Audit Market Concentration for Listed Entities in Romania and the Impact Following the Latest EU Audit Reform

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Abstract. *The concentration of the audit market has been of interest for several years as the dominance of a few companies has always been an issue of debate. The need or not to address this situation, the reasons that cause it, any possible risks assessed and solutions to reduce them have been addressed by a wide range of studies.*

Our research seeks to examine the structure of the Romanian Audit Market for listed entities, both before and following the recently adopted European Union Audit Reform. The main purpose is to understand the market structure, identify some of the main factors that influence auditor choice and if there was any impact following the new directive. The analyses focused on 74 listed companies, for the period from 2013 to 2022, for which we collected the relevant data in order to analyze the audit market structure, its evolution following the new audit directive and, using linear regressions models, test the influence that size, share class category, existence of long-term debt, shareholder type, evidence of shareholder direct involvement and auditor office location has on choosing one of the Big 4 auditors or not. Our analysis showed that Big4 auditors decreased in market share especially after 2016, the date the new audit reform came into effect, from 49% to 41% and that the number of auditor changes increased significantly after this date. We also found that the number of cases where another Big4 auditor was selected decreased from 64%, in the period from 2013-2016, to only 28%, in the period from 2017-2022. These findings support therefore the assumed existence of an impact in the market following the latest European Union audit directive.

The linear regression analysis performed showed no significant influence for the variables analyzed, when it comes to choosing a Big4 Auditor, the highest coming from the share class variable (26%) and size (12%). Even though our paper offers some light regarding the audit market for listed companies in Romania and the evolution following the new directive further research is needed to better understand client behavior and what influences auditor choice.

Keywords: audit market, auditor tenure, rotation, EU, market concentration, listed entities.

Introduction

A series of high-profile accounting scandals at the beginning of this millennium has increased the importance of promoting a higher quality standard of audits and has led to stricter regulations on both corporate governance and financial reporting. Several institutions were formed for the purpose of supervising the quality of such audits. Some examples include the Public Company Accounting Oversight Board (PCAOB) in the United States and the Public Oversight Board (POB) in the United Kingdom. Also, due to increased globalization, the need for ensuring a higher comparability between information included in the financial reports of entities from different jurisdictions became more necessary. To address this issue several international standards were created from which we mention the International Financial Reporting Standards (IFRS).

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The 2007 financial crisis further highlighted the importance of continuing and amplifying efforts to promote a higher quality standard of audits, resulting in several initiatives aimed at addressing the shortcomings identified.

The European Union (EU) partly addressed these issues by publishing in 2014 a set of new directives aimed at reforming the statutory audit market. These refer to Directive 2014/56/EU, which amended the Audit Directive (2006/43/EC), and the second is the Audit Regulations (537/2014). While the Audit Directive is the general framework, the Audit Regulation, on the other hand, provides specific requirements applicable to Public Interest Institutions. These are important due to greater possible negative consequences, in case of listed entities, as a result of reporting errors for shareholders, investors and society at large (Milieu 2022).

One of the main objectives of the statutory audit reform was to promote competition within the audit market dominated, at least in the case of public interest companies, by the four largest audit firms globally (Big4). This concentration in the market is considered to poses risks because any situation seriously affecting one of these four major companies would consequently affect market stability (Milieu 2022).

Prior research has found that audit market concentration is higher in the case of Western European Markets when compared to Eastern European Markets. A report issued by The European Commission in 2022 has found that this varies from 95% in Germany and 90% in Italy, to 64% in Poland (Milieu 2022). Also, separate studies on the audit market for PIEs in Poland, for the period 2011 to 2017, found that the Big 4 share represents 41% in terms of the number of audits performed and 66% of the total analyzed assets (Indyk 2019). Lower levels of Big 4 dominance for listed entities were also found in Romania where they represented, in 2011, around 41% of the listed companies (Paunescu 2015).

