



## Economics of Auditing and Assurance

### Course objective and motivation

The overarching objective of this course is to provide students with an understanding of the economic foundations of (financial statement) auditing and assurance. A central premise of the course is that auditing is an economic service that is demanded because it enhances the credibility of (financial) information and reduces information asymmetry between firms and their stakeholders. As such, auditing and assurance services are economic goods that are demanded, produced, and supplied in the audit market at equilibrium prices. Building on this perspective, the course examines a range of economic issues related to auditing and assurance. These include the economic nature of the audit service, the demand for auditing, the production and pricing of audit services, audit market structure and auditor competition, the economic incentives of audit partners, and the economics of audit regulation. Throughout the course, these topics are explored through the reading, presentation, and discussion of academic research papers. Each topic is first introduced by the faculty, who provide the necessary conceptual and theoretical background, before students engage with the academic literature through in-depth discussion of the assigned papers.

### Course requirements

The course objectives will be realized through interactive teaching and group discussions. A solid preparation is essential to enable the learning process. Students should carefully read all papers and be prepared to discuss them. They will also complete mandatory assignments (see below).

Each session deals with a different topic. For each topic, a theoretical introduction to the topic will be provided by one of the faculty members, followed by a discussion of three papers per session. Students will present and discuss these papers in class. For each paper, one student presents and another student discusses the paper (see below). After the presentation and discussion, the paper is discussed by the entire class. In addition, students submit at least three questions/remarks per paper on the day preceding the respective session.

During one session, we offer students the opportunity to present their own work in progress and receive feedback from the instructors and fellow students. This could be a research proposal or a working paper. The only requirement is that it should be a project related to auditing. Students who wish to make use of this opportunity (it is optional!) are requested to (1) let the course coordinator know by October 1st 2026 at the latest and (2) submit their paper to us by October 15th 2026 at the latest. Students not presenting should be prepared to comment on the proposals/papers.

Finally, one session during the final day of the course will also be devoted to the publication and review process.

### **Individual assignments: sessions 1-8**

#### Paper presentations:

Per paper, one student prepares a presentation containing a brief (PowerPoint) summary which should take no longer than 10 minutes to present.

#### Paper discussions:

Per paper, another student serves as primary discussant and prepares a discussion of the paper's strengths and weaknesses lasting about 10-15 minutes. To avoid repetition, the discussant should not provide an extensive summary of the paper. The students who discuss a paper also prepare questions for the audience in addition to their own discussion.

#### Discussion questions/remarks:

All students prepare and submit at least three questions/remarks for each paper that will be discussed. These questions/remarks are submitted by a google form (link will be provided to the participants) to the instructors on the day preceding the respective class.

More elaborate guidance for the individual assignments is provided in Appendix I.  
Student-paper allocation: see allocation of students to papers in Appendix II.

### **Course planning**

Students will present and discuss the papers as described above. For each topic, the instructor gives a 20-minute introduction and summary from an economics perspective; the rest of the time, the students discuss papers related to the topic. There are three papers to be discussed per session. For each session, there are also one or two background papers that the students are encouraged to read in advance.

#### Schedule per day:

9.30-12.30 Morning session  
12.30-14.00 Lunch break  
14.00-17.00 Afternoon session

#### Timeline per paper session (block of 3 hours):

0.00-0.20 Theoretical introduction by instructor  
0.20-1.05 Paper 1  
1.05-1.50 Paper 2  
1.50-2.15 Break  
2.15-3.00 Paper 3

