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FACTORS INFLUENCING AUDIT EXPENSE AND QUALITY IN AN EMERGING ECONOMY: A STUDY ON BANGLADESH

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ABSTRACT

This determination of this study to find the association between audit expense, and the significance of the relationship in an emerging economy. Whereas, audit quality is associated with audit expense of a company. The regression model used here taken from (Simunic, 1980). This study is based on five different hypothesis. Descriptive statistics, multiple linear regression, correlation analyses are used for describing the results. For reflecting the proper findings, 23 companies from IT, cement and ceramic sectors are chosen here as sample. Some companies are taken from miscellaneous companies from Dhaka Stock Exchange (DSE). The findings imitates that audit expense is highly dependent on the company size, accounting firm's type, equity-debt ratio. Company size and accounting firm's type are positively significant where equity-debt ratio is negatively significant. Whereas, audit expense also depends on the date of report making. Therefore, big companies need to be concerned about their audit quality, as audit quality could be hampered because of overgenerous compensation. Practical. This outcome will help the stakeholders of the company to judge about the reason of fluctuating audit expense, and probable recommendation as well. Value-The originality of this study to define the fluctuations of audit expense in diverse ways, and find the probable reason of the fluctuations. This paper will help stakeholders to find the probable causes of fluctuating audit quality.

Contribution/Originality: This study is one of the very few studies, which have investigated the effect of corporate governance and profitability variables on audit expense and quality. This paper contributes the first logical analysis for stakeholders to understand, elucidate and control the audit quality by the practical recommendations of this paper.

1. INTRODUCTION

Auditing has always been making progress from a timely basis inspection of the books of accounts in a mannerly way to accomplish the governance process of companies. It is not only about scrutinizing an entity's financial and non-financial documents but disclosures them. In Bangladesh, mostly all the companies are bound to do auditing for evolving into a better position among other companies and only Public Certified accountants who are known as Chartered Accountants (CA) in Bangladesh can audit any company.

There is a legal power empowered by auditors to audit the accounts and announce the company's representation to its stakeholder is fair or not. If it is fair, they could announce it as a true and fair view. If it is not, they could disclose qualified opinions. It is not as companies can provide any sort of information without validity

and overlook the fact that it might be inappropriate to the context. They are legally advised to give the auditor's proper data and assist them to scrutinize their company's current situation. After completing the service, the auditor's firm is highly paid by the company. In Bangladesh, audit expenses differ for many reasons. Audit firms and professions frequently adopt different safeguards to overcome the changes and reduce them to an acceptable level. We have been working on this paper and it endeavors to discover the reasons or variables behind the volatility of audit expenses. We have used (Simunic, 1980b)'s model for regression analysis. Main motive of this research is to find out the relationship between the audit expenses and the mentioned independent variables. Nonetheless, this paper shows the significance we are focusing on by doing correlation and descriptive statistics to represent the relationship between audit expense and other independent variables like company size, Big four, quick ratio etc.

Audit expense is a vulnerable issue for the economy as audit expense leads to audit quality somehow. Therefore, past literatures have studied on audit quality and fees, which has independent variables of corporate governance and firm's performance. In the context of Bangladesh, there are a few number of recent papers on this topic to determine the audit quality's dependence. There are few papers, which have correlates audit expense and audit quality in the context of Bangladesh with corporate governance and firm's performance variables. This research gap initiates this paper to work on this precise segment and theme.

We have also cognizance that the effect of audit market concentration on the level of audit expenses depends on the size of its reliable market size. These are initially related to each other and it may omit important variables here. More or less, it is important to balance as we have found the negative relationship here between audit expenses and its quality. The quality of an audit report does not depend on how much the companies are paying for and most of the cases show that the higher is not the better. Besides, we have found better results by including more and different companies. As a result, we can portray findings by exhibiting the outputs and the uses of audit expenses through different situations. We also have to know that different companies handle their audit requirements in different structures and it shows the better one among other companies. For a better perspective, we would like to avail those companies, which are lacking behind to the expertise with findings. Moreover, auditors sometimes feel pressurized for huge audit fees provided by big companies, as this fee could have been a big portion of revenue for their audit firm (Salehi, 2017). Several studies have occurred to examine the relationship of audit fee with different variables. We have taken 23 companies from different sectors as in cement, ceramic, Information Technology (IT) and miscellaneous sectors. It has been an eventful experience while working with different companies like Aramit Cement Limited, IT Consultants Limited, Beximco and others. We have gathered the companies and collected some basic information under the headings of related independent variables. We have tried to give an overview of the whole market with these companies to find out the factual dependency of audit expenses. However, also consistent with prediction, we have found that the independent variables are related to the audit expense, which is established on past literatures (Simunic, 1980). The independent variables are total assets, subsidiaries, equity-debt ratio, quick ratio, (Return on Asset) ROA, (Return on Equity) ROE, loss in this year, year-end date, and types of accounting firm. Audit expense is crucial for the market as auditors give opinion about the companies. Conversely, companies might not take any risk as the quality of audit reports can be varied by the audit expenses. Therefore, dependency of this expense carries out a result, which is of concern for the stakeholders. Auditors could assess the risk of the entity before auditing that. For assessing the risk, auditors assess control risk, audit risk, Inherent risk. After assessing, the risk auditors could understand about the effort needed to audit the particular entity. No sectors need the same effort from the auditors so the audit fee could fluctuate. This paper examines the dependency of this crucial audit expense to ascertain the significance of its relationship with the independent variables.

