



PROFESSIONAL ETHICS DILEMMA: THE ROLE OF CPA FIRMS IN M&A ACTIVITIES

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Abstract

This study investigates the role of accountants in merger and acquisition (M&A) transactions, focusing on acquirers' and targets' decisions to hire accountants, joint engagements with the same accountant, and the influence of high-quality CPA firms. The findings indicate that acquirers are more likely to hire accountants for larger deals, and such engagement is positively correlated with post-merger value. However, the quality of the accounting firm does not significantly impact this outcome. However, when target firms hire accountants, post-merger value tends to decrease, and this negative effect is greater when the accountant is from a Big 4 firm. Furthermore, when both the acquirer and target engage the same accountant, it is associated with lower post-merger value, and this negative effect is particularly significant when the shared accountant is from a Big 4 firm. Our descriptive evidence also highlights an interdependence in accountants' hiring decisions: targets are more likely to engage accountants if acquirers do not. When acquirers do hire accountants, targets have a strong preference for Big 4 firms. Our findings have significant implications for studies on M&A and professional ethics.

Keywords: The Role of CPA Firm, M&A, the Same Accountants, Due Diligence Care, Professional Ethics.

INTRODUCTION

Certified Public Accounting (CPA) firms play a crucial role in mergers and acquisitions (M&A) by providing assurance, attestation, and financial due diligence services that help stakeholders make informed decisions. Their primary aim is to ensure that financial disclosures are reliable, risks are identified, and the overall transaction complies with relevant accounting standards and regulatory requirements (Ellahie et al., 2025; Thanos & Papadakis, 2012; Meglio & Risberg, 2011). Through these services, CPA firms serve as trusted intermediaries, safeguarding the interests of both acquiring and target firms while enhancing the transparency of the transaction process.

The significant contribution of CPA firms in M&A lies in their financial due diligence. This process involves analyzing the target company's financial health, uncovering contingent liabilities, and assessing earnings quality to determine if the acquisition price accurately reflects the firm's value (Sacek, 2015; Golubov et al., 2012). By examining working capital adjustments, revenue recognition practices, and off-balance-sheet obligations, CPAs reduce information asymmetry between the parties involved. This risk-focused approach not only protects the acquirer but also reinforces overall market confidence in M&A activities (KPMG, 2022; McKinsey & Company, 2024). In addition to due diligence, CPA firms also assist with tax structuring and compliance in M&A transactions. Their expertise allows clients to evaluate the tax implications of various deal structures, such as asset versus stock purchases, and to mitigate risks related to deferred tax liabilities, transfer pricing, and cross-border transactions (Stolarek, 2003; De Oliveira Neto, 2021).

The involvement of CPA firms in transactions presents significant ethical challenges that need to be addressed. Research shows that conflicts of interest can arise when both parties use whatever the same CPA firm or different firms, which can threaten objectivity and undermine



the quality of assurance services (Ruiz-Barbadillo et al., 2009; Deliu & Olariu, 2023; Beattie & Fearley, 2002). During these important transactions, professional ethics, such as independence, integrity, and objectivity, must be carefully evaluated when considering whether to engage a CPA firm and how to choose a CPA firm, especially in mergers and acquisitions (Allen, 2018; Gunther, 1979). Additionally, real-world evidence supports these concerns. Over the past decade, the U.S. Securities and Exchange Commission (SEC) has penalized several CPA firms for misconduct and audit failures related to mergers and acquisitions (M&A). These penalties have affected different tiers of CPA firms involved in various M&A assurance services, including acquisition accounting, risk identification, and reliability assurance. These cases have highlighted the ongoing challenges of maintaining independence and integrity in high-stakes transactions. For example, Ernst & Young faced significant sanctions in 2022 due to audit failures that compromised the reliability of financial reporting during business combinations (U.S. SEC, 2022 June). Similarly, KPMG admitted to altering audit documents related to acquisitions, which resulted in a \$50 million penalty in 2019 (U.S. SEC, 2019 May). Grant Thornton LLP was charged in 2015 for ignoring red flags in audits of companies involved in acquisitions (U.S. SEC, 2015 Dec). In the case of Colonial Bank, PwC faced penalties of \$339 million in 2019 after auditors failed to identify risks associated with business combination accounting, particularly concerning the valuation of assets acquired during the bank's expansion efforts (Reuters, 2019 March). These cases highlight the importance of examining failures in professional conduct during M&A activities, as they can erode market confidence. These enforcement actions showed that ethical failures in the accounting profession reflect systemic issues rather than isolated incidents. Common problems include conflicts of interest, inadequate due diligence in acquisition accounting, and lapses in auditor independence, all of which weaken investor confidence in M&A markets. The SEC's penalties against CPA firms for misconduct emphasize that professional ethics are a critical concern. As mergers and acquisitions become increasingly complex, it is essential for CPA firms to prioritize independence, transparency, and due diligence in order to safeguard the interests of acquirers and the broader market. In today's financial landscape, ethical accountability has become a fundamental expectation for CPA firms.

In summary, CPA firms play a crucial role in merger and acquisitions (M&A) transactions by offering essential services such as financial expertise, risk assessment, tax planning, and compliance assurance. However, ethical dilemmas, such as dual engagements, highlight the need for regulatory oversight and professional standards to ensure trust and fairness in the capital markets. By balancing technical skills with ethical safeguards, CPA firms help maintain the credibility and effectiveness of M&A activities.

Our study firstly provides important insights into the role of Certified Public Accountant (CPA) firms in mergers and acquisitions (M&A) transactions, focusing on their involvement in the accounting function. Our findings indicate that hiring a CPA firm as an external accountant by the acquiring firm has a positive and significant impact on the post-merger firm's value. In contrast, if the target firm engages a CPA firm in an accounting role, this engagement tends to have a negative effect on post-merger value. This finding suggests that these engagements may introduce costs or frictions that outweigh any potential benefits. Overall, our results emphasize that the choice of CPA firms for accounting functions is a critical factor influencing M&A outcomes, with varying effects depending on which party, like the acquirer or the target, is interested in the engagement. Additionally, we performed further analysis to explore whether the quality of the CPA firm, which is differentiated by whether they are a Big Four or a non-Big Four firm, affects this relationship. The evidence indicates that, for acquirers, hiring a higher-quality CPA firm does not result in a statistically significant improvement in post-



merger value, suggesting limited additional benefits. However, for target firms, engaging in a higher-quality CPA firm is related to a significant negative impact on post-merger value, likely due to the increased service costs incurred during the transaction process. These findings imply that the benefits of hiring higher-quality CPA firms are not uniform across all participants in the transaction, highlighting that cost considerations are crucial in determining the net impact on firm value.