## Course setup

<b>DAY 1 – MORNING</b>		<b>VENUE: HOGM00.0074</b> <b>Faculty: Marleen Willekens, Simon Dekeyser</b>
SESSION 1: THE NATURE OF AUDITING		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Auditing/assurance as an economic good; what do auditors sell?</li> <li>• Characteristics/attributes of an auditing service: Credence / experience good characteristics of auditing</li> <li>• What does a good audit look like?</li> </ul>	
<b>Papers for discussion</b>	<p>Causholli, M. and W.R. Knechel (2012). “An Examination of the Credence Attributes of an Audit”. <i>Accounting Horizons</i> (December): 631-655.</p> <p>Hope, O. K., Langli, J. C., &amp; Thomas, W. B. (2012). Agency conflicts and auditing in private firms. <i>Accounting, Organizations and Society</i>, 37(7), 500-517.</p> <p>Ciconte, W., Leiby, J. and M. Willekens (2025). Where does the time go? Auditors’ commercial effort, professional effort, and audit quality. <i>Journal of Accounting Research</i>, 63(1): 255-317.</p>	
<b>Background reading</b>	<p>Hay, D., Knechel, W. R. and M. Willekens. The function of auditing. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-3</p> <p>Ricci, M. A. and E. F. Thomas. The financial reporting ecosystem and the demand for audit. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-5</p> <p>Weber, J., Willenborg, M., &amp; Zhang, J. (2008). Does auditor reputation matter? The case of KPMG Germany and ComROAD AG. <i>Journal of Accounting Research</i>, 46(4), 941-972.</p>	
<b>DAY 1 – AFTERNOON</b>		<b>VENUE: HOGS01.0010</b> <b>Faculty: Marleen Willekens, Simon Dekeyser</b>
SESSION 2: AUDIT QUALITY – FINANCIAL INFORMATION		
<b>Content</b>	<ul style="list-style-type: none"> <li>• What is audit quality?</li> <li>• How to measure audit quality?</li> </ul>	
<b>Papers for discussion</b>	<p>DeAngelo, L. E. (1981). Auditor size and audit quality. <i>Journal of accounting and economics</i>, 3(3), 183-199.</p> <p>Bell, T., M. Causholli, and W.R. Knechel (2015). “Audit Firm Tenure, Non-audit Services, and Internal Assessments of Audit Quality”. <i>Journal of Accounting Research</i> (June): 461-631.</p> <p>Dekeyser, S., Gaeremynck, A., Knechel, W. R., &amp; Willekens, M. (2021). The impact of partners’ economic incentives on audit quality in Big 4 partnerships. <i>The Accounting Review</i>, 96(6), 129-152.</p>	
<b>Background reading</b>	<p>Felix, R. and M. Pevzner. Audit Quality: Do we know what it is, and what determines it? In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-15</p> <p>Knechel, W.R., G.V. Krishnan, M. Pevzner, L.B. Shefchik and U.K. Velury (2013). Audit Quality: Insights from the Academic Literature. <i>Auditing: A Journal of Practice &amp; Theory</i> 32 (1): 385-421.</p> <p>DeFond, M., &amp; Zhang, J. (2014). A review of archival auditing research. <i>Journal of accounting and economics</i>, 58(2-3), 275-326.</p>	

<b>DAY 2 – MORNING</b>		<b>VENUE: HOGS01.0010</b> <b>Faculty: Simon Dekeyser, Marleen Willekens</b>
<b>SESSION 3: THE PRODUCTION AND PRICING OF AUDITING SERVICES</b>		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Theory: the audit production and audit costs</li> <li>• New technology in audit production</li> <li>• Efficiency</li> </ul>	
<b>Papers for discussion</b>	<p>Simunic, D. A. (1980). 'The Pricing of Audit Services: Theory and Evidence'. <i>Journal of Accounting Research</i> 18 (1):161-190.</p> <p>Fedyk, A., Hodson, J., Khimich, N. and T. Fedyk (2022). Is artificial intelligence improving the audit process? <i>Review of Accounting Studies</i> 27:938–985.</p> <p>Eulerich, M., Masli, A., Pickerd, J., &amp; Wood, D. A. (2023). The impact of audit technology on audit task outcomes: Evidence for technology-based audit techniques. <i>Contemporary Accounting Research</i>, 40(2), 981-1012.</p>	
<b>Background reading</b>	<p>Munoko, I. and G. Pündrich. Advances in audit technology. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-30</p> <p>Hay, D., W.R. Knechel, and N. Wong (2006). "Audit Fees: A Meta-Analysis of the Effect of Supply and Demand Attributes". <i>Contemporary Accounting Research</i> (Spring): 141-192.</p> <p>Causholli, M., De Martinis, M., Hay, D., &amp; Knechel, W. R. (2010). Audit markets, fees and production: Towards an integrated view of empirical audit research. <i>Journal of accounting literature</i>, 29, 167-215.</p>	
<b>DAY 2 – AFTERNOON</b>		<b>VENUE: HOGC02.0022</b> <b>Faculty: Simon Dekeyser, Marleen Willekens</b>
<b>SESSION 4: AUDIT MARKETS STRUCTURE AND COMPETITION BETWEEN AUDITORS</b>		
<b>Content</b>	<ul style="list-style-type: none"> <li>• The nature of auditor competition</li> <li>• Various competition theories/ scenarios</li> <li>• Product differentiation</li> </ul>	
<b>Papers for discussion</b>	<p>Numan, W. and M. Willekens (2012). 'An empirical test of spatial competition in the audit market'. <i>Journal of Accounting and Economics</i>. 53: 450-465.</p> <p>Gerakos, J. and C. Syverson (2015). "Competition in audit markets: Policy implications". <i>Journal of Accounting Research</i> 53(4): 725-775.</p> <p>Dekeyser, S., Gaeremynck, A., Knechel, W. R., &amp; Willekens, M. (2021). Multimarket contact and mutual forbearance in audit markets. <i>Journal of accounting research</i>, 59(5), 1651-1688.</p>	
<b>Background reading</b>	<p>Kitto, A. and D. Williams. The economics of audit competition and audit fees. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-7</p> <p>Willekens, M., Dekeyser, S., Bruynseels, L., &amp; Numan, W. (2023). Auditor market power and audit quality revisited: effects of market concentration, market share distance, and leadership. <i>Journal of Accounting, Auditing &amp; Finance</i>, 38(1), 161-181.</p>	