2. LITERATURE REVIEW

While working on this study, we have found a connection that has globally captivated research attention. A connection that portrays the effect of political connection influences corporate decisions and outcomes. It also can

affect the firm value, finances, tax, costs and the reporting quality. Prior studies provide the evidence of both the benefits and costs of political connections and its effect for firms. Using their political power and links, political influences can afford those prospects and rewards. Eventually it will work as a goodwill to the firm and influence firm outcomes. On the other hand, some of the critics argue over the fact the political connection might create uncertainty, uneventful environments and transaction costs for firms might get higher. We have gathered sample from Dhaka Stock Exchange, a data set of non-financial Bangladeshi listed companies, the period from 2005-2013. The sample of the study shows the relation between political groups and the firms for political affiliations. Nevertheless, the results of this study show that agency costs will be higher when it is politically connected. In addition, audit quality moderates the relationship and mitigates agency problems as well (Khan, Mihret, & Muttakin, 2016). This study provides an evolution of audit committee governance including the usefulness of audit committee characteristics that can particularly influence over the audit report and its quality. While working on this paper, we have found a comprehensive study of the impact where UK companies are specifically focusing on the relationship between the financial expertise and audit fees. Sample for this study is gathered from FTSE100 and FTSE250. Audit qualities are relatively included with the impact of financial expertise, audit fees and size of the sample. Prior studies define the audit committee of UK companies as having an impact on audit quality, as represented by audit fees, both positively and negatively. The firms are desired to monitor their financial reporting more intensely by using financial expertise for getting better audit quality. Specifically, we urge to comprehend whether accounting and non-accounting expertise influence differently. An important addition to study is the finding that the increase of non-accounting expertise makes an effort to create a positive impact on audit quality, consequently (Ghafran & O'Sullivan, 2017).

The expertise has been debated over this controversial topic of mandatory periodic audit rotation rules but none has proved the benefits and costs of the consequences. The constricted mandatory periodic audit partner rotation not only has an effect on audit quality but also the audit fees and audit timeliness. The evidence we portray has important implications for regulators, policymakers, and the profession at large. Placing evidence in tandem with partners' perspectives on rotation consequences and the audit quality, this study fortifies the accounting profession's contention that mandatory audit partner rotation is seemingly more costly than beneficial. However, we have found the impact is greater for larger clients generally, and for non-Big four audit firms and their clients. While working on this paper, we have found the audit report lags and significant higher audit fees for the immediate periodic audit partner rotation. Audit partner rotation claims to be a mandatory task for the auditors that might influence over the audit firms, firm's size, clients, investors and audit quality. As the rotation has to be done by the rules, there would be some significant changes in the audit costs and effort, learning and training costs and loss of expertise, which might effect on both client and auditor. From this study, we have examined that the mandatory audit partner rotation might create uncertainty in audit quality. Auditors might fail to accomplish the standard of an audit report and face report lagging while the period. It has made an effect on audit fees by adding more costs. In addition, audit timeliness has been involved within the rotation because of the higher learning curve, training costs and audit fees may, not capture other costs. Examining effects of multiple partner rotations is important as it permits a test of arguments about the drawbacks and merits of audit partner rotation (Sharma, Tanyi, & Litt, 2017). In China, those member audit firms from international accounting linkage are charging 3.9% upper fees than non-member audit firms and may safeguard the quality control by them, but also may lessen the benefits of audit firms' immersion in these accounting linkages, which results minor or no effects of affiliation on audit charges and eminence. In this paper, they took as sample of those companies who are the adherents of accounting networks and some private enterprises. They have used two regression models to conduct the research and used different models for accrual and inaccuracies (Mao, Qi, & Xu, 2017).