Our research seeks to investigate the audit market structure, for public listed entities in Romania, both before and after the new audit directive came into effect in 2016, to better understand the market trends, the factors that influence decision and the effects of the new audit directive. We reviewed the number of auditor changes, the evolution of the market share and the auditor category retention rate to understand the market direction. We also analyzed the existence of influence from several variables like size, shareholder type, evidence of shareholder direct involvement, auditor office location and the existence of long-term debt in selecting auditors.

The purpose of this study is to investigate the role of any significant factors in determining auditor choice, explain the market concentration and test for any visible impact following the latest audit directive.

Our research involved a total of 74 companies listed on the Romanian Stock Exchange, for the period from 2013 to 2022 with a total number of 5,180 observations. The findings show a decrease in both the market share and the retention rate for Big4 companies, especially following the new audit directive which imposed a maximum rotation period of 10 years. Regarding the variables assessed none showed a particularly elevated level of influence, the highest coming from the share class variable and size. This research can contribute to a better understanding of the audit market for eastern European countries and what influences auditor choice. It also provides insight regarding the effects of the new audit directive.

Literature review

The concentration of the audit market has been of interest for several years as dominance of a few companies has always been an issue in the market. If in the 1970's there were 8 big audit firms (Doogar and Easley 1998) this number reduced to only 4 in our current period.

The main arguments, in prior literature, for such a high degree of concentration focused in general on the quality differentiation by large audit firms or on economies of scale in audit production. Earlier studies on the subject found that the larger the auditor and the smaller the clients, as a fraction of the auditor's total income, there is less incentive for the auditor to behave opportunistically. This in turn results in a perceived higher audit quality (DeANGELO 1981). Another study which focused on the relationship between audit office size, audit quality and audit fees found that the size of the office has significantly positive relations with both audit quality and audit fees. These positive relations support the view that large local offices provide higher-quality audits, compared with small local offices and that such quality differences are priced in the market for audit services (Choi, et al. 2010).

Doogar and Easley, 1998 found in their paper that, when quality differentiation and economies of scale are absent, a firm's competitive power is based partly on the size of its pool of fixed human capital and partly on the productivity of that human capital as reflected in the leverage or staff-to-partner ratio. Their paper found that capacity and leverage are both necessary to accurately predict audit market concentration. Another study which focused on the relationship between auditor competition and the likelihood of financial restatements that occur because of failures in the application of generally accepted accounting principles (GAAP) found that restatements are more likely to occur in metropolitan statistical areas (MSAs) that have higher auditor competition. The study also found that the impact is higher in the case of non Big4 clients (Newton, Wang and Wilkins 2013).

As the perceived quality of an audit is considered to have an important influence over the choice of the auditor, the question was also raised on how is this quality measured or verified? In most cases auditors are hired by the companies they audit, and this could influence their independence. Several public regulators were formed to verify the auditors' work and to report on their compliance with standards and even take actions were necessary.

Aobdia and Shroff, 2017 examined in their paper the value of financial statement audits. They found that PCAOB inspected auditors increase their market share by as much as 6% following the disclosure of the inspection report, in case of small deficiencies, showing therefore that public auditor oversight cand help increase the value of an audit. Another article, based on the private sector of the Belgian audit market, which examined whether audit market structure affects quality and pricing found that audit market concentration impairs competition especially when audits have low complexity, mainly the SME-client segment, and that the large-client market segment, characterized by higher audit complexity and higher market concentration, can also be price and quality competitive if clients are sufficiently mobile, and change auditors relatively frequently (Raak, Peek and Meuwissen 2019).

Another aspect highly discussed is the rotation period of the auditor. Some researchers claim that this would help increase the quality of audits, as long relationships with the client might impair independence, while others claim that longer periods would increase quality due to a better understanding of the client.

