

# How to reach non-academic audiences with your research, my experience at the PCAOB

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# Lesson 1: The Value of the Data

Regulators, tasked with solving market problems can gain tremendous insight by pooling together data that can be analyzed to understand a broad phenomenon. This problem can not be easily solved by individual market participants.

The implications of research findings can influence:

- 1) standard setting initiatives
- 2) disclosure initiatives (i.e., should something be disclosed or not?)
- 3) problem identification (i.e., what should be included or excluded from an agenda)
- 4) post implementation reviews
- 5) risk factors that point to regulatory oversight focus

# Example: Value of the data

Choudhary, P., K. Merkley, and K. Schipper. 2019. “Direct Measures of Auditors’ Quantitative Materiality Judgments: Properties, Determinants and Consequences for Audit Characteristics and Financial Reporting Reliability” *Journal of Accounting Research*, 57(5): 1303-1350.

**Main Finding:** After controlling for a client’s scale (i.e., size) looser materiality values are associated with more restatements.

## Implications for Regulators:

- 1) Target oversight on those w/ loose materiality
- 2) Revise principle-based standards on setting materiality
- 3) Disclose auditor materiality

## Implications for Practitioners:

- 1) Revise internal guidance on setting materiality
- 2) Increase oversight of this audit step (e.g., EQR, national office, partner, etc.)
- 3) Sell the value of a more precise audit – justify fees



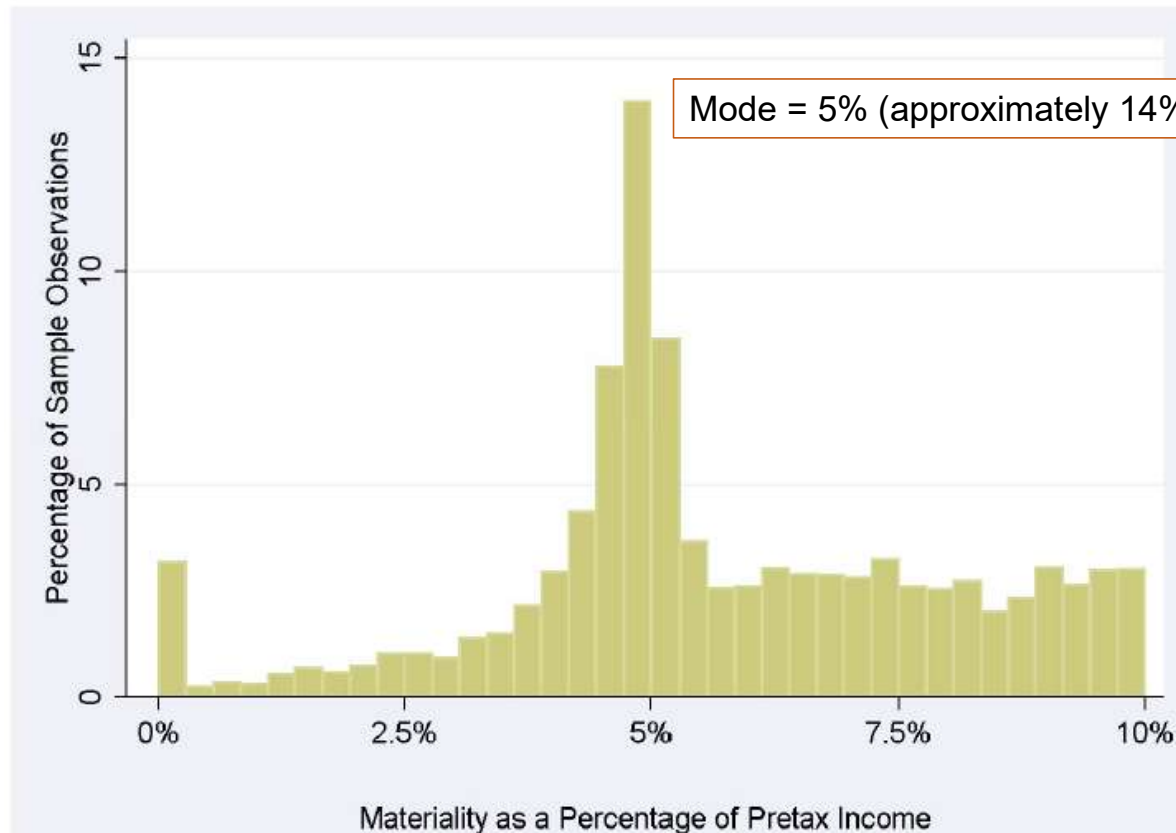
## Lesson 2: The Power of Description

Non-academics place tremendous value and interest in understanding how the world works. The descriptive elements of my research papers have received the most attention from outsiders.

1. There are many unstated assumptions that underlie policy making
2. Evaluate and think carefully to identify what unstated assumptions exist
3. Our research has the power to speak to those unstated assumptions

# Example Unstated assumptions: Materiality thresholds as percent of pretax income

Figure 1.



## Lessons 3: Think creatively about how to convey your findings in a picture

- Pictures are worth a thousand words. Non-academics can not follow our two-dimensional tables.

