

The Voluntary Review Decision of Quarterly Consolidated Financial Statements in Emerging Market: Evidence from Taiwan

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Abstract : This paper investigates the factors of whether firms' quarterly consolidated financial statements to be voluntary reviewed by auditor. To promote the information transparency, the Financial Supervisory Commission of Executive Yuan in Taiwan ruled the Taiwanese listed companies should announce the first and third quarterly consolidated financial statements since 2008 to 2012, while the Commission didn't require the consolidated financial statements should be reviewed by auditors. This is a very special practice in emerging market, especially in Taiwan. The valuable data of this period is suitable for us to research the determinants of firms' voluntary review decision in emerging markets. We collected the auditors' report of each company and each year of Taiwanese listed companies since 2008 to 2012 for our research samples. We use probit model to test and analyze the determinants of voluntary review decision of the first and third quarterly consolidated financial statements. Our empirical result shows that the firms whose first and third quarterly consolidated financial statements are voluntary to be reviewed by auditors have better ranking of information transparency, higher audit quality, and better corporate governance, suggesting that voluntary review is a good signal to firms' better information and corporate governance quality.

Keywords : voluntary review, information transparency, audit quality, quarterly consolidated financial statements

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