<b>DAY 3 – MORNING</b>		<b>VENUE: HOGM00.0074</b> <b>Faculty: Simon Dekeyser, Marleen Willekens</b>
SESSION 5: ECONOMIC CONSEQUENCES OF AUDITING		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Auditing and debt &amp; equity markets</li> <li>• Auditing as a signaling function</li> <li>• Auditing and spillovers</li> </ul>	
<b>Papers for discussion</b>	<p>Lisowsky, P., Minnis, M., &amp; Sutherland, A. (2017). Economic Growth and Financial Statement Verification. <i>Journal of Accounting Research</i>, 55(4), 745-794.</p> <p>Aobdia, D. (2020). The economic consequences of audit firms' quality control system deficiencies. <i>Management Science</i>, 66(7), 2883-2905.</p> <p>Hall, C., Judd, J. S., &amp; Sunder, J. (2023). Auditor conservatism, audit quality, and real consequences for clients. <i>Review of accounting studies</i>, 28(2), 689-725.</p>	
<b>Background reading</b>	<p>Lamoreaux, P.T., Mauler, M. &amp; Newton, N. J. (2020). Audit Regulation and Cost of Equity Capital: Evidence from the PCAOB's International Inspection Regime. <i>Contemporary Accounting Research</i>, 37(4), 2438-2471.</p> <p>Gong, J., Krishnan, J. &amp; Y. Liang. (2022). Securities-Based Crowdfunding by Startups: Does Auditor Attestation Matter?. <i>The Accounting Review</i> (1), 97 (2): 213–239.</p> <p>Bae, G. S., Choi, S. U., Dhaliwal, D. S &amp; P. T. Lamoreaux. (2017). Auditors and Client Investment Efficiency. <i>The Accounting Review</i>, 92 (2), 19–40.</p>	
<b>DAY 3 – AFTERNOON</b>		<b>VENUE: HOGC02.0022</b> <b>Faculty: Marleen Willekens, Simon Dekeyser</b>
SESSION 6: AUDIT PARTNERS AND AUDIT TEAMS		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Effects of partners characteristics on the audit outcome</li> <li>• Effects of audit team characteristics on the audit outcome</li> </ul>	
<b>Papers for discussion</b>	<p>Cahan, S. F., Che, L., Knechel, W. R., &amp; Svanström, T. (2022). Do audit teams affect audit production and quality? Evidence from audit teams' industry knowledge. <i>Contemporary Accounting Research</i>, 39(4), 2657-2695.</p> <p>Christensen, B. E., Newton, N. J., &amp; Wilkins, M. S. (2021). How do team workloads and team staffing affect the audit? Archival evidence from US audits. <i>Accounting, Organizations and Society</i>, 92, 101225.</p> <p>Knechel, R. W., Vanstraelen, A., &amp; Zerni, M. (2015). Does the identity of engagement partners matter? An analysis of audit partner reporting decisions. <i>Contemporary Accounting Research</i>, 32(4), 1443-1478.</p>	
<b>Background reading</b>	<p>Pieper, L. and S. Dekeyser. Audit partners and audit teams. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-28</p> <p>Doxey, M. M., Lawson, J. G., Lopez, T. J., &amp; Swanquist, Q. T. (2021). Do investors care who did the audit? Evidence from Form AP. <i>Journal of Accounting Research</i>, 59(5), 1741-1782.</p> <p>Kallunki, J., Kallunki, J. P., Niemi, L., Nilsson, H., &amp; Aobdia, D. (2019). IQ and audit quality: Do smarter auditors deliver better audits? <i>Contemporary Accounting Research</i>, 36(3), 1373-1416.</p>	

