

Research Centre, Faculty of Economics

is organizing a scientific - research seminar
on Wednesday, **24th April 2013** at **12:00 pm**
in the room **P-109** at the **Faculty of Economics Ljubljana**.

Presentation of an article:

“Does financial statement audit reduce the cost of debt of private firms?”

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This study examines the effect of audit on small private firms' cost of debt. We use a sample of 1,922 small private firms operating in the period 2006-2010 with optional financial statement audit. High-quality data allows us to construct a more precise interest rate measure than existing studies. Contrary to several existing studies we find a robust central result that voluntary audit increases rather than decreases the cost of debt financing. Only if the voluntary audit is performed by a Big4 auditor the cost of debt decreases. The origin of debt financing, term structure of loans and firm financial complexity also systematically affect the cost of debt. The results are not sensitive to the estimation method (OLS, tobit) and (sub-) sample selection. Additional analyses show that mandatory audits of private firms do not affect the cost of debt financing. Our results also indicate that results are sensitive to cost of debt definition and this might have affected the results reported in the existing literature.

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:
research.seminars@ef.uni-lj.si until Tuesday, 23.04.2013.

Welcome!