A study which examined the relation between audit firm tenure and fraudulent financial reporting, by comparing firms cited for fraudulent reporting from 1990 through 2001, found that fraudulent financial reporting is more likely to occur in the first three years of the auditor-client relationship (Carcello and Nagy 2004). Similarly, another study which examined the relationship between a company and an audit firm tenure found that, relative to medium audit-firm tenures of four to eight years, short audit-firm tenures of two to three years are associated with lower-quality financial reports. In contrast, the study found no evidence of reduced financial-reporting quality for longer audit-firm tenures of nine or more years (Johnson, Khurana and Reynolds 2002). Similar findings are supported by Blandon, Argiles-Bosch and Ravenda 2020. In their paper they found that companies with more than 10 years of tenure with their auditors do not have a lower audit quality than other firms. In fact, their study provides some evidence of a higher audit quality for these firms and as a result they argue that if there does not seem to be a problem of a lack of audit quality associated with long audit firm tenures, the necessity of establishing a maximum tenure, as the new European regulation does, may be questioned.

While some studies argue that mandatory audit rotation would not bring the desired benefits as a result of the fact that they may reduce audit quality there are several other studies which argue that these can offer beneffits especially when it comes to auditor independence. In their study, which focuses on the Indonesian Stock Market, Junaidi, et al. 2016 show that, statistically, the auditor's tenure has significant negative effects on the auditor's independence, measured by the tendency to give a 'going concern' opinion and they conclude that the regulation for mandatory auditors' rotation are needed. Another study by Montenegro, Meira and Silva 2023 on the Lisbon Stock exchange found that mandatory audit firm rotation is positively and significantly related to firms' market performance. Investors seem to perceive mandatory audit firm rotation as a positive determinant of audit quality and financial reporting quality.

Horton, Tsipouridou and Wood 2018 performed a study on the european market reaction to the audit reforms and found results consistent with investors expecting net benefits deriving from the reform. Investigation of this positive reaction at both country- and firm-level indicates however that investors did not appear to react significantly to the mandatory rotation proposals, but did react positively and significantly (statically and economically) to the restriction of non-audit services and capping of total fees.

Despite the factors that might influence audit selection and thus market concentration, this remains at a high level in the present day. A study on the Audit Directive and the Audit Regulation issued in 2022 by the European Commission found that the concentration for audit services of PIEs, represented by the share of fees going to Big 4 firms, remains high. This varies however depending on the country from 95% in Germany and 90% in Italy to 64% in Poland (Milieu 2022). Also, a separate study on the audit market for PIEs in Poland, for the period from 2011 to 2017, found that the Big 4 share represents 41% in terms of the number of audits performed and 66% of the total analyzed assets (Indyk 2019). Lower levels of Big 4 dominance for listed entities were also found in Romania where they represented, in 2011, around 41% of the listed companies.

Considering the above presented literature and the high interest regarding the audit market concentration our paper focuses on analyzing the Romanian Audit Market for listed entities to understand the evolution and if there was any change following the latest EU Audit reform. We also try to identify the main factors that might influence the decision and explain the selection process (i.e., company size, company location vs. auditor location, shareholder type, listed share class, evidence of shareholder direct involvement and the existence of long-term debt).

Methodology

Our papers focus is on analyzing the structure of the audit market in Romania, both before and after the new audit directive, to assess for visible effects following its implementation in 2016. As one of its main objectives was the reduction of Big4 dominance and increase of competition in Europe we based our approach on analyzing the impact on this group of auditors vs. other non-Big4 auditors in the market. First we analyzed the effects on the market share then we continued with an analysis on the number of auditor changes and auditor class (Big4 vs. non-Big4) retention rate. As the new regulation implies mandatory rotation of auditors after 10 years this implies an opportunity for tender participation, and we tested to see if non-Big4 auditors managed to benefit from these opportunities or not. Our expectation was that companies who had a Big4 auditor would switch, at least in most cases, to another auditor from the same category. As prior studies focus in general on the structure of the market and in order to try and understand some of the factors that may influence the selection of a particular class of auditors we used a linear regression model to test for the influence of certain variables: company size, existence of long term debt, share class category on the stock market, existence of a Big4 office in the same jurisdiction as the company headquarters, the existence of a majority international shareholder or evidence of direct shareholder involvement in managing the business. As studies, prior to the audit directive, have found that the increased audit market concentration found in western Europe is not applicable necessarily for the Romanian market (Paunescu 2015) our expectation was that the Big4 auditors would increase their market share over time in line with other European markets as the listed companies increase in value.