<b>DAY 4 – MORNING</b>		<b>VENUE: HOGM00.0074</b> <b>Faculty: Simon Dekeyser, Marleen Willekens</b>
SESSION 7: ESG ASSURANCE		
<b>Content</b>	<ul style="list-style-type: none"> <li>• What are ESG reports?</li> <li>• Why are they important?</li> <li>• Future and current developments on ESG reporting</li> </ul>	
<b>Papers for discussion</b>	<p>Khan, M., Serafeim, G., &amp; Yoon, A. (2016). Corporate sustainability: First evidence on materiality. <i>The Accounting Review</i>, 91(6), 1697-1724.</p> <p>Asante-Appiah, B., Lambert, T.A. (2023). The role of the external auditor in managing environmental, social, and governance (ESG) reputation risk. <i>Review of Accounting Studies</i>, 28, 2589–2641.</p> <p>Lu, M., Simnett, R., &amp; Zhou, S. (2023). Using the same provider for financial statement audit and assurance of extended external reports: Choices and consequences. <i>AUDITING: A Journal of Practice &amp; Theory</i>, 42(1), 125-154.</p>	
<b>Background reading</b>	<p>Simnett, R. and Y. Yang. Assurance of sustainability and climate-related information. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-36</p> <p>Cohen, J. R., &amp; Simnett, R. (2015). CSR and assurance services: A research agenda. <i>Auditing: A Journal of Practice &amp; Theory</i>, 34(1), 59-74.</p> <p>Knechel, W.R. (2021). “The Future of Assurance in Capital Markets: Reclaiming the Economic Imperative of the Auditing Profession”. <i>Accounting Horizons</i> 35 (1): 133-151</p>	
<b>DAY 4 – AFTERNOON</b>		<b>VENUE: HOGC91.118</b> <b>Faculty: Simon Dekeyser. Marleen Willekens</b>
SESSION 8: ECONOMICS OF AUDIT REGULATION		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Economic reasons for regulation</li> <li>• Types of regulations: ex ante vs. ex post</li> <li>• Precision in auditing standards</li> <li>• Economic consequences of audit regulation</li> </ul>	
<b>Papers for discussion</b>	<p>Dutillieux, W., Francis J. R. and M. Willekens (2016). The Spillover of SOX on Earnings Quality in Non-U.S. Jurisdictions. <i>Accounting Horizons</i> 30 (1): 23-39.</p> <p>Sufaj, D., Dekeyser, S. and M. Willekens. The Impact of Mandatory Audit Firm Rotation on Competitive Pricing Strategies for New Audit Engagements: Evidence from the European Union. Forthcoming.</p> <p>Duguay, R., Minnis, M., &amp; Sutherland, A. (2020). Regulatory spillovers in common audit markets. <i>Management Science</i>, 66(8), 3389-3411.</p>	
<b>Background reading</b>	<p>Langli, J.-C. and M. Willekens (2018). The Economics of Auditor Regulation: Theory, Practice and Research Opportunities. In: Sasson, A. (eds.) <i>At the Forefront, Looking Ahead: Research-Based Answers to Contemporary Uncertainties of Management</i>.</p> <p>Knechel, W. R. (2016). “Audit Quality and Regulation”. <i>International Journal of Auditing</i> 20:215-223.</p> <p>Willekens, M. and D. A. Simunic (2007). Precision in Auditing Standards: Effects on Auditor and Director Liability and the Demand and Supply for Audit Services. <i>Accounting and Business Research</i> 37(3): 217-232.</p>	

