





Client Importance, Institutional Improvements, and Audit Quality in China: An Office and Individual Auditor Level Analysis

Shimin Chen; Sunny Y. J. Sun; Donghui Wu

[+ Author & Article Information](#)

The Accounting Review (2010) 85 (1): 127-158.

<https://doi.org/10.2308/accr.2010.85.1.127>

Views 	Share 	Tools 	Cite 
---	---	---	--

ABSTRACT: This study examines how the legal and regulatory changes in China affect the relationship between client economic importance and audit quality. At the individual auditor level, we find that the propensity to issue modified audit opinions (MAOs) is *negatively* correlated with client importance from 1995 to 2000. However, from 2001 to 2004, when the institutional environment became more investor-friendly, the propensity to issue MAOs is *positively* associated with client importance. These findings are corroborated by an analysis of regulatory sanctions. Although client importance measured at the office level is also negatively related to the propensity for MAOs from 1995 to 2000 without controlling for the auditor-level client importance, this result is sensitive to model specification and sample composition. Our results suggest that (1) institutional improvements prompt auditors to prioritize the costs of compromising quality over the economic benefits gained from important clients; and (2) the impact of client importance on audit decisions appears to be different at the individual auditor and office levels.

This content is only available via PDF.

American Accounting Association

You do not currently have access to this content.

Sign in

Don't already have an account? [Register](#)

Member Login

[Skip to Main Content](#)

Log in

Pay-Per-View Access
\$25.00

AAA Members: Please log in for free access to content. Note, Teaching Notes are a full member benefit and are not available to student members.

 [Buy This Article](#)



[View Metrics](#)

Citing Articles Via

Web Of Science (313)

Google Scholar

CrossRef (389)

Email Alerts

Article Activity Alert

Publish Ahead of Print Alert

New Issue Alert

[Information for Authors](#)

[Authorship Policy](#)

[Plagiarism Policy](#)

[Data Integrity Policy](#)

[Citing Corrected Articles Policy](#)

[Minimizing Overlapping Decision Rights Policy](#)

[Prior Publication Policy](#)



[Cookie Policy](#) [Accessibility](#) [Terms & Conditions](#) [Get Adobe Acrobat Reader](#)

© Copyright 1998 - 2025 American Accounting Association. All rights reserved.