
Does level of CPA firm assurance affect investing decisions?

Arnold Schneider

Scheller College of Business

Georgia Institute of Technology, Atlanta, USA

Key words

Auditing, Investing

Abstract

This study examines whether the level of assurance associated with financial statements affects individual investing decisions. A between-subjects behavioral experiment is used with a control condition and three treatment conditions involving different levels of auditor assurance. Findings indicate that as the level of assurance progresses from none to compilation to review to audit, investors' perceptions of risk associated with the investment decrease. However, the type of audit firm association did not seem to influence the amounts that individuals were willing to invest.