This paper displays there has negative significant relationship between audit charges and audit quality in Nigerian petroleum industry. There has also a contrasting relationship with Leverage but that is not substantial.

Again, an audit firm's age distresses the audit quality. The result of this paper shows that higher audit fee causes lower audit quality. They have taken nine listed companies in the downstream sector of Nigerian Petroleum Industry and conducted regression on audit fees along with Leverage and age for the binary Logit regression method (Momodu, Joshua, & Nma, 2018).

This paper based on Jordan consisting 72 industrial companies as sample, presents the result that audit quality and loan financing lessen earnings management but also, boost the financial reporting condition. This paper has done the earnings management study with the framework of discretionary accruals also used the modified cross-sectional Jones model version (Alzoubi, 2017).

This paper is studied on UK based market where it finds that higher audit committee's financial expertise related to higher audit fees also increase audit quality. Experts from non-accounting background associated with the findings more than others do. This finding also suggests that segregation of specialist and non-specialist is more important which UK or WE companies never do. Evidence collected from a sample of FTSE 350 firms in UK (Ghafran & O'Sullivan, 2017).

The study is directed on 624 companies of Australia and consequently is found that female presence at the audit committee increases the quality of the external audit. Most frequently, it entails high span of audit charges after the audit menace is high but an effective audit committee can handle it very smoothly. Regression has done depending on audit expense and it has taken industry effects as fixed in the model. The results of the study shows the importance of gender diversity on the audit committee. This paper reflects that female appearance helps to lessen audit expense in complex situation (Aldamen, Hollindale, & Ziegelmayer, 2016).

In the paper the researchers have tried to find if there is any relation between abnormal audit fees and if the quality of audit has changed or not after the adoption of IFRS in Korea. They have used empirical data collected from 2008 to 2013 they have examined abnormally high/low audit fees and audit quality. They used linear regression to test this theoretical connection utilizing optional data. They have found no significant relationship between abnormal audit fees and audit quality but IFRS allows the auditors to control more audit charges some users to exercise more preference in the decision of optional accumulations (Jung, Kim, & Chun, 2016).

The focus of this paper is to find out if well-recognized audit firm in Iran charge a higher audit fee as Security Exchange Organization (SEO) is promoting them as highly ranked audit firms. They have examined all the listed audit firms of Tehran Stock Exchange (TSE) and found that the audit quality of highest rank audit firms are not superior than that of non-highest audit firms. It is assumed that big firms charge more fees as they have better man force, well recourse and can work efficiently. On the other hand, there is an argument that big firms charge more fees because of their reputation though their service is not up to mark (Rezaei, Norman, & Kamran, 2018).

In general, the audit firms computes the audit expense according to asset size of the client organization. If the organization has a higher asset then they charge more and vice-versa. However, good corporate governance holds a negative correlation with the audit expense. As, a good internal control of the company means less number of misstatements. Therefore, the workload of the auditor will be less and so will the audit expense. Moreover, if companies have various loopholes in their governance then the auditors may have many misstatements for them to represent as a true and fair view. This will increase workload on them and it will consume a lot of time. Therefore, they will charge more for it. Again, if the auditor firm is famous then the audit fee will be higher. On the other hand, if an average audit firm does the audit then the audit fee may be less than the first situation (Rusmanto & Waworuntu, 2014).

This study is based on the companies from Shanghai stock Exchange. It detects the relation between governance and audit expense. They have considered all A-share companies for their sample and their sample size is 678. Other variables are used here to comply with the regression model. It is found a negative correlation with the independent ones. Auditors have to pay attention to the firm's governance structure. Like all other countries if the

audit firm have to perform more chores then the audit fee is relatively higher. There were two limitations as it is tough to know how the companies have determined the audit fees and the other one is self-selection (Wu, 2012).

This study shows that audit expense has a significant relation with audit risk, company size and ambiguity. This paper used meta-analysis to test the total result one of the most commonly used independent variables. However, this study includes client's loss advantage, which is significantly related to recent studies; therefore, internal auditing and corporate governance have mixed results to specialization of auditor. This study used 25 years report to understand the relation (Hay, Knechel, & Wong, 2006).

This work represents relations between board aspects and audit expense by scrutinizing independence, expertise, and discipline and Big 6. This study is conducted for fortune 1000 companies. This study represents a positive relation between the variables. Audit committee's quality is included in model. This study is based on survey and had a big data collection (Hassan & Naser, 2013).

