al. (2021) used 720 observations of Indonesian listed companies from 2015 to 2018, found that the existence of a Risk Management Committee (RMC) increases audit fees; however, the ratio of independent commissioners weakens the relationship between RMC and audit fees. Prabhawa and Nasih (2021) used 656 observations from companies listed on the Indonesia Stock Exchange from 2010 to 2018 and found that the intangible assets of a company will have a positive impact on audit fees, and the RMC strengthened the relationship between these two variables. Alharasis et al. (2022) examine the relationship between the introduction of fair value disclosure (FVD) and audit fees and new empirical evidence on the moderating effect of the global financial crisis (GFC) on this relationship. They used a sample of 222 Jordanian companies from the period 2005 to 2018 and found that higher FVD levels were the main reason for high audit fees, and a significant negative (positive) impact on the relationship between fair value asset proportions and audit fees was in the pre-crisis (post-crisis) period. Alharasis et al. (2023) aimed to study the relationship between the auditor industry specialisation and audit fees; they used 2,100 company annual data from Jordanian companies from 2005 to 2018, and the results of ordinary least squares regression supported product differentiation (shared efficiency) and showed that hiring expert's auditors had a tremendous and favourable direct impact (negative) on audit fees. These findings suggest that high-quality accounting standards or market-oriented auditing practices can also play a positive role in developing countries.

In summary, quantitative studies on accounting information consistency are rare, but the results all show that consistency has positive economic consequences. The study on the influencing factors of audit fees has achieved rich results. The results are consistent because the study's logic is that a specific feature affects audit costs or risks and, thus, affects audit fees. However, in light of the research topic of this article, there still needs to be more research on the impact of accounting information characteristics on audit fees. The reason may be two reasons. First, some quality characteristics of accounting information are proxy variables of audit indicators, such as earning quality is often used as proxy variables for audit quality. Second, some accounting information quality characteristics, such as relevance or timeliness, are not easy to measure at the company level.

Many studies have focused on the impact of corporate characteristics, and research specifically for accounting information consistency has yet to be found. Therefore, under the logical framework of “accounting information consistency–audit costs/risks–audit fees”, this article will empirically study the impact of consistency on audit fees, then further study the intermediary effect and adjustment effect. In this way, first, it can enrich the literature on the relationship between consistency and audit fees, and make marginal contribution academically; second, it can explore the governance function of accounting information from a new perspective–consistency–and deepen people’s understanding of the decision usefulness of financial accounting; third, it can provide empirical evidence for listed companies and provide a path reference for them to reduce audit fees.

Hypotheses Development

According to audit information theory, auditing is essentially an economic oversight activity to alleviate information asymmetry between a company and an information user. In such oversight activities, the accounting firm will consider the cost of obtaining and processing information in the audited entity and the audit risks, which may affect the audit fees. Accounting information consistency can reduce a company’s audit fees from audit costs and risks.

Audit costs

According to the cost-benefit principle, an act is feasible if its expected benefits exceed its required costs; The greater the input cost, the greater the return required. Under the guidance of marketisation, the audit fee is voluntarily negotiated between the auditor and the client in the market economy environment, so the auditor must consider the expected input cost to determine the audit fee acceptable to both parties. Accounting firms (auditors) need to collect information and evidence on economic matters during the audit process and compare and evaluate the company’s current information with the information of the past few years, and this work comes at a cost. Studies have found that higher audit costs lead to higher audit fees. For example, Rahayu et al. (2021) found that audit fees increased because the existence of a Risk Management Committee would lead to a higher demand for audit coverage. Hajeb et al. (2021) found a significant positive correlation between related party transactions and audit fees, as auditors are stepping up audit efforts (reflected in audit fees) to address the risks associated with related party transactions. Yen (2021) investigated whether a client’s use of a Legal Entity Identifier (LEI) is associated with audit fee changes. Because a LEI uniquely identifies different legal entities worldwide, making audit clients’ transactions and related parties more transparent and traceable, potentially

reducing auditors' costs and risks, as reflected in audit fee changes. Although no empirical studies have been found on the impact of consistency on audit fees, we can make the following reasonable derivations: As one of the critical characteristics of accounting information quality, consistency means that the company's accounting policies and estimates are as consistent as possible in all periods. High consistency indicates that the same economic events have produced similar economic consequences (reported earnings) in different periods of the same enterprise (Fan et al., 2023). So, the information users can easily compare the business processing modes of the same enterprise in different periods, so the cost of obtaining and comparing information by users is low. The high consistency is conducive to the auditor to compare the company's information in recent years so that the auditor can more easily and quickly collect evidence, assess the authenticity and fairness of the evidence, and determine the legality and compliance of the economic activities and financial reports of the audited unit. It reduces the auditor's cost of information collection and use, the time, energy, number of people, and other costs invested by the accounting firm in the audit process, the audit costs, and thus the audit fees.

Audit risks

According to the risk-return equilibrium principle, the higher the risk of engaging in an act, the higher the return one demands to compensate for the high risk. Audit services are a business activity under China's market economy system, and auditors who provide services will also follow the above principles. Under the auditing standards, The CPA must implement a risks assessment procedure to assess the risks of material misstatement at the level of financial statements and identification. The amount of evidence required by the auditor is affected by the material misstatement risks of the subject matter information. That is, the greater the risks, the greater the amount of evidence that may be required. The CPA's consideration of material misstatement and inspection risks is influenced by the specific business environment, particularly the nature of the subject matter. Studies have shown that higher audit risk leads to higher audit fees. For example, Qu et al. (2020) found that when a company grants a significant equity incentive to the CEO, the audit fee increases significantly, indicating that the auditor believes a significant equity incentive represents high risks. Nekhili et al. (2020) found that female independent directors and female audit committee members reduce audit fees by improving the effectiveness of board oversight and influencing auditors' assessment of audit risks. Similarly, we can make the following derivation: A vital goal of accounting information is the usefulness of decision-making, providing helpful information for information users, including auditors, to help them make practical assessments and decisions in situations of information asymmetry. For

accounting information consistency, high consistency means that the enterprise's accounting policies and estimates can remain relatively stable for an extended period. The accounting information may also be more reliable, reducing the risks of material misstatement and inspection in the risks of the auditor's assurance business and sending the auditor the signal of more negligible company risks and audit risks. So, when other conditions do not change, higher consistency can reduce the degree of information asymmetry and audit risks faced by auditors, which can also reduce audit fees.

