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Title: Does Firm Size Really Matter? Evidence from Going Concern Options for 1997 – 2015

Abstract:

In this paper, we investigate the relationship between audit firm size and quality of going concern opinions for financially distressed companies. Contrary to prior research, we find that the quality of going concern reporting is higher for Non-Big N firms compared to Big N firms. We compute historical Type I and Type II errors rates for Big N and Non-Big N firms for financially distressed companies from 1997 to 2015. We find that Type II error rates for Big N firms are higher (42%) and statistically different from the Non-Big N Firms (28%). In addition, we find that Type I error rates for Big N firms are higher than Non-Big N Firms. A lower Type II error for Non-Big N firms compared to Big N firms does indicate that Non-Big N firms more effectively control the quality of going concern decisions. These findings are contrary to the findings of the prior studies. Our study covers the entire set of companies' 10-K filings from 1997 to 2015 whereas prior research uses smaller samples and for shorter time periods. We are able to get the entire set of companies using SEEK iNF, a search engine developed by SeekEdgar and their pre-processed database of SEC Filings (https://www.seekedgar.com:8443/).