

# A COMPARATIVE STUDY ON THE VARIOUS CRITERIA THAT ARE CONSIDERED BY ESTABLISHED COMPANIES IN MALAYSIA IN THE SELECTION OF AUDITORS

Prepared by: Sumithra Poornachandran

## ABSTRACT

---

Auditing exists because there is a separation of ownership from the control. It means that companies practice stewardship accounting where managers are appointed by owners (shareholders) to carry out the business operations. Shareholders will have doubt on the financial statements so auditors assure the quality and are required in companies. Another reason is its being a requirement of law.

In this research, the researcher wants to find out the companies' point of view of how they select their auditors. What are the criteria or aspects that are considered by companies in selecting their auditors? In this research study, the researcher identified nine criteria that would be considered by established companies in their selection of auditors. The criteria are:

- a. a. Reputation of the audit firm
- b. b. Friendship
- c. c. Quality of Audit & Non Audit Services
- d. d. Professional & Ethical Standards
- e. e. Auditors Independence
- f. f. Audit fees
- g. g. Compliance with legislation
- h. h. To fulfill shareholders / users request
- i. i. Auditors integrity and objectivity

The researcher used both primary data and secondary data to carry out this research study. Questionnaires were sent to companies. The researcher utilized the SPSS software to analyze the necessary data. To be more specific, the researcher used frequency distribution and for hypothesis testing, she used the Chi-Square test. After conducting all these tests, the researcher discovered that there is a relationship between the various criteria and the selection of auditors.

After conducting this research, the researcher found that companies' give high preferences to the reputation of the companies and do not give preferences to the qualification of the auditors.

Finally, the researcher hopes that this research will be useful for companies in choosing the audit firms, and also audit firms in improving their audit quality.