From the total number of 84 companies listed on the Romanian Stock Exchange we excluded 10 companies because they were listed recently and therefore, we could not obtain the relevant information for the period analyzed (2013-2022) or the information was missing. We remained with a total number of 74 companies for which we exported from Thomson Reuters Eikon, or for which we individually taken from the financial report's issued, data related to auditor, total revenues, total assets, long term debt and shareholder information for the period 2013-2022. This resulted in a total number of 3,700 individual information. Due to missing information in 27 cases the auditor was added as the last auditor available, in 2 cases the revenues and the assets value was added based on the last available information. To check for evidence of shareholder direct involvement in managing the business, by holding a position in the company, we obtained the data, representing the names of the administrators and directors, from Termene.ro or from the Romanian Stock Market website (www.bvb.ro). To validate the locations where Big4 companies have offices we checked each individual website. This brought the total number of individual information items to 5,180.

We allocated each company into two categories, based on the EU definition of large companies (over 50M EUR in Revenues and over 43 MEUR in assets Value). We stated the number 1 to those which are above the threshold and 0 to those under the threshold. We also categorized the auditors into two groups where 1 is Big4 and 0 all other.

For our analysis in SPSS, we prepared a table containing the following columns:

- The first column is a merger between the company and the year which resulted in a list of 740 individual items.
- The second column is the category of the share where 1 is premium and 0 is standard. Our assumption is that companies from the premium segment of the market will lead towards a Big4 auditor to increase the value of the financial statements because of higher perceived

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quality. We found that 29 companies, from the total of 74, are categorized in the premium category.

- The third column represents the auditor, where 1 is for Big4 and 0 for all others.
- The fourth column represents the size where 1 is for large companies (over the EU thresholds) and 0 for those under the threshold. Our assumption is that larger companies will lead towards a Big4 auditor because of higher financial power and to increase the value of the financial statements because of higher perceived quality. We found that 32 companies, from the total of 74, are categorized in the large companies' category.
- The fifth column represents if there is a local Big4 office in the same city as the company headquarters. Where there is an office, it was noted with 1 and if there is no office then it is marked with 0. Our assumptions are based on the fact that companies will tend to choose auditors which have a local office in the same area. We found that 37 companies, from the total of 74, have a local Big4 Office.
- The sixth column represents the existence of long-term debt where 1 is for yes and 0 for no; Out assumption is that the existence of long-term debt would lead towards choosing a Big4 auditor to increase the value of the financial statements because of higher perceived quality. We found that 60 companies, out of the total of 74, have long term debt in their balance sheet.
- The seventh column represents the existence of a majority international shareholder where 1is for yes and 0 is for no; Our assumption is that because of the large concentration of the market an international shareholder would imply the use of a Big4 Auditor. Also, companies with international exposure would tend to choose Big4 auditors because of higher geographical coverage of their business. We found that 12 companies, out of the total of 74, present a majority international shareholder.
- The seventh column represents the existence of evidence of direct shareholder involvement in managing the business, by holding a position in the company, where 1 is for yes and 0 is for no. Our assumption is that where there is evidence of direct shareholder involvement in managing the business there is less incentive to choose a Big4 Auditor for assurance. We found that 25 companies, from the total of 74, present evidence of direct shareholder involvement in managing the business.