Based on the above two derivations, this article proposes the research hypothesis:

H1: High accounting information consistency can reduce companies' audit fees.

RESEARCH DESIGN

Calculation of Accounting Information Consistency

Consistency means that a company keeps its accounting policies and estimates unchanged. Because accounting earnings are calculated based on accounting periodisation and accruals, the same economic events produce similar accounting earnings under the same accounting policies and accounting estimates. Suppose a company changes its accounting policy or estimate in a given year. In that case, it does not change economic events (because economic events are hardly affected by accounting standards). However, it changes the timing and amount of recognition of revenue and expenses, thereby changing the accounting earnings. Therefore, if the accounting policy or accounting estimate changes, then the matching degree of the company's accounting earnings with economic events in the current year will be significantly different from that in previous years, and the accounting information consistency will be reduced, and the greater the difference, the lower the consistency.

Based on the above philosophy, this article draws on De Franco et al. (2011) method to determine comparable accounting information in time series. De Franco et al. (2011) take the following approach. Suppose companies i and j have comparable accounting information. In that case, they have similar accounting system functions $f(\bullet)$, so for a given set of economic events X , company j produces similar financial statements to those by company i . They use stock return as the proxy variable of the net effect of economic events and earnings as the proxy

variable of financial reports. This measurement method has been used extensively or improved in a considerable wealth of literature worldwide. Fan et al. (2023) have also used this method to measure consistency.

This article calculated the annual accounting information consistency of China's listed companies at the company level in the sample period by the following seven steps:

Step 1

Establish a linear aggression model:

$$\text{Earnings} = \alpha_0 + \alpha_1 \text{Return} + \varepsilon \quad (1)$$

In this equation, *Earnings* is the accounting surplus, measured by the annual net income (standardised by beginning shareholders' equity); *Return* is the stock return of an enterprise; and ε is a disturbance term.

Step 2

In order to calculate the accounting information consistency in 2007 for company *i*, it needs to use the annual accounting system of company *i* for the previous three years. Take annual data for the years 2003 to 2006, 2002 to 2005, and 2001 to 2004 periods into model (1), respectively, to regress. The results are three groups of estimated coefficients, $\hat{\alpha}_0$, $\hat{\alpha}_1$, and the following three equations:

$$\text{Earnings}_{i,t-1} = \hat{\alpha}_{0i,t-1} + \hat{\alpha}_{1i,t-1} \text{Return}_{i,t-1} \quad (2)$$

$$\text{Earnings}_{i,t-2} = \hat{\alpha}_{0i,t-2} + \hat{\alpha}_{1i,t-2} \text{Return}_{i,t-2} \quad (3)$$

$$\text{Earnings}_{i,t-3} = \hat{\alpha}_{0i,t-3} + \hat{\alpha}_{1i,t-3} \text{Return}_{i,t-3} \quad (4)$$

Equations (2), (3) and (4) are the accounting systems of company *i* in 2006, 2005 and 2004, respectively.

Step 3

Take *Return* of company *i* in 2007 into models (2) to (4), respectively, and work out the expected values of three *Earnings*: $\hat{Earnings}_{i,2006}$, $\hat{Earnings}_{i,2005}$ and $\hat{Earnings}_{i,2004}$, whose implication is that the same economic event produces three different economic consequences.

Step 4

Calculate the difference¹ between $Earnings_{i,2007}$ (actual value) and $\hat{Earnings}_{i,2006}$, $\hat{Earnings}_{i,2005}$, $\hat{Earnings}_{i,2004}$ (expected values) respectively, and take the absolute value.

Step 5

The average² of the absolute value of the three different values calculated in step 4 is the accounting information consistency of company i in 2007: $Consistency_{i,2007}$. The smaller the value is, the higher the consistency of company i in that year will be.

Step 6

Repeat steps 2 to 5 to calculate the annual accounting information consistency of company i in the whole sample period.

Step 7

Repeat steps 2 to 6 to work out each company's annual accounting information consistency in the whole sample period.

Model and Sample Data

In order to measure the impact of accounting information consistency on audit fees, model (5) is established:

$$\begin{aligned} AuditFee_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_2 Size_{i,t-1} + \alpha_3 ROA_{i,t-1} + \\ & \alpha_4 Q_{i,t-1} + \alpha_5 SOE_{i,t-1} + \alpha_6 Big4_{i,t} + \alpha_7 Opinion_{i,t-1} + \\ & \alpha_8 Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (5)$$

In Model (5), $AuditFee$ is the explanatory variable that refers to the company's audit fees, specifically the natural logarithm of the company's remuneration to accounting firms (Castro et al., 2019; Nekhili et al., 2020; Florou et al., 2020; Datta et al., 2020; Liang et al., 2021; Alharasis et al., 2023). $Consistency$ is the explanatory variable, which refers to accounting information consistency. The smaller the value, the higher the consistency; $Size$, ROA , Q , SOE , $Big4$, $Opinion$, Age , $\Sigma Industry$, $\Sigma Year$ are control variables widely used in other literature (Cho et al., 2017; Lobanova et al., 2020; Li et al., 2020; Wang et al., 2020; Tsai & Huang, 2020; Chan et al., 2021; Alharasis et al., 2023), α_0 is the constant term, $\alpha_1 \sim \alpha_8$ are

the coefficients to be evaluated, and ε is the perturbation term. The subscript i of each variable indicates the company, and t represents the period. Because the company's audit fee for a specific year has been agreed with the accounting firm in the previous year, and to avoid endogeneity between financial information and audit fees, the explanatory variables and some control variables are treated with a lag. The industry effect $\Sigma Industry$ and annual effect $\Sigma Year$ are controlled in the model to control the macroeconomic impact and systemic risks (Cho et al., 2017; Li et al., 2020; Alharasis et al., 2022) and especially control the impact of the implementation of new accounting standards in China in specific years (e.g., 2015, 2018). Detailed definitions of all variables in this article are shown in Appendix.