This paper provides information about big 4 Bangladeshi auditing firms. This reflects the relation between local and global firms. Big four is present in Bangladesh past years. It has a significant influence in the Bangladeshi market. This paper is based on interviews, which is conducted through a set of questionnaires; moreover, partners of the national and international firms were used as sample (Belal, Spence, Carter, & Zhu, 2017).

In the scenario of Bangladesh, audit expense could depend on different variables. In past literatures, audit expense is found depending on total asset, big 4 affiliation etc. The motive of this study to find the actual dependency of audit expense on the related variables.

3. HYPOTHESIS DESIGN

The impact of different variables on audit expense is searchable to find the impact on audit expense. Different studies found that audit expense is dependable on different variables and it depends on the industries we are inquiring. Here, we have taken different industries to measure whether audit expense is dependable on some variables or not. We have used (Simunic, 1980) for regression model and hypothesis development. There are some hypothesis developed to study the dependency of audit expense on different sectors of Bangladesh:

Hypothesis 1: Company size has significant impact on audit expense in Bangladesh

In Bangladesh, audit expense is depending on the size of a company. The bigger the company, the higher the expense. However, sometimes company size has no significant impact on audit expense. Whatever the company size is, a fixed rate of audit expense cannot change the consequences. Audit expense can be determined by the workload of an auditor and the period.

Hypothesis 2: Equity-Debt ratio has significant impact on audit expense in Bangladesh

Equity means the amount of asset the companies own and debt means the amount of money the companies take from other sources like banks and other financial institutions. It does not really determine the audit expenses because some of the companies like to use their own equity and some of them use debt just to avoid high quantity of tax.

Hypothesis 3: Accounting firm size has significant impact on audit expense in Bangladesh

Accounting firm size and audit expense are partially interrelated to each other but firm size has no significant impact on the expenses. Audit expense can fluctuate with the variance of accounting firm size. However, it is not necessary to be changed. However, accounting firm size can be large or small, audit expenses can be a fixed rate as well. So, no significant impact on it.

Hypothesis 4: Date of year-end has significant impact on audit expense in Bangladesh

As some of the companies ends their financial year at 30th June and some of them at 31st December, there is no basic conflict between choosing any one of it because a financial year has to be done within one year or it can be a whole year. In addition, it does not affect the audit expenses.

Hypothesis 5: Profitability has significant impact on audit expense in Bangladesh

Return on equity (ROE), Return on asset (ROA) as control variable. Return on equity means how much money the company is getting as return on their equity and Return on asset means how much profit the company is making with the asset they have. If these two variables come out positive, it denotes that the company is making profit. On the other hand, if ROA and ROE is negative that it shows the poor performance of the company. Therefore, it does not have any significant on audit expense.

4. METHODOLOGY

Twenty-three companies were chosen from different sectors of industries. Data were collected from the companies' annual reports from the years 2014 to 2018. For this paper, we have adapted (Simunic, 1980) of regression equation, which we have found to be most appropriate.

Study Area and data method: This research has been conducted through 22 DSE listed companies where different types of companies are included. The industries covered in this paper is cement industry, ceramic industry, IT industry and three miscellaneous companies. Data is collected up to 5 years for all the companies, which is indicating 2014 to 2018. We have used Stata 15 for descriptive statistics and correlation significance. We have used Eviews 10 for regression analysis.

Research Design: Regression model used in this paper, which is used based on Simunic (1980) is given below:

$\log10(\text{audit expense}) = a + b_1 \log10(\text{Total Assets}) + b_2 \text{Subsidiaries}^{0.5} + b_4 \text{Quick ratio} + b_5 \text{Equity-debt ratio} + b_6 \text{ROE} + b_7 \text{ROA} + b_8 \text{Loss in last year} + b_9 \text{Month of year-end} + b_{10} \text{Types of accounting firm} + e.$

Here,

Audit expense = dependent variable which is the audit fees per year for each company

Total Assets = the size of the company is determined by this.

Subsidiaries = Number of subsidiaries of every company.

Quick ratio = quick ratio helps determine if the company is solvent enough to pay their creditors off if the company winds up.

Equity-Debt Ratio = use to know how much money do the company use from their own funds versus how much they take loans.

ROE = Return on equity indicates how much money the company is getting as return from their equity.

ROA = Return on asset means how much profit the company is making with the assets.

Loss in the year-end = Consecutive loss in 3 years = 1, elsewise denoted by 0.