This study further investigates the effects of acquirers and target firms using the same Certified Public Accountant (CPA) firm for accounting functions during mergers and acquisitions (M&A). By analyzing this specific governance choice, we found that such arrangements have a negative impact on post-merger firm value. These findings can be explained by structural hole theory and dual agency theory. When both parties rely on the same CPA firm, the independence and objectivity of the accountant may be compromised, reducing the firm's ability to bridge informational gaps. Consequently, the expected value creation from professional expertise may be declined by conflicts of interest and reduced monitoring effectiveness. Additionally, our results show that this negative effect is intensified when the CPA firm involved is of higher audit quality, particularly in cases with Big Four firms. Although Big Four firms are generally associated with superior professional competence and credibility, their dual engagement in this context appears to heighten agency concerns and increase the risk of compromised independence. Finally, post-merger value experiences a more significant decline when both the acquirer and the target use the same high-quality CPA firm. These results emphasize the importance of not only selecting a CPA firm but also considering whether both parties in the transaction use the same firm, as this decision has substantial implications for M&A outcomes.

Additionally, our descriptive results showed the inherent dynamics involved in how acquirers and target companies select accountants based on each other's decisions. The correlation analysis indicates that larger target firms are significantly associated with higher transaction and completion values. The hiring decisions between acquirers and targets appear to follow game dynamics. Specifically, acquirers are more likely to engage Big 4 firms for higher-value transactions, reflecting a preference for high-quality accountants in large deals. However, when targets independently choose accountants, acquirers seem less concerned about accountant quality. In these cases, targets tend to compensate by selecting Big 4 firms if the acquirers do not hire one. On the other side, there is a strong positive association between the choices of Big 4 firms by both acquirers and targets, suggesting mutual reinforcement in selecting higher-quality accountants. Finally, the decision to engage the same accountant is more likely when both parties hire accountants, particularly when Big 4 firms are involved. Overall, these findings highlight the dynamic and reciprocal nature of accountant hiring decisions in M&A transactions.

Our study significantly contributes to accounting literature by systematically examining the role of Certified Public Accountant (CPA) firms in mergers and acquisitions (M&A) transactions. This area has received relatively little attention, despite its critical relevance to transaction quality and post-merger value outcomes. Previous research has explored how accounting firms, particularly those with auditing expertise, act as advisors in M&A settings. It has also examined how the accounting quality of target firms influences structuring, timing, and completion of transactions (Marquardt & Zur, 2015; Bilinski & Yim, 2022). However, the specific implications of the consequences of hiring the CPA firm from each side, acquirer or target, including the moderating effect of audit quality, as well as the consequences of hiring the same CPA firm for both the acquirer and the target, including the moderating effect of audit



quality in this engagement, have not been extensively investigated. Our findings address this important gap in research by providing new insights into the consequences of choosing a CPA firm from the perspectives of both the acquirer and the target firm. Additionally, we analyze whether selecting the same CPA firm for both parties affects the value outcomes. These conclusions are further reinforced when the chosen CPA firm is known for maintaining high audit quality. This enhances our theoretical understanding of auditor independence in the context of mergers and acquisitions (M&A).

Our research significantly contributes to the literature on professional ethics by enhancing the understanding of how Certified Public Accountant (CPA) firms influence ethical dynamics in mergers and acquisitions (M&A) transactions. The involvement of CPA firms in these high-stakes corporate events raises complex issues related to independence, objectivity, and conflicts of interest, particularly when both the acquiring and target firms use the same CPA firm. While existing literature has primarily focused on ethical behavior in areas such as tax compliance, whistleblowing, and ethics education for accountants (Misiewicz, 2007; Shawver & Clements, 2016; Fuller & Shawver, 2020), there has been significantly less attention given to the role of professional ethics in M&A contexts. By examining how the engagement of CPA firms can impact post-merger outcomes, our study establishes a direct connection between ethical considerations and value creation. Our findings indicate that professional ethics extends beyond mere individual moral judgment; it is also a structural issue shaped by organizational decisions and market dynamics. Additionally, our evidence suggests that high-quality audit CPA firms may intensify ethical tensions when jointly engaged by both parties. This highlights the necessity of reevaluating assumptions regarding independence, neutrality, and the public interest in professional practice. Therefore, our research broadens the scope of professional ethics literature beyond traditional domains, positioning CPA involvement in M&A as a critical intersection of ethical principles, strategic decision-making, and financial performance.

LITERATURE REVIEW

Research on Certified Public Accountant (CPA) firms in the context of mergers and acquisitions (M&A) has emerged across various interdisciplinary fields, including accounting, finance, auditing, and corporate governance. Overall, these studies recognize that CPA firms, whether acting as accountants, advisors, or both, play a critical role in shaping the processes and outcomes of M&A transactions. CPA firms' involvement influences the efficiency of deal execution, helps mitigate information asymmetries, and affects the post-merger performance of the combined entity. Furthermore, the involvement of CPA firms raises significant questions about independence, conflicts of interest, and professional ethics, making the study of their role both practically important and theoretically valuable. The current conclusions indicate that CPA firms can facilitate information flow, signal quality, and enhance credibility. However, their participation may also delay transactions, introduce ethical risks, and impose costs that could negatively affect value creation.

