Audit Partners’ Political Beliefs and Financial Reporting Outcomes

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Abstract

We examine the relation between audit partner political ideology and firms’ financial reporting outcomes. Using manually collected data from the Federal Election Commission database, we find that audit partners’ liberal political ideology is associated with higher financial reporting quality. While we cannot attribute our results to a single personal trait, our findings suggest that several personal traits associated with liberal political ideology (e.g., broader stakeholder orientation, lower individualism, greater openness to change, and stronger propensity for complex analytical thinking) contribute to greater audit effectiveness of more politically liberal audit partners. Overall, the results lend empirical support to the notion that personal characteristics of audit partners matter to financial reporting outcomes and audit quality.

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