Month of year-end = if the year ends at 30th June of the year then we denoted it by 1 elsewise we denoted it by 0.

Types of accounting firm = if the auditing procedures were done by the big 4 audit firms then we denoted it by 1 otherwise denoted by 0.

Sample Design: These samples are taken based on variability of industries, even though; these industries are rarely used for research purpose. On the other hand, IT companies are very new in listed stock exchange, so their performance can be evaluated in various perspective. A huge range of data, which is more than enough, has been used to determine that the result of this paper should reflex the current scenario.

5. RESULTS

This analysis reflects the relationship between audit expense and some related variables of audit expense. The independent variables used here have a relationship with audit expense. Total observations are 104 from different companies.

Table-1. Summary Table.

Variable	Obs	Mean	Std. Dev.	Min	Max
auditfee	104	433224.9	425257.6	54000	2100000
totalassets	104	6.63E+09	8.39E+09	1.02E+07	4.22E+10
subsidiaries	47	7.12766	10.11804	0	27
quickratio	99	1.579939	1.883885	-0.08236	14.882
equitydebtratio~o	102	1.374923	3.940643	0.052145	37.2705
loss	104	0.086539	0.282519	0	1
yearend	104	0.759615	0.429386	0	1
Big4	104	0.067308	0.251768	0	1
ROE	104	0.099462	0.143314	-0.76084	0.663634
ROA	104	1.178531	11.3639	-0.03771	115.9511

From Table 1, Standard deviation of audit expense, ROA and total assets describe that these values are spreaded out from one another in most of the cases. Quick ratio,ROE and equity debt ratio's value haven't spread out significantly. There are some dummy variables which has minimum zero to maximum one. Maximum and minimum audit expense has a significant difference. Equity-Debt ratio has a significant difference and the spread out is also valuable result. The total observation in subsidaries is less as most of the companies don't have subsidaries and in some cases the result is not known to the public source.

Table-2. Linear regression analysis.

Dependent Variable: @LOG10(AUDIT_FEE)

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.655555	1.118649	0.586024	0.5621
BIG4	0.331173	0.194619	1.701649	0.0988
EQUITY_DEBT_RATIO	-0.193277	0.078431	-2.464303	0.0195
QUICK_RATIO	-0.249673	0.081617	-3.059099	0.0046
ROA	2.176070	1.713246	1.270144	0.2135
ROE	-0.775023	1.035537	-0.748424	0.4598
@SQRT(SUBSIDIARIES)	0.067677	0.041852	1.617069	0.1160
YEAR_END	0.163433	0.137037	1.192620	0.2421
@LOG10(TOTAL_ASSETS)	0.517119	0.111198	4.650442	0.0001
LOSS	0.247695	0.194012	1.276700	0.2112
R-squared	0.719441	Mean Dependent var		5.467428
Adjusted R-squared	0.637988	S.D dependent var		0.409971
S.E of regression	0.246669	Akaike info criterion		0.246679
Sum squared resid	1.886209	Schwarz criterion		0.664624
Log likelihood	4.943079	Hannan-Quinn criter		0.398871
F-statistic	8.832623	Durbin-Watson stat		0.942631
Prob(F-statistic)	0.000002			

The result of Table 2 reflects that Equity Debt ratio, quick ratio and total asset have significant relationship with audit expense. Here, total assets have positive relationship and equity debt ratio and quick ratio has negative relationship with the dependent variable. This model is fitted to the analysis according to R-squared and adjusted R-squared value. Big4, quick ratio, ROA, ROE, subsidiaries, month of year-end has no significant relationship with audit expense. Big4, ROA, subsidiaries, year-end and loss has positive coefficient and equity-debt ratio, quick ratio, ROE has negative coefficient, which means positive and negative relation with audit expense. The positive coefficient means the impact of the variables are positive towards audit expense. That particular variables impact positively to increase audit expense. In negative cases, that variable would affect negatively to increase audit expense.

Table-3. Correlation analysis of hypothetical variables.