The control variables selected in this article are as follows. Specifically, *Size* is the size of a company because the audit fee is directly related to the size of the company, so the larger the company, the higher the audit fee. *ROA* is the return on total assets. The higher the value, the stronger the company's profitability and better operating conditions, so the firm's audit risks are negligible, and the audit fee may be lower. *Q* is the Tobin Q value. The higher this value, the greater the company's market value, but there may be a stock price bubble, bringing some asset risks. In this case, the firm's audit risks are more considerable, and the audit fee may also be higher. *SOE* is the ownership of a company. Generally speaking, state-owned companies' operational and financial risks are low, and the audit risks of the firm are also low, so the audit fee may also be lower. *Big4* is the international big four accounting firm. When the auditor is a big four accounting firm, the firm may charge a higher audit fee due to the brand premium and cost stickiness. *Opinion* is the audit report opinion. When the opinion of the previous period is not a standard unqualified opinion, the accounting firm may also believe there will be a particular conflict between it and the company in the current period, and the audit fee may be higher. *Age* is how many years the company has been listed, generally speaking. The longer the company has been listed, the company's size continues to expand, and the business continues to become more complex or diversified, the audit costs and risks may be higher, so the audit fee may also be higher.

Our sample selection procedure is as follows. The research sample in this article is China's A-share listed companies, and the sample period is from 2007 to 2020. The data used in this article are all from China Stock Market and Accounting Research (CSMAR) database.. In calculating the consistency, we selected 995 sample companies (e.g., new listings after 2001 cannot be included) due to the need to ensure that each company has complete data for each year starting in 2001. After the calculation, a total of 12,935 observations for the sample period were obtained.³ Then we excluded the financial industry (377 firm-year

observations). In the financial industry, a company's financial assets account for a large proportion of total assets, while fixed assets, intangible assets, and inventory are small. Their accounting policies and accounting estimates focus on the initial recognition criteria of financial assets and determining the fair value of financial assets. The consistency of companies in the financial sector fluctuates significantly differently than in other industries, so we exclude the financial industry. Industries are classified according to the first letter of the industry code in *The Guidelines for the Industry Classification of Listed Companies (2012 revision)* issued by the China Securities Regulatory Commission. The manufacturing industry is further subdivided according to the first two letters of the industry code. After removing 2,586 missing values, 9,972 observations were obtained in this article as panel data. All standard errors have been clustered at the company level to mitigate over-time correlation within the same firm. In order to control for the influence of individual characteristics of firms, the firm fixed effect is controlled in the model. The continuous variables have been winsorised at the 1st and 99th percentiles to eliminate the influence of extreme values. The sample selection procedure is in Table 1, and the industry distribution of the sample is in Table 2.

Table 1
Sample selection procedure

	Number of obs.
Initial sample	12,935
Exclude the financial industry	(377)
Result	12,558
Eliminate missing values	(2,586)
Result	9,972

Table 2
Industry distribution of the sample

Industry code	Industry name	No. of obs.
A	Agriculture, forestry, animal husbandry and fishery	109
B	Mining industry	253
C1	Food and textile manufacturing	708
C2	Wood and chemical, pharmaceutical manufacturing	1,749
C3	Metal and machinery manufacturing	2,704
C4	Other manufacturing	73
D	Electricity, heat, gas and water production and supply	655
E	Construction industry	188

(Continued on next page)

Table 2 (Continued)

Industry code	Industry name	No. of obs.
F	Wholesale and retail	1,054
G	Transportation, storage and postal industry	397
H	Accommodation and catering industry	38
I	Information transmission, software and information technology service industry	388
K	Real estate	916
L	Leasing and business services	135
M	Scientific research and technical service industry	58
N	Water conservancy, environment and public facilities management industry	157
P	Education	20
Q	Health and social work	26
R	Culture, sports and entertainment industry	115
S	Comprehensive industry	229

Note: The manufacturing industry is further subdivided according to the first two letters of the industry code.

EMPIRICAL TEST AND RESULTS⁴

Descriptive Statistics

Table 3 lists the descriptive statistical characteristics of each variable in model (5). For example, the average value of *AuditFee* is 13.5960. It indicates that the average remuneration paid by the sample company to the accounting firm is CNY802,912 ($= e^{13.5960}$), which is roughly in line with the market guidance price standard for audit fees combined with the size of the sample company. The minimum value of *AuditFee* is 12.2549, the maximum value is 15.5656, and the standard deviation is 0.6660, indicating that the audit fees of the sample companies vary widely. The minimum value of *Consistency* is 0.0048, the maximum value is 6.4017, and the standard deviation is 0.8100, indicating that the consistency in the sample companies fluctuates wildly; the average value of the *Size* is 22.2514, and the standard deviation is 1.3395, indicating that the average total assets of the sample companies are about CNY4.61 billion ($= e^{22.2514}$) and the size of the different companies varies widely; the average *ROA* is 0.0300, indicating that the return of the sample companies is 3.00% overall, which is a good value. The average value of *Q* is 2.1523, indicating that the market value of the sample companies greatly exceeds the book value, but the standard deviation is 1.8328, indicating

that the Q of different companies varies greatly. The average ownership nature SOE is 0.6468, indicating that 64.68% of the sample companies are state-owned enterprises. The average value of the $Big4$ is 0.0662, indicating that only 6.62% of the sample companies employ the big four international accounting firms. The average $Opinion$ value is 0.9449, indicating that 94.50% of the audit opinions in the sample companies are standard unqualified. The average Age is 16.4159, indicating that the average age of the sample companies has been listed as more than 16 years.

Table 3
Descriptive statistics for variables in model (5)

Variables	No of obs.	Average	S.D.	Minimum	Maximum
<i>AuditFee</i>	9,972	13.5960	0.6660	12.2549	15.5656
<i>Consistency</i>	9,972	0.2871	0.8100	0.0048	6.4107
<i>Size</i>	9,972	22.2514	1.3395	19.0316	25.6956
<i>ROA</i>	9,972	0.0300	0.0658	-0.2535	0.2210
Q	9,972	2.1523	1.8328	0.8581	13.2514
<i>SOE</i>	9,972	0.6468	0.4780	0.0000	1.0000
<i>Big4</i>	9,972	0.0662	0.2486	0.0000	1.0000
<i>Opinion</i>	9,972	0.9449	0.2281	0.0000	1.0000
<i>Age</i>	9,972	16.4159	4.2773	7.0000	28.000

Note: The continuous variables have been winsorised at the 1st and 99th percentiles. Readers can find the variable definitions in Appendix.