<b>DAY 5 – MORNING</b>		<b>VENUE: HOGM00.0074</b> <b>Faculty: Marleen Willekens, Simon Dekeyser</b>
<b>SESSION 9: THE REVIEW AND PUBLICATION PROCESS</b>		
<b>Content</b>	<ul style="list-style-type: none"> <li>• General debate about the review and publication process</li> <li>• Students receive a first-round paper (of an eventually accepted paper) together with the round 1 reviewer comments.</li> <li>• Present in class how the authors respond and provide illustrations of further rounds of revision.</li> <li>• Insights in the peer review process: examples from good and poor reviewer comments</li> </ul>	
<b>Background reading</b>	<p>Dalton, D. W., Harp, N. L., Oler, D. K., &amp; Widener, S. K. (2016). Managing the review process in accounting research: Advice from authors and editors. <i>Issues in Accounting Education</i>, 31(2), 235-252.</p> <p>Hogan, C. E., Myers, L. A., &amp; Wilkins, M. S. (2025). Writing introductions: A framework and commentary. <i>Issues in Accounting Education</i>, 40(1), 1-10.</p> <p>Breuer, M., Labro, E., Sapra, H., &amp; Zakolyukina, A. A. (2024). Bridging theory and empirical research in accounting. <i>Journal of Accounting Research</i>, 62(3), 1121-1139.</p> <p>Moizer, P. (2009). Publishing in accounting journals: A fair game?. <i>Accounting, Organizations and Society</i>, 34(2), 285-304.</p> <p>Editorial Policy. (2025) <i>The Accounting Review</i> 100 (5): 469–474. <a href="https://doi.org/10.2308/0001-4826-100.5.e">https://doi.org/10.2308/0001-4826-100.5.e</a></p>	
<b>DAY 5 – AFTERNOON</b>		<b>VENUE: HOGS01.0010</b> <b>Faculty: Marleen Willekens, Simon Dekeyser</b>
<b>SESSION 10: PRESENTATION OF RESEARCH PROPOSALS BY STUDENTS &amp; THE FUTURE OF AUDITING RESEARCH</b>		
<b>Content</b>	<ul style="list-style-type: none"> <li>• Students are given the opportunity to present their own research proposals and obtain feedback from the faculty and fellow students</li> <li>• The faculty will close the course by giving their take on the future of auditing research</li> </ul>	
<b>Background reading</b>	<p>Hay, D., Knechel, W. R. and M. Willekens. The future of auditing research. In: Hay, D., Knechel, W. R. and M. Willekens. <i>Routledge Handbook of Auditing</i> (2nd edition). Taylor &amp; Francis, 2026. DOI: 10.4324/9781032651545-38.</p> <p>Nelson, M. W. (2025) Experimental and Archival Research in Auditing: Complementarities, Convergence, and Future Directions. <i>The Accounting Review</i> 100 (6): 385–403. <a href="https://doi.org/10.2308/TAR-2025-0477">https://doi.org/10.2308/TAR-2025-0477</a></p>	

## Course assessment

Completion of the following mandatory course components leads to a pass for this course: individual assignments; active participation during all sessions.

## Credits

6 ECTS (European Credits)

## **Appendix I: Additional Guidance for Individual Assignment**

### Paper presentation

For each paper, one student presents, and another student discusses the paper.

### Presentation

Students spend max. 10 minutes in which they provide a brief summary of the paper:

- a. What is the research question being addressed by the study?
- b. Why is the question interesting or important to the profession?
- c. What is theoretical foundation for the paper and hypotheses?
- d. What are the hypotheses or expectations of the authors?
- e. What is the source of the data used in the study?
- f. What is the general approach taken for examining the research question?
- g. What were the key findings of the study?

### Discussion

Students spend max. 10-15 minutes discussing the main strengths and weaknesses of the paper. The discussion should not include a summary of the paper as this leads to overlap with the preceding presentation.

- a. Strengths of the paper: what do you think are the most important strengths of the paper (contribution/methodology/theory).
- b. Weaknesses of the papers (limitations/caveats): what are the inherent limitations or weaknesses of the paper? Suggestions to address these weaknesses (in future research)?
- c. Questions for the audience: Students conclude their presentation by raising questions for the audience that serve as a starting point for the group discussion.

### All students

All students prepare and submit at least three questions/remarks for each paper that will be discussed. These questions/remarks are submitted by a google form (link will be provided to the participants) to the instructors on the day preceding the respective class.

## **Appendix II: Allocation of Students to Papers**

To be distributed about one month prior to the start of the course.