Variable	auditfee	totalassets	equitydebt~o	yearend	Big4	ROE	ROA
auditfee	1.0000						
totalassets	0.8099	1.0000					
	0.0000						
equitydebt~o	-0.1189	-0.0745	1.0000				
	0.2339	0.4568					
yearend	-0.3574	-0.3174	0.0278	1.0000			
	0.0002	0.0010	0.7817				
Big4	0.3515	0.3052	-0.0200	-0.4775	1.0000		
	0.0003	0.0016	0.8420	0.0000			
ROE	0.0325	-0.0085	0.0033	-0.1018	0.0296	1.0000	
	0.7432	0.9320	0.9737	0.3040	0.7657		
ROA	0.0135	-0.0785	0.0115	-0.1756	-0.0263	0.0597	1.0000
	0.8914	0.4284	0.9089	0.0746	0.7908	0.5472	

From Table 3, only the hypothetical variables are used to represent the coefficient and the significance of those variables. Audit expense is dependent on the other variables here. Total assets has a positive relationship with audit expense and the impact is significant. Equity debt ratio has a weak negative relationship with audit expense and the relation is insignificant. Year-end has a negative relationship with audit expense and it is significant. Big4 has a positive relationship with audit expense and the relation is significant. ROE and ROA has a little relationship with audit expense and it is insignificant.

Table-4. heteroscedasticity analysis.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of auditfee
chi2(1) = 5.16
Prob. > chi2 = 0.0231

Table 4 reflects that the null hypothesis is constant variance. Therefore, there is no heteroscedasticity in data. P value is more than 5%. Therefore, data is not free of heteroscedasticity.

6. DISCUSSION

Company size has a significant relationship with audit expense, which affects the audit expense positively. Big size of the company causes to higher audit expense in Bangladesh. Big companies have more data to review and more risk of fraud and error; furthermore, it is normal to have a higher audit expense than other small companies are. Big companies also try to hire better accounting firm of the country, which could affect their audit expense. Equity-debt ratio describes the scenario of the current situation of the company, which has great impact on the impression in the market. This study reflects that this ratio has a significant relationship with audit expense; however, that is negative. Companies have higher equity than debt is paying lower audit expense in Bangladesh. Big four affiliations differs the audit expense from non-big 4 firms, even though, big 4 affiliation makes an impression on the market which could make fees higher. However, in regression analysis, this relation is insignificant but in correlation, the relation describes in another way. Notwithstanding, companies having big-4 affiliated audit firms to audit their companies have to pay more than the companies does not affiliate big 4 which is logical for market impression. In this study, result of date of year-end differs in analysis. In correlation analysis, it has significant relation with audit expense, which is negative. So, companies are using year-end June 30 are paying less than the companies using year-end December 31 and March 31 Profitability has no significant relation here with audit expense, even though, ROE has negative relation with audit expense and ROA has positive relation. Therefore,

increase in ROE negatively affects the audit expense and increase in ROA positively affects the audit expense and vice-versa.

Hassan (2016) proved that audit expense are not significantly affected by company's profitability and status of audit firm. This study added that firm's status has no impact of audit expense. This study also found that audit expense is dependent on company size, which is similar to the result of this paper and the result of Januarti and Wiryaningrum (2018). Notwithstanding, company size is the most significant positively related variable of this study with audit expense which is related to situation. Belal et al. (2017) found that big 4 has a significant effect on audit expense which is similar to the result of this study. Definitely, big 4 companies have significant market impression, so it is normal to take more audit fees than the other companies, in some way. Salehi (2017) found that audit quality has a negative relation with audit expense. So, those companies which are providing extra audit expense should be more concerned as auditors could have been dependent on their client, as a bigger portion of revenue of their audit firm is coming from that company.

7. CONCLUSION

The impact of different variables on audit expense reflects the reasons of increase and decrease of audit expense in Bangladesh. There are five hypothesis, which describes that big companies pay higher amount to the auditors. Big 4 affiliated firms takes more audit expense than others which can be explained on the basis of their market image. More equity based companies pay less to the auditors that reflects that business should depend on equity and debt properly so that it could continue its operation properly. Audit expense also dependent on the date of annual report preparation as auditors can have schedules in specific dates, depending on the schedules of other companies. In addition, ROA and ROE has consecutively positive and negative relation with audit expense but the relation is insignificant. Both of the profitability variables could affect audit fee differently, as more equity-based companies can have less money to spend their operations. Therefore, audit expense is dependable on various factors in Bangladesh, and this study reflects an overview of different industries.

This paper recommends that companies, which are bigger in size, should think about so that the pressure of auditors can be less for having more money from them; otherwise, auditors could have problem to portray the real scenario. Nonetheless, audit expense is an impactful factor in the case of audit quality, huge audit expense could result into lower audit quality for the dependency of auditors to that certain company.

This study has been conducted through various types of companies; thereafter, it could not reflect situation of one particular industry. Further research can be done on particular industries, and corporate governance variables can be included with these variables so that the effect of corporate governance variables can be visible in the same study.

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