One line of the studies explored CPA firm involvement in M&A transactions by examining the effectiveness of reducing information asymmetry, especially when the acquirer and target firms shared CPA firms in the transaction. The findings indicate that involvement can provide benefits by reducing information asymmetry and enhancing efficiency. Cai et al. (2016) concluded that acquisitions involving shared auditors are often linked to higher abnormal returns around the announcement of the deal. The paper argues that a shared auditor functions as an information intermediary, bridging the informational gaps between the two parties, which reduces uncertainty and improves investor perceptions. Zhang et al. (2009) indicate that,



generally, employing an accounting firm in M&A transactions does not significantly impact the post-merger firm's value. However, when both parties select one of the Big Four international accounting firms, this decision has a significant positive impact on the post-merger firm's value. All these findings indicate that the involvement of CPA firms, particularly shared CPA firms, can play a beneficial role, especially in situations marked by complexity and information asymmetry. The ethics of CPA firms' role is important in the context of transactions, particularly from the perspective of information asymmetry.

Another area of literature explores the role of CPA firms in financial reporting and disclosures during mergers and acquisitions (M&A). Research indicates that CPA firms enhance transparency through key disclosures, such as Key Audit Matters (KAMs). Nysten et al. (2025) found that M&A-related KAM disclosures are more common in larger transactions or those characterized by high information asymmetry. Significantly, these disclosures are linked to poorer post-merger performance, an increase in goodwill impairments, and a rise in CEO turnover. This suggests that the CPA firm's services, like risk assessments, when disclosed, serve as warning signals to stakeholders about the inherent challenges of the transaction. In this literature, the research also addresses the risks associated with non-audit services (NAS) during mergers and acquisitions (M&A). These studies indicate that offering such services can lead to a higher recognition of goodwill in the year of acquisition. However, it may also increase the likelihood of subsequent impairments or financial restatements (Carmenate, 2017). These findings raise concerns about auditor independence, as providing accounting services alongside auditing could create conflicts of interest and compromise professional judgment. The role of CPA firms in M&A involves ethical risks related to financial reporting and disclosure.

Some Existing literature also examines some specific roles of the CPA firm in M&A and its impact on the deal process and its outcomes. For example, Some existing literature examines the specific roles of CPA firms in mergers and acquisitions (M&A) and their impact on the deal process and outcomes. Carnes (2025) demonstrates that auditors adjust their efforts and fees during periods of high merger activity, which indicates that they apply increased scrutiny during these times. This suggests that CPA firms respond dynamically to changes in the external environment, striving to balance their monitoring role with their resource limitations. However, this heightened scrutiny does not always yield positive results. It can lead to longer deal completion times, increased costs, and more conservative judgments, which may reduce efficiency and, in some cases, undermine value creation. Therefore, the literature consistently highlights the tension between the benefits of enhanced assurance and the costs associated with additional scrutiny. Similar related research focuses on auditor expertise of CPA firms' role in M&A contexts. Gal-Or et al (2022) demonstrate that auditors of CPA firms with specialized expertise in mergers and acquisitions (M&A) reduce the likelihood of misstatements, particularly in industries known for their accounting complexity. These findings indicate that audit quality is not uniform; the advantages of CPA firm's auditor involvement are contingent on the specific expertise and capabilities of the CPA firm. However, the research also highlights negative impacts. Higher audit quality often comes with increased service fees and a more conservative approach to judgment, which can limit managerial discretion and lead to higher transaction costs. These types of studies believe that the role of CPA firms are dual, as both facilitators of information flow and sources of additional costs or delays, emphasizes the importance of contextual factors such as deal size, industry, and regulatory environment.

Although there has been exploration into the role of CPA firms and their impact on various M&A performances such as deal completion, deal time and cost of transactions, several research gaps remain. First, many existing research focuses on market reactions and the



probabilities of deal completion, but there is less attention on the longer-term impact of CPA involvement on the value of firms after mergers. Second, there is limited differentiation between the roles of CPA firms hired by the acquirer versus those hired by the target. These roles may have asymmetric effects, as acquirers typically drive the transaction, while targets face a greater risk of opportunism or undervaluation. Third, although research on shared auditors has increased, fewer studies specifically investigate the situation in which both the acquirer and target hire the same CPA firm. This scenario raises unique ethical and independence issues. Fourth, while audit quality is recognized as a moderating factor, the interaction between high audit quality, such as that provided by the Big Four, and dual engagement has not been thoroughly examined. Lastly, the ethical dimension of CPA involvement in mergers and acquisitions remains underexplored. Although concerns about independence and conflicts of interest are acknowledged, few studies explicitly address these issues in the context of professional ethics or codes of conduct, creating a significant gap at the intersection of accounting practice and ethical theory at the firm level.

In conclusion, this study aims to address existing gaps in the literature by providing robust evidence on the role of CPA firms in M&A transactions from an ethical standpoint at the firm level. By examining how the selection of accounting firms, specifically through each side's choice, dual engagements, and high-audit-quality providers, affects post-merger outcomes, this research deepens our understanding of professional ethics, independence, and agency issues in high-stakes corporate transactions. The findings are intended to contribute to both accounting and ethical literature, demonstrating how decisions related to accountant engagement at the firm level influence not only financial performance but also ethical practices in M&A activities.

Hypothesis Development

In mergers and acquisitions (M&A), the involvement of Certified Public Accounting (CPA) firms is a critical strategic decision that significantly influences post-merger outcomes. These firms provide essential services, including rigorous financial due diligence, accurate valuation, and strategic integration support, which are fundamental to realizing projected synergies and mitigating financial risks (Ma et al., 2011; Overcash, 2010; Deloitte, 2016; Gunther, 1979). Their specialized knowledge extends to tax law, enabling the design of tax-efficient transaction structures that minimize liabilities and preserve deal value (Magistral Consulting, 2024). The expertise from the CPA firm will contribute to the post-merger value if the acquirers earned the supports from these CPA firms.

Empirical literature reinforces the value of CPA firms involvement, linking their involvement to enhanced financial reporting quality and a reduction in the information asymmetry that typically increases post M&A transactions value. Enhancing the reliability of information is crucial for achieving better performance after a merger (Boeh, 2011; Doe, 2019). Furthermore, during the critical phase, CPA firms are instrumental in harmonizing the financial systems, policies, and reporting frameworks of the merged entities. This alignment is crucial for enhancing operational efficiency and minimizing disruptive transitional costs, which also result in positive post-M&A value for the acquirers (Magistral Consulting, 2024).