Correlation Analysis

Table 4 lists the Pearson's correlation coefficient between variables in the model (5). The absolute value of the Pearson correlation coefficient between different independent variables is almost low, so there is no strong correlation between them.

Table 4
Matrix of correlation coefficient of variables

	<i>AuditF</i>	<i>Consist</i>	<i>Size</i>	<i>ROA</i>	Q	<i>SOE</i>	<i>Big4</i>	<i>Opinion</i>	<i>Age</i>
<i>AuditF</i>	1.0000								
<i>Consist</i>	-0.0686	1.0000							
<i>Size</i>	0.7300*	-0.1640*	1.0000						
<i>ROA</i>	0.0856*	-0.0852*	0.1529*	1.0000					

(Continued on next page)

Table 4 (Continued)

	<i>AuditF</i>	<i>Consist</i>	<i>Size</i>	<i>ROA</i>	<i>Q</i>	<i>SOE</i>	<i>Big4</i>	<i>Opinion</i>	<i>Age</i>
<i>Q</i>	-0.2738*	0.2035*	-0.5382*	-0.0318*	1.0000				
<i>SOE</i>	0.0202*	-0.0977*	0.1906*	-0.0272*	-0.1953*	1.0000			
<i>Big4</i>	0.3928*	-0.0426*	0.2725*	0.0866*	-0.0869*	0.0119	1.0000		
<i>Opinion</i>	0.0991*	-0.2184*	0.2327*	0.3235*	-0.2849*	0.0875*	0.0430*	1.0000	
<i>Age</i>	0.3040*	0.0063	0.2339*	-0.0264*	0.0271*	-0.0018	0.0674*	-0.0208*	1.0000

Notes: The continuous variables have been winsorised at the 1st and 99th percentiles. * Indicates statistical significance at the 5% level (two-tailed). Readers can find the variable definitions in Appendix.

Multiple Regression Results and Analysis

For the regression of model (5), this article deals with it as follows: (i) add the main control variables; (ii) further control the industry fixed effects and year fixed effects; (iii) further control the firm fixed effects and (iv) further cluster the standard deviation at the company level. The regression results are shown in Table 5.

Table 5
Regression result of the hypothesis

Variables	(1)	(2)	(3)	(4)
α_0	5.1673*** (56.93)	4.8838*** (46.29)	6.1291*** (49.29)	6.1291*** (22.55)
<i>Consistency</i>	0.0172*** (3.23)	0.0191*** (3.63)	0.0217*** (5.26)	0.0217** (2.18)
<i>Size</i>	0.3679*** (90.47)	0.3828*** (89.13)	0.3182*** (55.06)	0.3182*** (25.61)
<i>ROA</i>	-0.3127*** (-4.62)	-0.3788*** (-5.61)	-0.1941*** (-4.12)	-0.1941*** (-2.72)
<i>Q</i>	0.0388*** (13.71)	0.0382*** (12.93)	0.0220*** (9.02)	0.0220*** (4.37)
<i>SOE</i>	-0.1375*** (-15.41)	-0.1356*** (-15.21)	-0.0427*** (-3.21)	-0.0427 (-1.61)
<i>Big4</i>	0.5324*** (30.61)	0.5416*** (31.60)	0.2437*** (10.92)	0.2437*** (3.69)
<i>Opinion</i>	-0.0749*** (-3.69)	-0.0716*** (-3.57)	-0.0379*** (-2.64)	-0.0379 (-1.50)
<i>Age</i>	0.0176*** (17.29)	0.0202*** (11.63)	0.0219*** (15.41)	0.0219*** (11.86)
Industry fixed effects	No	Yes	Yes	Yes

(Continued on next page)

Table 5 (Continued)

Variables	(1)	(2)	(3)	(4)
Year fixed effects	No	Yes	Yes	Yes
Firm fixed effects	No	No	Yes	Yes
Cluster	No	No	No	Yes
No. of obs.	9,972	9,972	9,972	9,972
R ²	0.6147	0.6333	0.5692 (within)	0.5692 (within)
F-statistic	1986.70***	439.73***	630.92***	111.72***

Notes: Coefficient *t*-statistics are in parentheses. ***, ** and * indicate statistical significance at the 1%, 5%, 10% level (two-tailed), respectively. Readers can find the variable definitions in Appendix.

As seen from Table 5, in column (1), after adding the primary control variable, the estimated coefficient of *Consistency* is 0.0172, which is significant at the 1% level. In column (2), after further controlling for industry and year fixed effects, the estimated coefficient of *Consistency* is 0.0191, which is significant at the 1% level.⁵ In column (3), after further controlling the firm fixed effects, the estimated coefficient of *Consistency* is 0.0217, which is significant at the 1% level. We ultimately focus on the outcome in column (4). After clustering the standard deviations at the firm level, as expected, the estimated coefficient of *Consistency* is still 0.0217, which is significant at the 5% level. The regression results support the cost-benefit principle and the risk-benefit equilibrium principle we proposed in the hypothesis development, showing that higher accounting information consistency (smaller value of *Consistency*) can significantly reduce companies' audit fees. Theoretically and logically, our result is similar to those of existing studies (Cho et al., 2017; Castro et al., 2019; Axén et al., 2019; Smith et al., 2019; Bastos et al., 2021), and it is also supported by research findings from developing countries (Wang et al., 2020; Tsai & Huang, 2020; Li et al., 2020; Chan et al., 2021; Rahayu et al., 2021; Alharasis et al., 2022). Therefore, auditors who audit high-cost or high-risk accounting information (manifested as low consistency) will require a higher audit premium, compensating for their costs or risks and ensuring the accounting information quality and audit quality. The results of our analysis confirm this.

In addition, in column (4), the goodness of fit (R^2) is 0.5692, which indicates that the variation explained by the regression equation accounts for 56.92% of the total variation of the explanatory variables, and the fitting effect of the model is good. The information contained in the sample is effectively interpreted. It is close to other findings from a sample of emerging market countries (Li et al., 2020; Wang et al., 2020; Alharasis et al., 2022). Most control variables were also in line with expectations previously in this article.