Existing  
Academic  
Standard

**Panel A: Uninteracted Results**

Dependent Variables:	(1) Restatement (in t)	(2) Restatement (in t post FYE)	(3) Restatement (in t+1)
Deficiencies	0.00791 (0.441)	-0.179 (0.473)	0.201 (0.419)
Deficiencies > 2	-0.762 (0.505)	-0.719 (0.517)	-0.196 (0.438)
Significant Deficiency	-0.114 (0.532)	-0.111 (0.536)	0.294 (0.451)
MW	2.451*** (0.461)	1.011* (0.569)	0.867 (0.570)
Part1Identify	0.934** (0.413)	0.949** (0.443)	1.064*** (0.392)

# Examples of Lesson 3: Graphs and Charts

1

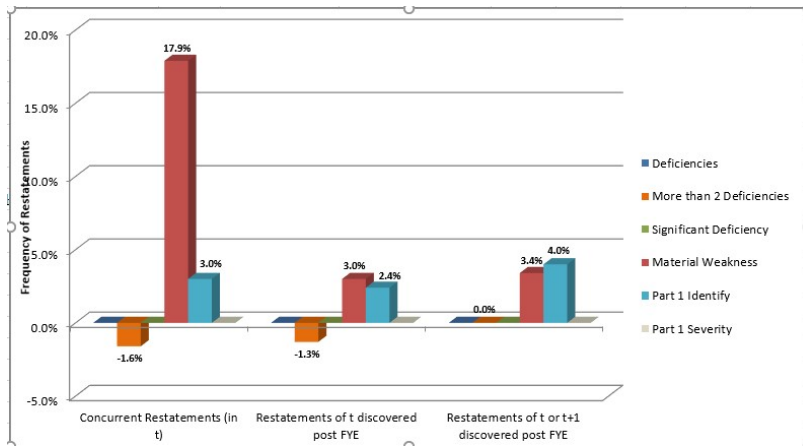
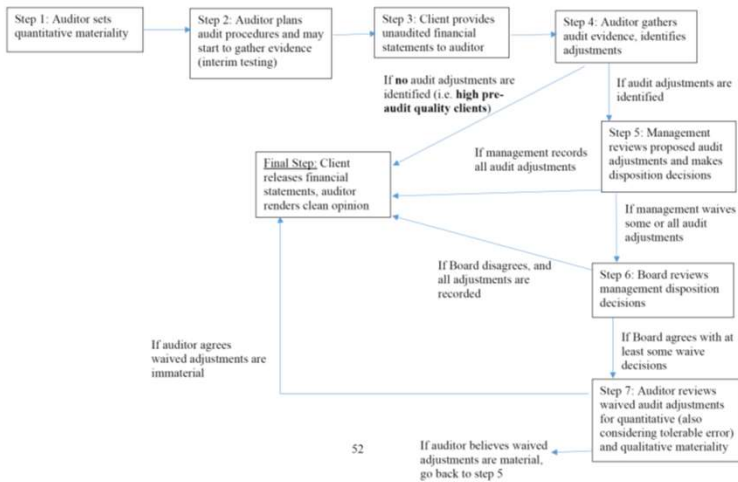
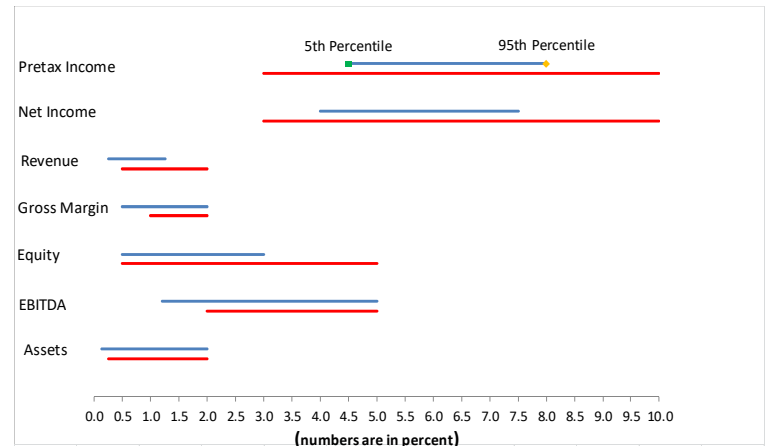


Figure 2: The Audit Adjustment Disposition Process

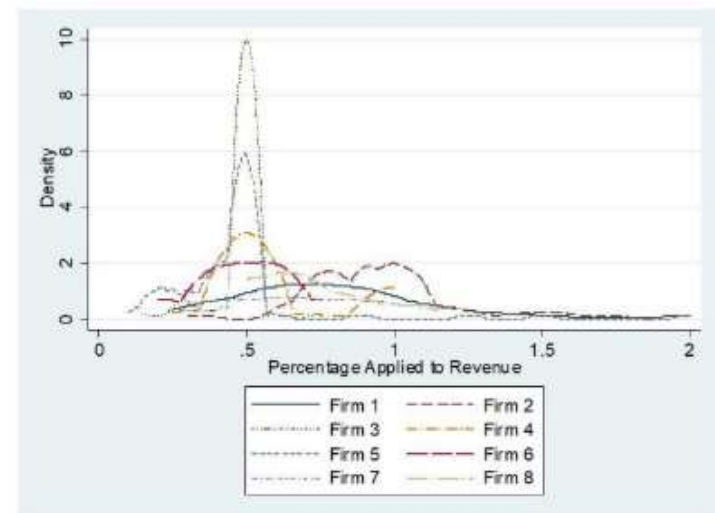


2

3



4



# Can we expand our narrow definition of impact?

- Defining impact as the number of academic citations is encouraging insular behavior
- What will this hold for the future?
- What ways can we measure impact beyond academic citations?
- Should we encourage or require this?

Bottom line...

Valuing communications with non-academics maximizes our value



## Lesson 4: Focus on economical significance

Regulators want to know how much the impact is! They do not care about statistical significance

Examples:

- We find that restatements are approximately 6 percentage points higher for audit engagements whose materiality judgements are in the loosest quintile.
- Waiving net income adjustments exceeding materiality is associated with a 12 percentage point increase in restatements
- Large waived audit adjustments (above sample median) correspond with 6% to 9% increase in next period hours and 6-8% increase in future fees