Theoretical frameworks have provided the strong foundation for understanding the relationship between acquiring firms and their hired CPA firms. The Resource-Based View (RBV) suggests that firms can achieve a sustainable competitive advantage by utilizing resources that are valuable, rare, and difficult to imitate (Barney, 1991). The expertise and reputation of a CPA firm are valuable resources that enhance acquirers' capabilities in assessing and integrating target companies. Additionally, Agency Theory highlights the role of CPA firms as independent



experts who help reduce agency costs. These CPA firms also can act on behalf of shareholders to monitor management and ensure that acquisitions are based on reliable, verified information. This oversight minimizes the risk of overpayment and helps prevent value destruction that can occur due to information asymmetry between principals and agents (Jensen & Meckling, 1976).

In summary, we argue that hiring CPA firms by the acquirer will positively influence post-M&A value due to the expertise of the CPA firms as valuable external resources, reliance on qualified assurance services, and a reduction in information asymmetry. We propose the following hypothesis:

Hypothesis 1: The hiring of a CPA firm by the acquirer has a significant positive impact on post-merger value.

In mergers and acquisitions (M&A), Certified Public Accounting (CPA) firms play a crucial role by providing essential services such as financial due diligence, valuation, and compliance reviews. These services supply acquirers with the foundational information necessary for decision-making. While Big Four firms are often associated with higher audit quality and reputational advantages (Eshleman & Guo, 2014; Che et al., 2020), their premium services can lead to increased transaction costs without delivering proportionate improvements in post-merger performance. From a cost–benefit perspective, once the basic informational needs of the acquirer are satisfied, higher levels of service quality often led to decreasing returns in value creation. As a result, whether a CPA firm is a Big Four or a non-Big Four entity may not significantly impact the value realized after a merger or acquisition.

Hypothesis 2: The acquirer's choice of a Big 4 CPA firm in M&A had no significant impact on post-merger value.

In mergers and acquisitions (M&A), the involvement of Certified Public Accounting (CPA) firms by the target company adds a complex element to post-merger value creation. According to transaction cost theory, governance structures and third-party monitoring mechanisms can reduce opportunism. However, these measures also result in higher transaction costs because of added service fees, extended negotiations, and unnecessary verification processes (Williamson, 1981; Coase, 2003). When a target firm engages a CPA firm, the assurance services are primarily aligned with the interests of the target's shareholders and management, often aimed at maximizing the sale price and minimizing post-transaction liabilities (Angwin, 2001). This misalignment can lead to increased costs for the acquirer, including extended due diligence processes with integration, which may reduce the net value of the deal.

From the perspective of agency theory, CPA firms hired by the target company may help reduce information asymmetry for the seller. However, they do not necessarily do the same for the buyer. Their primary focus is on validating financial statements to safeguard the interests of the target's principals, rather than providing information that would enhance value for the acquirer (Jensen & Meckling, 2019). As a result, the services might overlap or conflict with the acquirer's CPA services, resulting in inefficiencies and increased transaction costs (Angwin, 2001).

Existing empirical research indicates that while professional assurance services enhance transparency, their excessive use or misaligned incentives can lead to high service costs and decreased deal efficiency (Hayward & Shimizu, 2006; Angwin, 2001). Furthermore, having multiple CPA firms representing both the buyer and seller has been linked to slower deal completion and poorer post-merger performance due to negotiation frictions and added complexity (Walsh & Ellwood, 1991). These findings indicate that when CPA firms primarily represent the target firm, the additional costs and barriers they impose surpass their

informational advantages to the acquirer, ultimately decreasing post-merger value creation. Based on these theoretical and empirical insights, we proposed the following hypothesis:

Hypothesis 3: The hiring of a CPA firm by the target firm has a significant negative impact on post-merger value.

Hiring a CPA firm by the target company can lead to increased transaction costs and inefficiencies for the acquiring company, especially if the target selects one of the Big 4 accounting firms. These firms are known for their comprehensive procedures, high fees, and extensive service offerings, which may necessitate stricter reporting requirements, additional assurance, and longer review periods (Manoel et al., 2025). Regarding transaction cost economics, the increased scope and costs related to these services can exacerbate inefficiencies, extend negotiations, and elevate overall transaction costs (Williamson, 1981). Finally, the negative impact on post-merger value is expected to be greater when the target firm engages a Big 4 CPA firm instead of a smaller, non-Big 4 firm. We proposed the hypothesis as below:

Hypothesis 4: The negative impact of hiring a CPA firm by the target company on post-merger value is greater when the target firm hires a Big 4 accounting firm compared to a non-Big 4 firm.

Having the same Certified Public Accounting (CPA) firm by both the acquiring and target companies in mergers and acquisitions (M&A) presents a potential conflict of interest that could compromise the independence and effectiveness of assurance services. Similar situations have been explained through dual agency theory, which has been thoroughly studied in the real estate industry. In real estate transactions, a dual agent represents both the buyer and the seller, which creates conflicting obligations as the agent cannot fully promote the best interests of both parties at the same time (Gardiner et al., 2007; Kadiyali et al., 2014). Prior research in real estate markets has found that dual agency often leads to biased advice, weakened negotiation power, and less favorable pricing outcomes for at least one party (Zumpano et al., 1996; Rutherford et al., 2005). Following these previous studies, it is evident that in mergers and acquisitions (M&A), having the same CPA firm represents both the target company and the acquiring company could compromise the quality of due diligence and valuation. This situation leads to biased information flows, which may negatively affect the post-merger value.

On the other side, structural hole theory (Holes, 1992) also provides valuable insight into the negative effects of shared CPA firms. The theory suggests that value creation in networks is maximized when actors facilitate information flow between otherwise disconnected individuals. When a CPA firm serves both the acquirer and the target, it eliminates the structural gap that typically exists between these two parties. This situation decreases the advantages of independent verification and diverse viewpoints. Rather than bridging information gaps, the CPA firm becomes part of both networks, which can lead to reduced scrutiny, obscure opportunistic behavior, and ultimately negative transparency. (Reuer & Devarakonda., 2017). In M&A, the lack of independence can increase the risks of overvaluation, misaligned integration expectations, and a higher likelihood of value destruction.