In an economic sense, according to the regression results in column (4), for every one standard deviation (0.8100) improvement (expressed as a decrease in value) in *Consistency*, the company's audit fee decreases by 0.0176 ($= 0.0217 \times 0.8100$) units. Because the average of *AuditFee* is 13.5960, the audit fees of the sample companies have decreased by an average of CNY14,008 ($= e^{13.5960} - e^{13.5960 - 0.0176}$). Therefore, the above results show that the effect of accounting information consistency on audit fees is statistically and economically significant, thus validating the hypothesis in this article.

ROBUSTNESS TEST

Other Ways to Value Audit Fees

Most of the existing literature uses the remuneration paid by the company to the accounting firm (taking the natural logarithm) to measure the audit fees. However, the audit fee is directly related to the company's size. This article replaces the audit fees with "remuneration paid by the company to the accounting firm/ $\ln(\text{total assets})$ "⁶ and re-incorporates it into the model (5) for regression. Because the audit fees at this point are normalised using the company's total assets, the control variable *Size* is excluded from the regression. The regression results are shown in column (1) of Table 6. The results show that the estimated coefficient of *Consistency* is significantly positive, and the regression results do not change substantially compared with the results of the principal regression.

Other Ways to Value Consistency

The fifth step of this article's previous measurement consistency method is the "arithmetic average of the absolute values of the three differences, that is, the accounting information consistency of company *i* in a certain year". Here it is replaced with the median of the absolute values of the three differences as the accounting information consistency and then re-incorporated into the model (5) for regression. The regression results are shown in column (2) of Table 6. The results show that the estimated coefficient of *Consistency* is significantly positive, and the regression results do not change substantially compared with the results of the principal regression.⁷

Add Other Control Variables

This article adds to model (5) some other control variables that may significantly impact audit fees, such as receivables, inventories, and intangible assets (all normalised using total assets), and then regresses. The regression results are shown in column (3) of Table 6. The results show that the estimated coefficient of *Consistency* is significantly positive, and the regression results do not change substantially compared with the results of the principal regression.

Reselect Samples Using PSM

The accounting firm hired by the company is selected by the company independently. The company will likely consider other factors affecting the audit fee before hiring an accounting firm. So, it is necessary to control the deviation of the “self-selection” effect and must consider the excellent pairing of the experimental group (the companies with higher consistency) and the control group (the companies with lower consistency). For example, if there are two companies whose accounting information consistency is different but other control variables are relatively similar. In this case, the company’s audit fee difference can be attributed to the difference in accounting information consistency so that the “self-selection” effect can be better controlled. The specific process is as follows:

Firstly, a binary logistic regression model is established to identify the influencing factors of accounting information consistency. The grading of consistency (with the median of consistency as the standard, the assignment is 0-1 dummy variable) as the explanatory variable and other control variables as the explanatory variable. The binary logistic regression is carried out to obtain the propensity score of each sample and screen out the variables that significantly impact the consistency.

Then, based on the variables screened out in step 1, according to the propensity score, find the objects with the most similar scores in the experimental group and control group and pair them. Perform the nearest neighbour 1:1 pairing in the control group to determine the experimental and matching control groups. The experimental and control groups together constitute the research samples for this article.

After reselecting the sample pairing using PSM, the regression results for model (5) are shown in column (4) of Table 6. The results show that the estimated

coefficient of *Consistency* is significantly positive, and the regression results do not change substantially compared with the results of the principal regression.

Exclude the Alternative Interpretations

Change of actual controller. The change of the company's actual controller has synchronously led to decreased accounting information consistency and increased audit costs. After the change of the company's actual controller, the company's strategic direction, economic operations, accounting policies, and accounting estimates will likely change significantly. It increases audit costs and risks, reducing the accounting information consistency and thereby affecting audit fees. To test whether this alternative explanation exists, this article established model (6) is:

$$\begin{aligned}
 AuditFee_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_2 Change_{i,t} + \\
 & \alpha_3 Change \times Consistency_{i,t-1} + \alpha_4 Size_{i,t-1} + \alpha_5 ROA_{i,t-1} + \\
 & \alpha_6 Q_{i,t-1} + \alpha_7 SOE_{i,t-1} + \alpha_8 Big4_{i,t} + \alpha_9 Opinion_{i,t-1} + \\
 & \alpha_{10} Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \quad (6)
 \end{aligned}$$

In model (6), *Change* refers to changing the company's actual controller. If the company's actual controller has changed in the current year, *Change* = 1; otherwise, *Change* = 0. What needs to be noted here is the estimated coefficient α_3 of the interaction term *Change* × *Consistency*. If α_3 is significantly positive, it means that the increase in the company's audit fee is affected by the change of the company's actual controller; If α_3 is insignificant or significantly negative, the above alternative explanations can be largely excluded. The model (6) regression results are shown in column (5) of Table 6. The results show that the estimation coefficient of *Change* × *Consistency* is insignificant, which excludes the alternative interpretation of the change of the company's actual controller.

Exclude Samples from Special Years

Because 2008 was a global economic crisis, China was also greatly affected, which would interfere with the determination of audit fees, so we excluded the 2008 sample; Because 2019 to 2020 was a very severe period of COVID-19, which greatly interfered with the normal conduct of audit work, we also excluded the 2019–2020 sample. The regression results are shown in column (6) of Table 6. The results show that the estimated coefficient of *Consistency* is significantly positive, and the regression results do not change substantially compared with the results of the principal regression.

