

# **Do Industry Specialist Auditors Add Value in Mergers and Acquisitions?**

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## **ABSTRACT**

This study examines whether the stock market returns surrounding announcements of mergers and acquisitions (M&A) are higher for acquiring firms audited by industry specialists. External auditors are uniquely positioned to provide assurance on the financial statements of their acquiring clients both before and after an acquisition. Also, an important aspect of due diligence in M&A transactions is the external auditor's review of the accounting records, financial statements, internal controls and information systems of the target company. Consistent with the idea that industry specialists provide higher quality assurance and possibly superior M&A advisory services, we find that the stock market returns are higher when acquiring firms are audited by industry specialists.

Keywords: role of industry specialist auditors, mergers and acquisition, market reaction, assurance services