Results and discussions

The preliminary analysis, on the entire period, shows us that Big4 companies lost market share, computed as a percentage of total companies audited by Big4, in the period. This is illustrated in the graph below. A steeper decrease is observed following 2016, the year the new EU Audit reform came into effect, when the mandatory maximum 10-year rotation period was introduced. If in 2016 Big4 audited 49% of the listed companies, this number reduced to 41% in 2022 as in Figure 1 below. The findings contradict our initial assumption that Big4 auditors increased in market share as the Romanian Stock market evolved. There's been a decrease which started prior to the new audit directive, and which increased in strength after 2016.

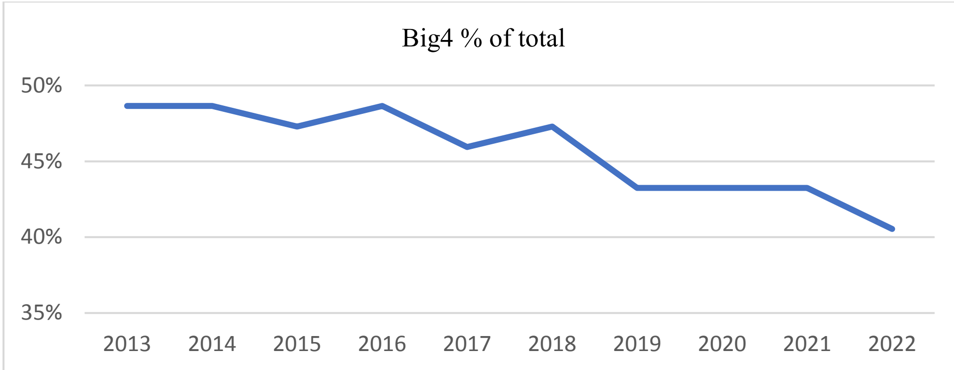


Figure 1. Big4 market share % of total companies for 2013-2022

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

We continued with a frequency analysis performed in SPSS to analyze the Big4 percentage of total population for the period analyzed from 2013 to 2022. The result shows that the Big4 group of auditors represent 46% of the total population during the analyzed period, considering the number of companies audited as the main criteria. This indicates that just 4 companies captured almost 50% of the market during the analyzed period. Considering the fact that 45 different auditors were found to have rendered services in the 10-year period analyzed this show that the just 4 companies representing the Big4 category (Deloitte, PWC, E&Y and KPMG) managed to maintain a large percentage of the market (Table 1) event though this is lower than in other markets observed, especially from Western Europe.

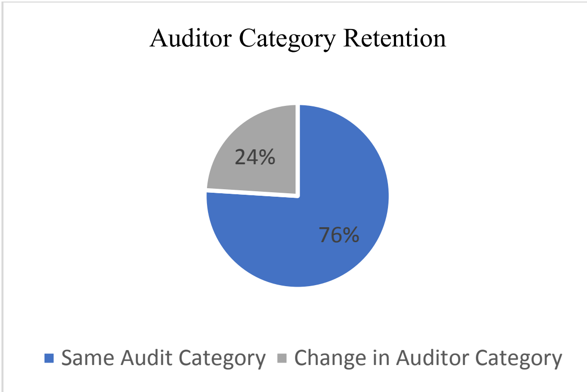
Table 1. Big4 vs. non-Big4 market share % of total for 2013-2022

Big 4

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NotBig4	402	54.3	54.3	54.3
	Big4	338	45.7	45.7	100.0
	Total	740	100.0	100.0	

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

Further on we performed an analysis on the auditor changes in the analyzed period to check the auditor category retention rate among the two categories of auditors: Big4 and non-Big4. In the period from 2013 to 2022 there were a total of 100 auditor changes and in 76% of the cases the auditor category was the same after the change (see Figure 2). This implies that most of the clients tend to choose an auditor from the same category. Our analysis also showed that the number of auditor changes increased significantly from 2016, the date the audit directive came into effect (see Figure 3). The findings support our initial assumptions that the new audit directive would increase the number of audit tenders, as more clients reached the maximum limit imposed by the regulation, and the assumption that most of the clients tend to choose an auditor from the same category.



