Research Proposal for NBER-Nielsen Data

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Title: Google Search and Audit Quality

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Research Question: Can Google Search Predict Audit Fees and Audit Quality?

Factors which affect audit fees and audit quality have long been investigated by accounting scholars.

The literature has shown that firms' managers and investors select their auditors based on various factors. Regardless of factors that affect firms' choices of their auditor, they would acquire information about their potential auditors from different sources before selecting them. The Internet has been an important information intermediary during the past two decades. Firms can acquire a lot of information about their potential auditor from the internet. Similarly, investors can acquire information about the auditor for their vote on auditor ratification. Hence, I predict to see a positive association between a number of Google searches for a specific auditor and audit fees (audit office size) in different geographical regions.

Meanwhile, the Internet has revolutionized job search and job application processes over the past two decades. Most jobs are only advertised online nowadays. Also, anecdotal evidence shows that one popular keyword in audit firm searches is "career". My prediction is that higher Google search volume implies more people are interested in working for that specific audit firms and therefore that firm will have a better talent pool to hire from. Hence, audit quality of that firm would increase in the regions which there is a high volume of Google searches.

Data:

Google search data will be obtained from trends.google.com (a sample is attached. It starts from 2004). Audit office data will be obtained from audit analytics and client firms' accounting data will be obtained from Compustat.

Nielsen data is required to map the zip codes with DMAs in Google Trends data.