Following the findings from dual agency theory in real estate transactions and structural hole theory, it is suggested that shared CPA engagements significantly increase the risks of inefficiencies, opportunism, and compromised decision-making in mergers and acquisitions (M&A). These factors result in the likelihood of negative outcomes, particularly regarding the realization of value after a merger. Therefore, we proposed the hypothesis as follows:

Hypothesis 5: The negative impact on post-merger value is significant when both the target firm and the acquirer hire the same CPA firm



The selection of the same CPA firm by both the acquirer and the target in merger and acquisition (M&A) transactions raises concerns about potential conflicts of interest and the crucial matter of auditor independence. These issues are particularly significant when the CPA firm is one of the prestigious Big 4 accounting firms, known for their vast client portfolios and formidable presence in the global market. Prior research has shown that having common auditors can enhance the flow of information between parties. However, the benefits of these relationships are not shared equally. Empirical evidence found the issue: acquirers frequently receive a disproportionately large share of these advantages, putting target firms at a disadvantage. This imbalance creates a significant barrier to overall value creation (Bedford et al., 2023). Furthermore, the inherent characteristics of the Big 4 firms increase these risks. With considerable market power and well-established professional networks, Big 4 firms are often driven by strong economic incentives to protect profitable client relationships. This reality can sometimes overshadow their duty to provide comprehensive and unbiased assurance, raising questions about their commitment to true independence (Cook et al., 2023; Adams et al., 2021). These dynamics indicate that the negative consequences of the same CPA firm being hired by both sides for post-merger value are significantly increased when the CPA firm is one of the Big 4 firms. We proposed the hypotheses as follows:

Hypothesis 6: The negative effects of hiring the same CPA firm for both parties in M&A are much greater when that firm is one of the Big 4 accounting firms.

METHODOLOGIES

Samples Collection

Our paper extracted completed mergers and acquisitions (M&A) transactions from 1992 to 2007 from the FactSet database. We collected a total of 2,207 transactions, specifically focusing on transactions where the acquiring firms were publicly listed on the New York Stock Exchange (NYSE) or Nasdaq. The target firms included both public and private companies. We noted that after 2007, the involvement of many accounting firms in these transactions became unclear or was not reported in the database. For example, we found there were 9,512 M&A transactions in 2014 in the database. However, there were four transactions where the acquirer disclosed the accountant, and one transaction where the target firm disclosed the accountant. Therefore, Our dataset is limited to the year 2008. Finally, we excluded the transactions with missing completion values, resulting in a final dataset of 2,172 M&A transactions.

Variables and Models

The dependent variable, post-merger performance, is measured by Enterprise Value at Completion. We applied Enterprise Value at Completion (EVC) as the measure of post-merger performance because it reflects the final, realized cost of acquiring a target firm, including adjustments made up until the deal's completion. Unlike the initially announced transaction value, which is based on preliminary estimates at the time of the announcement, EVC incorporates the target company's final balance sheet position, including the equity price, debt, cash, and other relevant assets or liabilities. This makes EVC a more reliable indicator of the actual resources expended by the acquiring firm.

In the FactSet M&A database, EVC is defined as the final transaction value of a deal. It includes the purchase equity price, the target company's assumed debt, minus its cash and equivalents, while accounting for any other relevant liabilities or assets at the time the deal is finalized. This measure represents the total cost an acquirer would pay to purchase a company and offers a comprehensive valuation of the acquisition (FactSet).

Using enterprise value as a benchmark has been prevalent in previous M&A research. Enterprise value captures the economic worth of a firm independently of its capital structure, making it a more comprehensive valuation measure than equity value alone (Damodaran, 2012). In M&A contexts, focusing on EVC enables us to analyze post-merger performance in terms of the full cost of acquisition, which has significant implications for acquirer returns, integration outcomes, and overall value creation (Bruner, 2004; Martynova & Renneboog, 2008). Since EVC incorporates the target's financial position at the time of completion, it provides a more accurate reflection of the actual price paid. Therefore, it should be considered a robust dependent variable in the study of merger outcomes.

We applied the transaction value in the database as one of the control variables. Transaction value refers to the announced deal value at the time of a merger or acquisition announcement. It is typically calculated as the base equity purchase price plus the target's net debt, which includes both short- and long-term interest-bearing debt minus cash and cash equivalents at the time of the announcement (FactSet).

This transaction value provides an initial estimate of the acquisition cost. However, it may not fully represent the final financial position of the target, as adjustments, changes in debt or cash, or renegotiations may occur before closing. Transaction value was chosen to be a control variable to consider deal size (Moeller, Schlingemann, & Stulz, 2004), balance initial market expectations, and mitigate endogeneity (Wooldridge, 2010). The variable ensures that the analysis of post-merger performance, measured by Enterprise Value at Completion (EVC), accurately reflects actual variation attributable to the merger rather than differences in the transaction amounts announced. Table 1 presents all variable definitions and descriptions.

Table 1: Variables and Description

Variables	Definition	Description
<i>EVC</i>	Enterprises Value at Completion	the natural logarithm, the finalized deal value when the transaction is completed. Incorporates the actual equity price paid, assumed debt, and cash on the target's balance sheet at closing, as well as other relevant adjustments (FactSet)
<i>TV</i>	Transaction Value	the natural logarithm, the announced deal value at the time of the merger or acquisition announcement. Typically calculated as the base equity purchase price plus the target's net debt (short- and long-term interest-bearing debt less cash and equivalents) at announcement.
<i>Year</i>	Announcement Date	The year of the Transaction
<i>TargetSize</i>	Target company's total assets	The natural logarithm of the total assets of the Target company
<i>Industry</i>	The acquirer's industry	SIC code
<i>NoAcquirerAcct</i>	The acquirer's accountant	Dummy variable, 0- accountant hired, otherwise the value is 1
<i>AcquirerAcctBig4</i>	Whether the acquirer's accountant is from one of Big 4 accounting firms	Dummy variable, 0-acquirer's accountant is none of Big 4 accounting firms, otherwise the value is 1
<i>NoTargetAcct</i>	Target company's accountant	Dummy variable, 0- accountant hired, otherwise the value is 1