Table 6
Robustness test regression results

Variables	(1)	(2)	(3)	(4)	(5)	(6)
α_0	11281.42*** (3.88)	6.1310*** (22.56)	6.0767*** (21.95)	6.1409*** (22.43)	6.1123*** (21.96)	6.0343*** (21.39)
Consistency	1691.78** (2.10)	0.0201** (2.36)	0.0225** (2.29)	0.0216** (2.12)	0.0198* (1.84)	0.0210** (2.15)
Change	–	–	–	–	0.0189** (2.05)	–
Change \times Consistency	–	–	–	–	0.0087 (0.79)	–
Size	–	0.3183*** (25.56)	0.3197*** (25.32)	0.3176*** (25.39)	0.3182*** (25.02)	0.3208*** (24.72)
ROA	14.3747 (0.00)	–0.1916*** (–2.68)	–0.1810** (–2.51)	–0.2023*** (–2.86)	–0.1678** (–2.29)	–0.2178*** (–3.04)
Q	–1637.644*** (–7.64)	0.0221*** (4.38)	0.0233*** (4.74)	0.0222*** (4.34)	0.0222*** (4.29)	0.0228*** (4.55)
SOE	–830.8709 (–0.44)	–0.0434 (–1.63)	–0.0372 (–1.41)	–0.0390 (–1.45)	–0.0397 (–1.42)	–0.0324 (–1.19)
Big4	22388.02*** (2.98)	0.2437*** (3.69)	0.2413*** (3.65)	0.2482*** (3.74)	0.2623*** (3.98)	0.2379*** (3.65)
Opinion	–620.0709 (–0.49)	–0.0385 (–1.53)	–0.0339 (–1.37)	–0.0364 (–1.41)	–0.0295** (–1.17)	–0.0428* (–1.72)
Age	2153.191*** (16.06)	0.0218*** (11.82)	0.0218*** (11.62)	0.0214** (11.15)	0.02216*** (11.85)	0.0255*** (13.44)
Receivables	–	–	0.3189*** (2.77)	–	–	–
Inventories	–	–	–0.096 (–1.64)	–	–	–
Intangible assets	–	–	0.065 (0.58)	–	–	–
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
No. of obs.	9,972	9,972	9,913	9,122	9,849	8,838
R ² (within)	0.2757	0.5689	0.5729	0.5671	0.5694	0.5516
F-statistic	30.68***	111.21***	95.90***	112.02***	98.06***	121.75***

Notes: Coefficient *t*-statistics are in parentheses. ***, ** and * indicate statistical significance at the 1%, 5%, 10% level (two tailed), respectively. All the standard errors have been clustered at the company level. Readers can find the variable definitions in Appendix.

MECHANISM TEST AND HETEROGENEITY TEST

Mechanism Test

In the hypothetical derivation of Chapter 2, this article mentions that higher accounting information consistency can reduce audit costs and risks, thereby reducing audit fees. Therefore, audit costs and audit risks may be critical mediating variables. Nonetheless, audit costs are challenging to measure accurately. Audit fees are generally used directly as a proxy variable for audit costs (Bortolon et al., 2013; Lesage et al., 2017). Moreover, audit fees are explanatory variables in this article. Therefore, this article only examines the mediating effect of audit risks.

This chapter uses *SDOI*, the standard deviation of the company's operating income (normalised using total assets) for the last three years, as the mediating variable to measure audit risks.⁸ The causal steps approach (Baron & Kenny, 1986) tests the mediating effect. This chapter uses the following models; the regression results are shown in Table 7.

$$\begin{aligned} AuditFee_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_2 Size_{i,t-1} + \alpha_3 ROA_{i,t-1} + \\ & \alpha_4 Q_{i,t-1} + \alpha_5 SOE_{i,t-1} + \alpha_6 Big4_{i,t} + \alpha_7 Opinion_{i,t-1} + \\ & \alpha_8 Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (5)$$

$$\begin{aligned} SDOI_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_2 Size_{i,t-1} + \alpha_3 ROA_{i,t-1} + \\ & \alpha_4 Q_{i,t-1} + \alpha_5 SOE_{i,t-1} + \alpha_6 Big4_{i,t} + \alpha_7 Opinion_{i,t-1} + \\ & \alpha_8 Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (7)$$

$$\begin{aligned} AuditFee_{i,t} = & \alpha_0 + \alpha_1 SDOI_{i,t-1} + \alpha_2 Size_{i,t-1} + \alpha_3 ROA_{i,t-1} + \\ & \alpha_4 Q_{i,t-1} + \alpha_5 SOE_{i,t-1} + \alpha_6 Big4_{i,t} + \alpha_7 Opinion_{i,t-1} + \\ & \alpha_8 Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (8)$$

$$\begin{aligned} AuditFee_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_1 SDOI_{i,t-1} + \alpha_2 Size_{i,t-1} + \\ & \alpha_3 ROA_{i,t-1} + \alpha_4 Q_{i,t-1} + \alpha_5 SOE_{i,t-1} + \alpha_6 Big4_{i,t} + \\ & \alpha_7 Opinion_{i,t-1} + \alpha_8 Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (9)$$

Table 7
Regression results of mechanism test

Variable	Model (5)	Model (7)	Model (8)	Model (9)
α_0	6.1291*** (22.55)	0.2383*** (6.38)	6.0425*** (22.32)	6.0372*** (22.27)
<i>Consistency</i>	0.0217** (2.18)	0.0162***(8.73)	–	0.0154 (1.52)
<i>SDOI</i>	–	–	0.4523*** (4.31)	0.3856*** (3.80)
<i>Size</i>	0.3182*** (25.61)	–0.0093*** (–5.16)	0.3223*** (25.84)	0.3218*** (26.04)
<i>ROA</i>	–0.1941*** (–2.72)	–0.0407*** (–2.67)	–0.1744** (–2.43)	–0.1784** (–2.50)
<i>Q</i>	0.0220*** (4.37)	0.0025*** (2.99)	0.0212*** (4.19)	0.0211*** (4.19)
<i>SOE</i>	–0.0427 (–1.61)	–0.0018 (–0.50)	–0.0456* (–1.70)	–0.0420 (–1.59)
<i>Big4</i>	0.2437*** (3.69)	0.0010 (0.20)	0.2419*** (3.68)	0.2433*** (3.70)
<i>Opinion</i>	–0.0379 (–1.50)	–0.0294*** (–6.08)	–0.0278 (–1.14)	–0.0265 (–1.07)
<i>Age</i>	0.0219*** (11.86)	0.0012 (4.32)	0.0208*** (11.37)	0.0214*** (11.64)
Year fixed effects	Yes	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes	Yes
No. of Obs.	9 972	9 972	9 972	9 972
R ² (within)	0.5692	0.1521	0.5700	0.5706
F-statistic	111.72***	15.50***	110.25***	107.29***

Note: Coefficient t-statistics are in parentheses. ***, ** and * indicate statistical significance at the 1%, 5% and 10% level (two-tailed), respectively. All the standard errors have been clustered at the company level. Readers can find the variable definitions in Appendix.