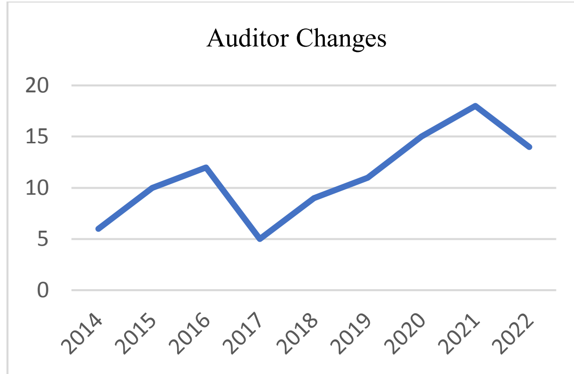


Figure 2. Auditor Retention 2013-2022 **Figure 3. Auditors change 2013-2022**

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

We further split the data into two periods, from 2013 to 2016 and from 2017 to 2022, to assess for evidence of changes in behavior following the implementation of the new audit reform. As presented in Figure 4 below the retention rate decreased from 86% to 72%. This decrease in the retention rate implies that more clients made changes in the type of auditor category following the implementation of the new audit directive.

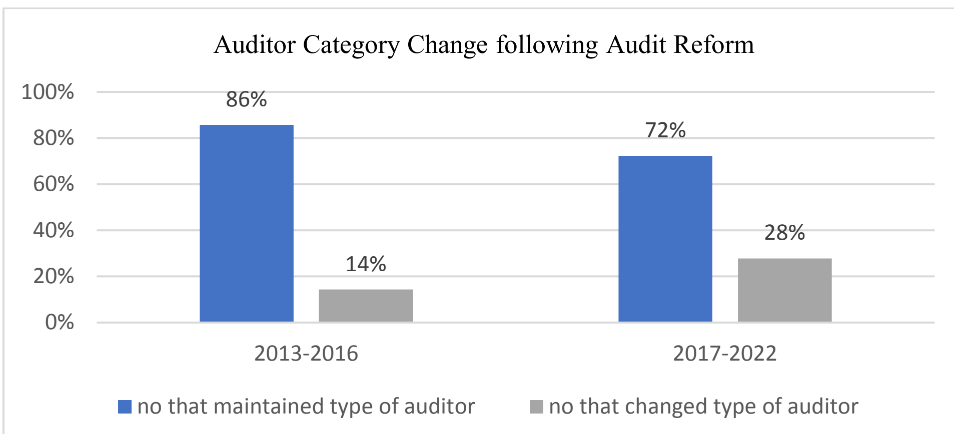


Figure 4. Auditor Category Change prior vs. after 2016

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

To better understand how the decrease in the retention rate impacted each auditor category an in-depth analysis was performed on the changes between the two auditor categories (Big4 and non-Big4). The results showed that, for the entire period, 15% of companies which performed tenders changed from Big4 auditor to Non Big4 Auditor while only 9% of companies who performed tenders changed from non-Big4 to Big4 auditor. When looking however between the two separate periods we found that, while in the period from 2013 to 2016, only 7% of the changes were from a Big4 auditor to a non-Big4 auditor this number increased to 18% in the period from 2017 to 2022. Also, the figures show that from the total auditor changes in the period analyzed the number of cases where another Big4 auditor was selected decreased from 64% in 2013-2016 to only 28% in the period from 2017-2022 (see Figure 5). This contradicts our initial assumption that clients who had a Big4 auditor switched to another one from the same category as it seems that non-Big4 auditors managed to attract more clients thus increasing their market share. Also, the findings present evidence that the new Audit directive managed to have an impact on the competition and the structure of the market. The opportunity to participate in more audit tenders, in which the original auditor could not take part, seems to have been favorable for the non-Big4 group of auditors.