<i>TargetAcctBig4</i>	Whether the target company's accountant is from one of Big 4 accounting firms	Dummy variable, 0-target company's accountant is none of Big 4 accounting firms, otherwise the value is 1
<i>SameAcct</i>	The target company and the acquirer chose the same accountant	Dummy variable, 0-choosing different accountants, otherwise the value is 1
<i>SameAcctBig4</i>	Whether the target company and the acquirer chose the same accountant, who is from one of Big 4 accounting firms	Dummy variable, 0-target company and the acquirer chose the same Big 4, otherwise the value is 1

The research model is as follows:

$$EVC_{i,t} = \alpha + \beta_1 TV_{i,t} + \beta_2 TargetSize_{i,t} + \beta_3 AcctType_{i,t} + Instutry + Year + \varepsilon$$

Note: M&A transaction *i* in *t* year

EMPIRICAL RESULTS

Descriptive analysis

Figure 1 shows a comparison between acquirers that hired external accountants and those that did not during merger and acquisition (M&A) transactions. On average, only 5% of acquirers chose not to hire accountants each year, with the highest percentages observed in 1996, 2001, and 2006, reaching about 9%. These results indicate that acquirers generally prefer to engage certified public accounting (CPA) firms for accounting roles in M&A activities.

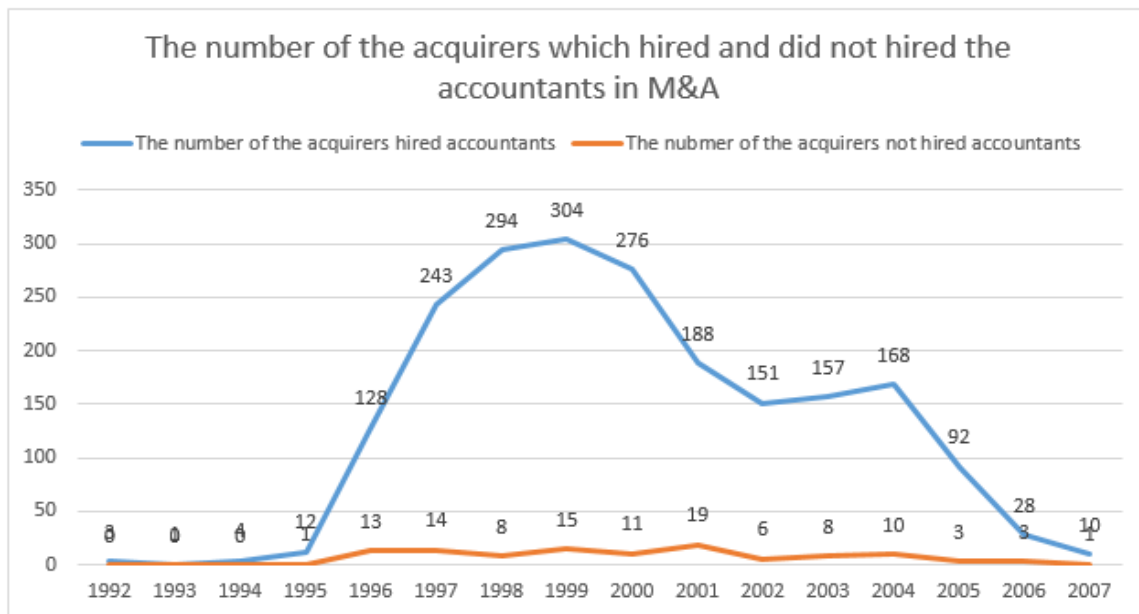


Figure 1: The comparison between the number of acquirers that hired and did not hire accountants in M&A

Figure 2 compares acquirers that employed Big 4 CPA firms with those that chose non-Big 4 CPA firms. On average, 81% of acquirers hired Big 4 CPA firms in each year; however, this percentage declined over time, dropping to approximately 70% by 2007. These findings suggest that while there is a consistent preference for Big 4 CPA firms in M&A transactions, there is a slight downward trend observed toward the end of the sample period.

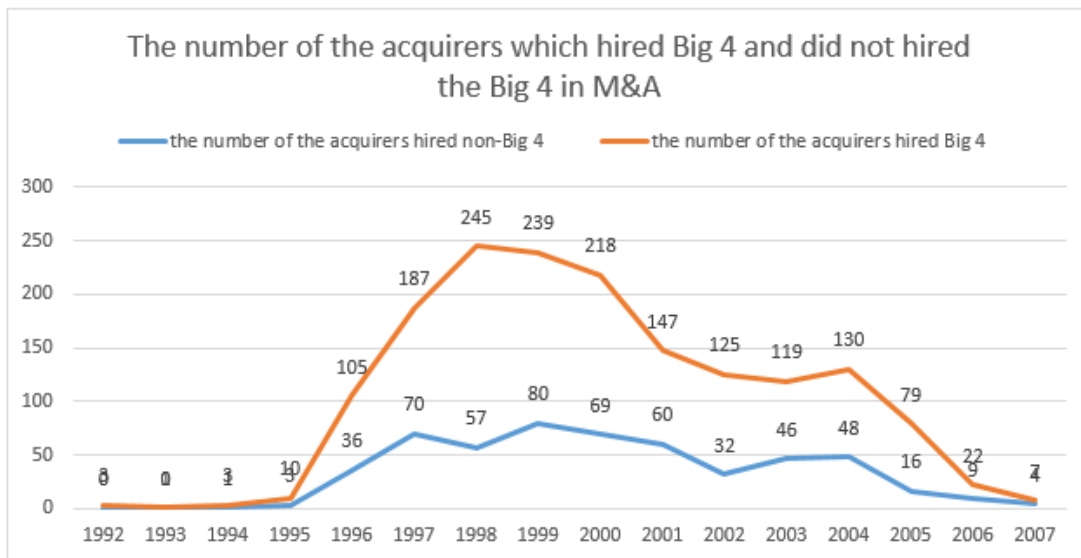


Figure 2: The comparison between the number of acquirers that hired Big 4 and did not hire Big-4 in M&A

Figure 3 presents the comparison between target companies that hired external accountants and those that did not during merger and acquisition (M&A) transactions. On average, 24% of target companies chose not to engage accountants in each year, with the highest percentage reaching approximately 43% in 2005. The results also show that the trend of not hiring accountants followed a bell-shaped curve, peaking in 2000. Following this peak, there was a significant decline, indicating that target companies showed a decreased preference for hiring CPA firms as accountants.