It can be seen from Table 7, in the model (7), the estimated coefficient of *Consistency* is 0.0162, which is significant at the 1% level, indicating that consistency can significantly reduce audit risks⁹. In model (8), the estimated coefficient of *SDOI* is 0.4523, which is significant at the 1% level, indicating that audit risks can significantly reduce audit fees. In model (9), the estimated coefficient of *Consistency* is not significant (but close to the 10% level), while the estimated coefficient of *SDOI* is 0.3856, which is significant at the 1% level. It shows that in the process of reducing audit fees due to consistency, audit risks play a significant intermediary effect, thereby verifying the impact mechanism of audit risks¹⁰.

Heterogeneity Test

This chapter further examines the moderating effect of financial leverage in the reduction effect of accounting information consistency on audit fees.

Financial leverage is the capital structure of a company. As an essential indicator of a company's solvency, financial leverage measures the company's operational risks to a large extent. Companies with lower financial leverage have significant net assets and higher solvency ability. The company is more likely to raise funds from creditors and can resist risks, reducing the company's operating risks and reducing audit risks. In this case, the importance of accounting information consistency will be relatively reduced, and its effect on reducing audit fees may be relatively weak. In companies with high financial leverage, financing, and operational risks are relatively large, and there may even be serious financial crises, resulting in more significant audit risks. As a source of incremental information, accounting information consistency can have an alternative effect on higher financial leverage. It can play a more prominent and vital positive role in the audit process. Therefore, the effect of accounting information consistency on audit fees may be more significant in companies with higher financial leverage than in companies with low financial leverage.

In order to test this hypothesis, this article uses the asset-liability ratio to measure financial leverage. According to the median of financial leverage in the sample, the sample was divided into a low and high financial leverage group. Furthermore, in order to test whether the estimated coefficients of the two sets of explanatory variables are significantly different, the dummy variable *Dum* and the interaction term $Dum \times Consistency$ are added to the model (5), $Dum = 1$ when the financial leverage is high, and $Dum = 0$ when the financial leverage is low. Model (10) is used, and the grouped regression results are shown in Table 8.

$$\begin{aligned} AuditFee_{i,t} = & \alpha_0 + \alpha_1 Consistency_{i,t-1} + \alpha_2 Dum_{i,t-1} + \alpha_3 Dum_{i,t-1} \times \\ & Consistency_{i,t-1} + \alpha_4 Size_{i,t-1} + \alpha_5 ROA_{i,t-1} + \alpha_6 Q_{i,t} + \\ & \alpha_7 SOE_{i,t-1} + \alpha_8 BigA_{i,t} + \alpha_9 Opinion_{i,t-1} + \\ & \alpha_{10} Age_{i,t-1} + \sum Industry + \sum Year + \varepsilon_{i,t} \end{aligned} \quad (10)$$

Table 8
Regression results for heterogeneity test

Variables	Financial leverage		
	Low	High	Interaction term
α_0	6.5224*** (16.78)	6.0033*** (14.12)	6.0928*** (22.23)
<i>Consistency</i>	-0.0123 (-0.88)	0.0284** (2.09)	0.0019 (0.16)
<i>Dum</i>			-0.0226 (-1.61)
<i>Dum</i> × <i>Consistency</i>			0.0269* (1.90)
<i>Size</i>	0.3013*** (16.43)	0.3201*** (16.65)	0.3206*** (25.42)
<i>ROA</i>	0.0055 (0.06)	-0.2349** (-2.41)	-0.1917*** (-2.64)
<i>Q</i>	0.0166*** (3.21)	0.0300*** (3.10)	0.0219*** (4.38)
<i>SOE</i>	-0.0110 (-0.39)	-0.0759* (-1.69)	-0.0437* (-1.66)
<i>Big4</i>	0.1767* (1.85)	0.2457*** (3.04)	0.2443*** (3.70)
<i>Opinion</i>	-0.0548 (-1.63)	-0.0113 (-0.33)	-0.0361 (-1.42)
<i>Age</i>	0.0212*** (8.49)	0.0251*** (8.29)	0.0214*** (11.69)
Year fixed effects	Yes	Yes	Yes
Firm fixed effects	Yes	Yes	Yes
No. of obs.	4,986	4,986	9,972
R ² (within)	0.5402	0.5519	0.5699
F-statistic	52.94***	57.00***	102.42***

Notes: Coefficient *t*-statistics are in parentheses. ***, ** and * indicate statistical significance at the 1%, 5% and 10% level (two-tailed), respectively. All the standard errors have been clustered at the company level. Readers can find the variable definitions in Appendix.

The results show that in the low financial leverage group, the estimated coefficient of *Consistency* is -0.0123, which is insignificant. In the high financial leverage group, it is 0.0284, which is significantly positive at the 5% level. The estimated coefficient of the interaction term *Dum* × *Consistency* is 0.0269, which is significantly positive at the 10% level. It shows that the estimation coefficient of *Consistency* in the high financial leverage group is more statistically significant and economically significant than that in the low financial leverage group, and the

two are significantly different. It verifies that the reduction effect of accounting information consistency on audit fees is more significant in companies with high financial leverage.

CONCLUSION AND REVELATIONS

China began to implement the new market-oriented China Registered Accountants Auditing Standards and internationally convergent Enterprise Accounting Standards on 1 January 2007, which provided an excellent opportunity for us to evaluate the impact of accounting information quality on audit fees in China, the world's second-largest economy and the largest developing country. This article draws on the comparability measurement methods of De Franco et al. (2011) to measure the accounting information consistency of China's A-share listed companies. It empirically tests the impact of consistency on audit fees. Consistent with the cost-benefit and risk-benefit equilibrium principles, the results show that consistency has obvious economic consequences, and higher consistency can significantly reduce the company's audit fees. Specifically, from an economic point of view, for every standard deviation of consistency, the companies' audit fees will be reduced by an average of CNY14,008. After a series of robustness tests, the results remain unchanged. In the mechanism test, this article examines the intermediary effect in this reduction process and finds that the higher consistency reduces the audit risks of accounting firms, thereby reducing the company's audit fees. In the heterogeneity test, this article examines the heterogeneity of this reduction. That is, the moderating effect makes the reduction effect of consistency on audit fees vary from different companies. Specifically, this reduction is more pronounced in companies with higher financial leverage, and there are significant differences. It illustrates that accounting information consistency can compensate for some of the negative characteristics of a company and reflects the governance function played by accounting information.