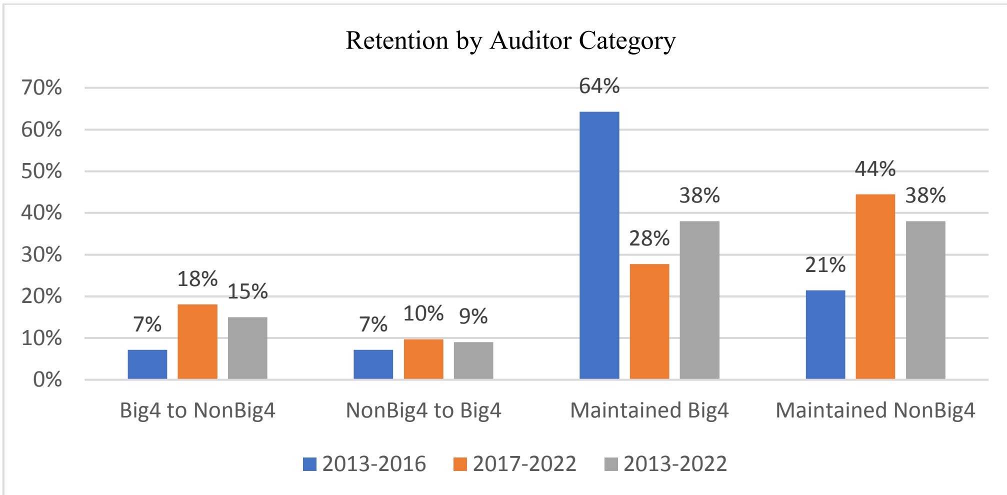


Figure 5. Retention Rate by auditor category

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

The decrease in the retention rate for Big4 auditors may show that clients were more attached to a specific auditor rather than to a particular class of auditors. As seen above, once the mandatory rotation came into effect and they could not choose their previous auditor, they did not necessarily switch to another Big4 Auditor.

It is important to also understand what may influence auditor choice and which companies tend to choose one category of auditors than another. To try to better understand this, for the next step of our research, we performed individual linear regression analyses to test the relationships between the Big4 variable and each of the Size, Share Class, Local Office, Long Term Debt, International Shareholder majority and Shareholder direct involvement variables for the entire 2013-2022 period and separately for each of the two periods 2013-2016 and 2017-2022 to test for changes following the audit reform.

The results, presented in Table 2 below, shows that none of the variables analyzed present a highly considerable influence. When looking at the entire period the largest influence comes from the class in which the company shares are categorized (premium or standard) and the company size. This explains however only 26% of the variance (R^2 of 0.259) for the share category variable and only 12% (R^2 of 0.121) for the size variable. When comparing the figures between the two periods, prior and after the audit reform, we notice that for the size and share category variables there is a decrease in influence. The share class influence decreases from 29% (R^2 of 0.291) to 24% (R^2 of 0.239) and the size influence decreases from 14% (R^2 of 0.143) to 11% (R^2 of 0.111). This supports the decrease in Big4 market share presented above as companies seem to move towards non big4 auditors when performing the rotation. From our initial assumptions it seems that only size has an impact, even though limited, when it comes to choosing a Big4 Auditor.

Table 2. Linear regression analysis

	2013-2022		2013-2016		2017-2022	
Variables consider when choosing big4 auditor	**R Square**	**Adjusted R Square**	**R Square**	**Adjusted R Square**	**R Square**	**Adjusted R Square**
Share Class	0.259	0.258	0.291	0.289	0.239	0.237
Company size	0.121	0.12	0.143	0.140	0.111	0.109
Big4 office	0.049	0.048	0.044	0.041	0.054	0.051
Direct Shareholder involvement	0.041	0.039	0.054	0.051	0.033	0.031
Long Term Debt	0.029	0.028	0.007	0.003	0.064	0.062
International Shareholder	0.022	0.021	0.026	0.023	0.02	0.017

Source: Own elaboration based on data collected from Thomson Reuters and Audit Opinions.