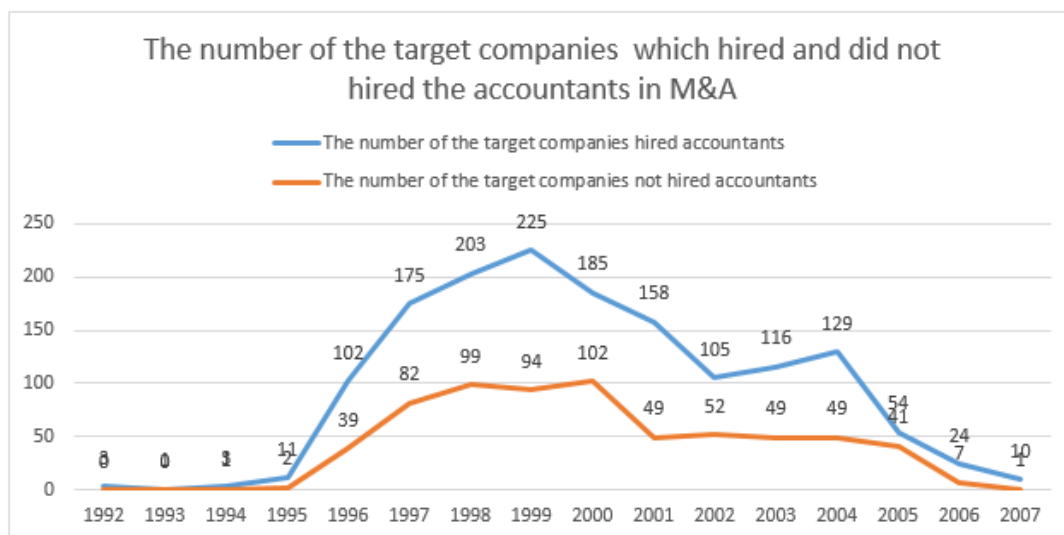


Figure 3: The comparison between the number of target companies that hired and did not hire accountants in M&A

Figure 4 compares target companies that engaged Big 4 CPA firms with those that used non-Big 4 CPA firms in M&A transactions. On average, 58% of target companies choose Big 4 CPA firms each year. Furthermore, this percentage has shown a consistent upward trend over time, indicating that target companies increasingly prefer to hire Big 4 CPA firms for their M&A activities.

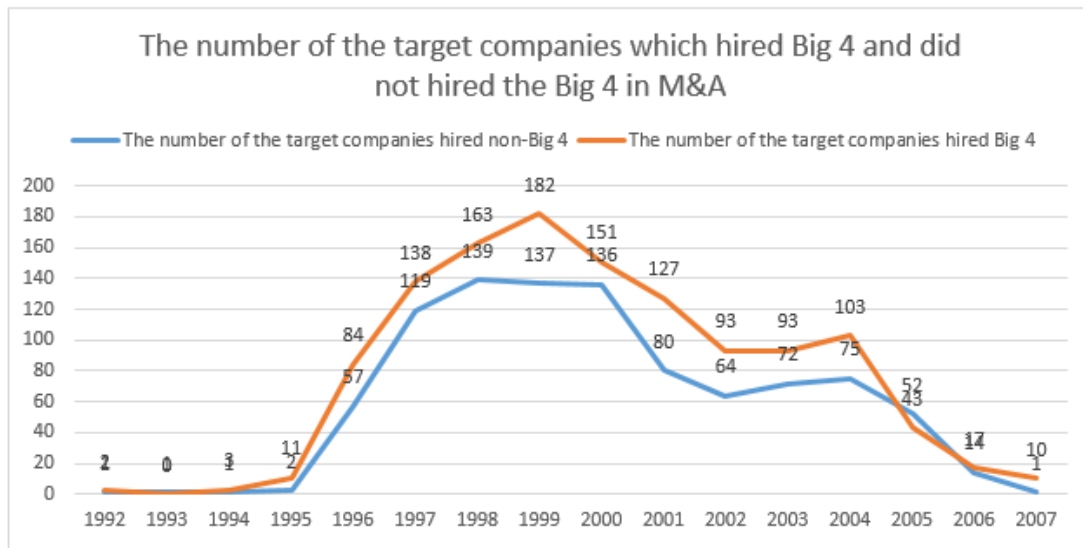


Figure 4: The comparison between the number of target companies that hired Big 4 CPA firms and hired other accountants in M&A

Figure 5 compares transactions in which both the acquirer and the target company engaged the same accountant with those in which they did not during merger and acquisition (M&A) transactions. Within the sample, 363 transactions involved both parties selecting the same accounting firm. On average, 19% of target companies engaged the same accountant as the acquirer in a given year, with the highest proportion reaching approximately one-third in 1992 and 2007. Overall, the results indicate that the tendency to employ the same accountant remained relatively stable at around 20% throughout the sample period.

