

Summary of Paper: [The Market Premium for Audit Partners with Big 4 Experience](#)

What is this Study About?

The study investigates whether non-Big 4 audit firm partners with Big 4 experience command higher audit fees and if this experience translates into higher audit quality.

What are the major findings of the study?

The researchers find that partners in non-Big 4 audit firms with previous Big 4 experience can command a significant premium in audit fees, ranging from 17 percent to 26 percent, when employed by smaller audit firms. This premium reflects the market's valuation of the experience gained within the Big 4 firms. However, the study does not find consistent evidence that the higher fees associated with Big 4 experience translate into higher audit quality. The premium is evident when these partners work for smaller audit firms but not for second-tier firms, suggesting that the Big 4 experience's perceived value is context-dependent. The results suggest that while the market values an audit partner's Big 4 background for the reputational and potential quality signals, Big 4 experience among non-Big 4 audit partners does not necessarily result in higher audit quality as compared to non-Big 4 audit firm partners.

Why is the study important?

The study sheds light on how the audit market values the experience of audit partners with Big 4 backgrounds when they work for non-Big 4 firms. By examining the association between Big 4 experience and audit fee premiums, as well as the impact on audit quality, the study provides insights into the perceived value of such experience in the broader accounting industry. This understanding is crucial for audit firms in shaping hiring practices, for companies in selecting auditors, and for regulators and policymakers in considering the factors that contribute to audit quality and market dynamics within the accounting profession.