Conclusion

One of the main objectives of this study has been to see what the structure of Romanian audit market is, in case of listed companies, how it evolved and to understand some of the factors that influence the decision to choose or not a Big4 auditor.

The results of the analysis performed showed that Big4 auditors decreased in market share especially after 2016, the date the new audit reform came into effect, from 49% to 41%. This could have been impacted by the new regulation, which imposed the 10-year maximum rotation period. The frequency analysis performed, for the 10-year period analyzed, showed that the Big4 group of auditors represented 46% of the total population, considering the number of companies audited as the main criteria. This indicates that just 4 companies captured almost 50% of the market, measured as number of companies, over the analyzed period. Considering that 45 different auditors were found to have rendered services in the 10-year period, this shows that just 4 companies representing the Big4 category (Deloitte, PWC, E&Y and KPMG) managed to maintain a significant percentage of the market.

Regarding the auditor category retention rate, we found that in 76% of the cases the auditor category was the same after the change. This implies that most of the clients tend to choose an auditor from the same category when making a change. Our analysis also showed that the number of auditor changes increased significantly from 2016, the date the audit directive came into effect, which requires a mandatory rotation after 10 years. This was expected as more companies reached the maximum limit and were required to perform audit tenders. When looking at the retention rate figures between the two periods, prior and after the audit reform, we noticed however a decrease in retention from 86% to 72% which means that more clients made changes in the type of auditor category. The decrease is not favorable for the Big4 category as we found that the number of cases where another Big4 auditor was selected decreased from 64% in the period from 2013-2016 to only 28% in the period from 2017-2022. As a result, the need for auditor change, to be compliant with the new regulation, seems to have been favorable for the non-Big4 auditors as it seems that clients were reluctant to change their prior Big4 auditor with another one from the same class.

Our regression analysis performed to assess the influence that the size, share class, existence of long-term debt, international shareholder, direct shareholder involvement and big4 office, in the same city as the auditor, variables have on choosing a Big4 auditor showed that none of the variables analyzed present a highly significant influence. When looking at the entire period the largest influence comes from the class in which the company shares are categorized (26%) and the company size (12%).

The fact that companies in the premium sector, which represent the most traded shares, of the stock market present a higher tendency towards choosing a Big4 auditor could be a result of wanting to associate with a higher quality perceived auditor which would increase the value of the financial statements in the view of investors. Further research is needed on the subject to obtain a better understanding. When comparing the figures between the two periods, prior and after the audit reform, we notice that for the size and share category variables there is a decrease in influence of 5 p.p. for the share class and of 3 p.p. for the size variable. This supports the decrease in Big4 market share presented above as companies seem to move towards non-Big4 auditors regardless of size or statute.

In conclusion it seems highly possible that the selection of the auditor is influenced by other factors like for example the fees charged or the relationship with the auditors. The market share of Big4 auditors is on a descending path, which seems to have accelerated after the new audit reform came into effect. The new audit reform increased the number of audit tenders, because of companies reaching the 10-year maximum period, and it seems that non-Big4 auditors managed to increase their share of the market. The fact that clients chose non-Big4 auditors at a higher level when changing their prior Big4 auditor could imply that they either had a good relationship with the auditor and this was more important than the fact that it was a Big4 auditor, or it could imply that they had a lower fee because of long-term contracts which could not be met by other Big4 auditors. Further research is needed to better understand this trend and to see if it will be maintained in the longer term.

Even though our paper offers some light regarding the audit market for listed companies in Romania and the effects following the new EU audit directive further research is needed on the subject to better understand client behavior and what influences the market.

There are certain limitation to our research from which we point out the small number of companies on the Romanian Stock Market and the short time range following the implementation of the Audit Reform. Also, further testing may identify other variables that might predict more accurately auditor choice and may check to see if the current trend is just on a short-medium term or if it will be reversed as time passes.

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