

# Big 4 Office Size and Audit Quality

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**ABSTRACT:** Larger offices of Big 4 auditors are predicted to have higher quality audits for SEC registrants due to greater in-house experience in administering such audits. We test this prediction by examining a sample of 6,568 U.S. firm-year observations for the period 2003-2005 and audited by 285 unique Big 4 offices. Results are consistent with larger offices providing higher quality audits. Specifically, larger offices are more likely to issue going-concern audit reports, and clients in larger offices evidence less aggressive earnings management behavior. These findings are robust to extensive controls for client risk factors and to controls for other auditor characteristics. While the evidence suggests audit quality is higher on average in larger Big 4 offices, we make no claims that audit quality is unacceptably low in smaller offices.

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