This article quantitatively measures the accounting information consistency at the company level, extends the connotation of accounting information quality characteristics, and finds that consistency can significantly reduce audit fees, provide new empirical evidence for its economic consequences, and enrich the literature on accounting information consistency. This article has the following implications

1. For emerging markets, China's market-oriented auditing reform in recent years has been fruitful. Similar to the research results of papers with other countries as research samples, the influence factor of audit fees of China's listed companies also fully reflects the characteristics of marketisation. So,

the findings of this article can be used as a reference for other countries in emerging markets.

2. For policymakers (especially in developing countries), in the context of increasingly prominent economic globalisation, it is crucial to establish auditing standards that adapt to the market economy system and internationally convergent accounting standards, which can improve accounting information quality, reduce unnecessary audit fees and improve the efficiency of resource allocation.
3. For accounting firms, accounting information consistency can reduce audit costs and risks, which may help improve the assurance level of the accounting firms' assurance business. Accounting firms could pay targeted attention to accounting information consistency to enhance their practice ability further and improve audit quality.
4. For listed companies, maintaining the relative stability of accounting policies and accounting estimates as much as possible is an effective way to improve the accounting information quality, enhance the accounting information consistency, and reduce audit costs/risks and audit fees. Listed companies could give full play to the decision-making usefulness and governance mechanism of accounting information, improve corporate governance, reduce corporate costs, and improve corporate efficiency.
5. For regulatory authorities, it is possible to pay targeted attention to the accounting information consistency of listed companies because the significant financial violations hidden by listed companies are likely to be manifested as a decrease in consistency, which can provide clues for the supervision and management of regulatory authorities.
6. For investors, consistency plays a supplementary role in the lack of accounting contracts, which can reduce information asymmetry and guarantee financial reports' relevance and faithful representation. Investors could focus on consistency, reduce investment risk, and make better economic decisions.
7. For academic researchers, this article starts from the new dimension of accounting information consistency and improves people's understanding of the relationship between consistency and audit fees. The degree to which accounting information consistency affects audit fees varies from company to company, deepening people's understanding of auditing theories, the usefulness of accounting decisions, and the governance mechanism of accounting information.

There are also some limitations in this article. First, our results may be potentially endogenous. Since it is difficult to observe the selection process of auditors, and the auditor's style may affect the accounting information consistency, we do not necessarily believe that the relationship between consistency and audit fees is causal. Second, the method used in this study to measure consistency may not be optimal. There are multiple ways to measure comparability and consistency, such as Fang et al. (2022) use cash flow from revenue and sales in transactions to model accounting information systems. Nevertheless, our results show that the consistency of our measurements is informative. It is difficult to tell which method is best, and there may be a perfect one in the future. Third, it is not easy to accurately measure the audit costs in the mechanism test due to the difficulty of accurately obtaining data on the audit process. Methods in the existing literature are outcome-based rather than process-based measures. It is necessary to accurately measure the audit costs for the audit process to study the mechanism of audit costs. Last, since China's information environment and monitoring mechanisms may differ from those in other countries, the impact of changes in accounting information consistency may have different results in other markets, which is worth noting to information users.

DATA AVAILABILITY

The data are available from the public sources identified in this article.

NOTES

1. The reason why earnings in one year are compared with the information of the previous three years is that it has the most excellent reference value for information users.
2. The median is used for the robustness test in addition to the average.
3. Because we have a lag in Consistency in the model, the consistency calculation is only up to 2019.
4. This article uses Stata 15.1 software for empirical test.
5. In the results in column (2) of Table 4, the variance inflation factor (VIF) for all independent variables except the industry dummy variable is less than 5, and the mean VIF for the regression model is 3.70. Therefore, the main variables in the model do not have a severe multicollinearity problem.
6. The total assets are too large compared to the audit fees, so the natural logarithm of total assets is taken.
7. The minimum absolute values of the three differences are used, and the regression results have mostly stayed the same. Nevertheless, strictly speaking, using the average for consistency is most appropriate because the information users will pay

- attention to all the information in the time series. Using the average can consider the influence of extreme values. It differs from comparability because information users may focus on only the highest few comparability in cross-section.
8. Because in the model (8), a control variable *Big4* is the current value, the explanatory variable *SDOI* also uses the current value. However, when it is replaced with the *SDOI* of the lagging period, the regression results have mostly stayed the same.
 9. The decrease in *SDOI* may also be due to earnings smoothing caused by earnings management. With this in mind, an additional test was performed in this article: DA, the absolute value of discretionary accrual (Dechow & Sloan, 1995), is added as an independent variable to the regression in the model (8), and the results show that the estimated coefficient of DA is significantly positive, indicating that earnings management increases (rather than decreases) *SDOI*, thereby excluding management's earnings smoothing.
 10. In addition, earnings volatility (the standard deviation of the company's ROA for the last three years) was also used to measure audit risks. The regression results for each model in Table 7 did not change materially.

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APPENDIX

Variables definitions

Variable	Definition
<i>AuditFee</i>	Natural logarithm of the company's remuneration to accounting firms.
<i>Consistency</i>	Accounting information consistency.
<i>Size</i>	Natural logarithm of the total assets of a company at the end of the previous period.
<i>ROA</i>	Net profit/total assets.
<i>Q</i>	Market value/replacement cost of enterprise.
<i>SOE</i>	1 if it is a state-owned enterprise, 0 if it is a non-state-owned enterprise.
<i>Big4</i>	1 if the auditor is a big four international accounting firm, = 0 if otherwise.
<i>Opinion</i>	1 if the audit report opinion is standard unqualified, = 0 if otherwise.
<i>Age</i>	How many years the company has been listed.
<i>Dum</i>	1 if the financial leverage is high, = 0 if the financial leverage is low.
$\sum Industry$	Industry dummy variables.
$\sum Year$	Year dummy variables.