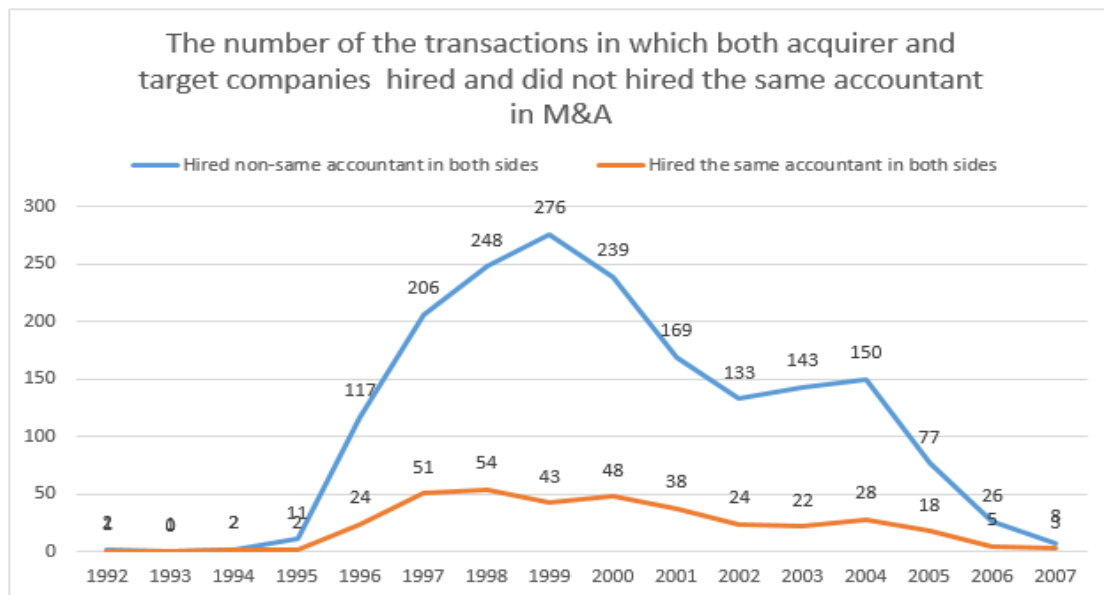


Figure 5: The comparison between the number of transactions in which both sides hired the same CPA firms and hired a different CPA firm in M&A

Figure 6 compares transactions in which both the acquirer and the target company hired the same Big 4 CPA firm with those in which they did not during merger and acquisition (M&A) transactions. Of the 363 transactions in which both parties selected the same accountant, 317

involved a Big Four firm. On average, 84% of target companies hired the same Big 4 firm as the acquirer each year when both sides chose the same accountant, with the proportion reaching nearly 100% in 1992, 1994, 1995, and 2007. The results further showed a U-shaped pattern in this tendency, with the lowest levels observed between 2000 and 2003.

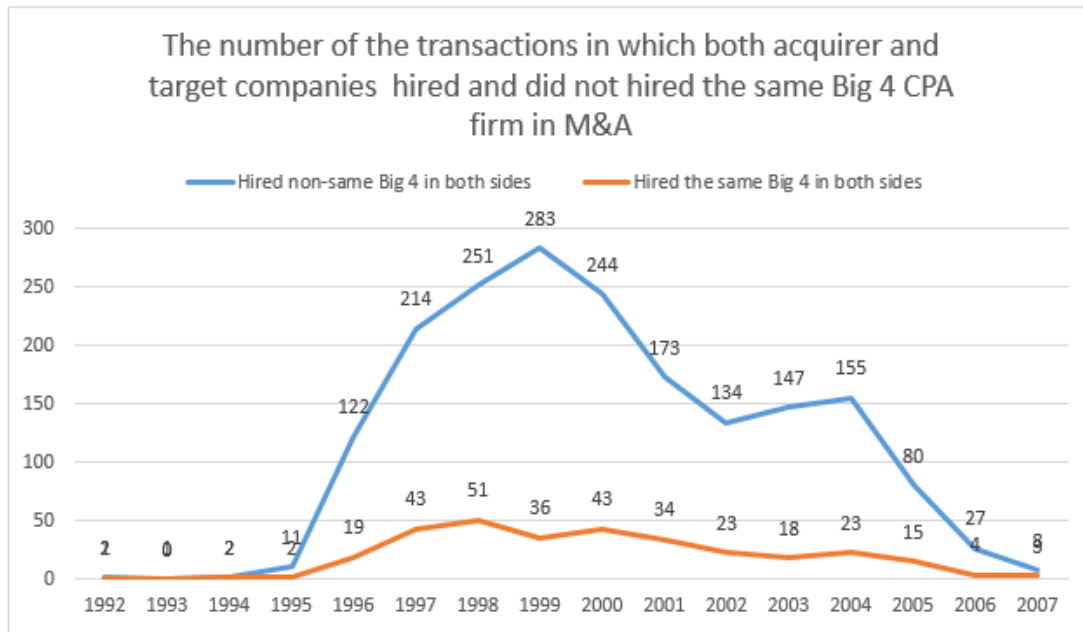


Figure 6: The comparison between the number of transactions in which both sides hired the same Big 4 CPA firms and hired a non-same Big 4 CPA firm in M&A

Table 2 presents the mean differences in Enterprise Value at Completion (EVC), Transaction Value (TV), and Target Size among groups defined by accountant engagement. The results indicate that when target firms engage accountants, they are associated with significantly smaller EVC ($p=0.065^*$) and Target Size ($p=0.0394^{**}$), with marginal significance for Transaction Value ($p=0.0117$).

This suggests that targets with accountants tend to be smaller and involve lower-value transactions. Additionally, acquirers that hire Big 4 accounting firms demonstrate significantly higher Transaction Value ($p=0.0437^{**}$) and marginally higher EVC ($p=0.0920^*$) when compared to those that engage non-Big 4 accountants; however, differences in Target Size remain insignificant.

In contrast, there are no statistically significant differences in EVC, TV, or Target Size related to the acquirer's decision to hire accountants, the target's use of Big 4 firms, or scenarios where both parties engage the same accountant, regardless of whether they are from the Big 4 or not. The results indicated that smaller target companies prefer to hire accountants who exhibit conservatism. Additionally, it was found that acquirers tend to choose Big 4 CPA firms when the transaction and completion values are particularly high, which reflects their own conservative approach.

Table 2: The comparison of mean value among the different accountant choice groups

<i>Variables</i>		<i>EVC</i>	<i>TV</i>	<i>TargetSize</i>
<i>NoAcquirerAcct</i>	<i>0</i>	5.789	5.625	5.658
	<i>1</i>	5.571	5.457	5.625
	<i>Diff<0</i>	$p = 0.8861$	$p = 0.8299$	$p = 0.5677$

<i>NoTargetAcct</i>	0	5.738	5.586	5.607
	1	5.868	5.686	5.767
	<i>Diff<0</i>	$p = 0.065^*$	$p = 0.117$	$p = 0.0394^{**}$
<i>AcquirerAcctBig4</i>	0	5.685	5.500	5.660
	1	5.808	5.650	5.655
	<i>Diff<0</i>	$p = 0.0920^*$	$p = 0.0437^{**}$	$p = 0.5217$
<i>TargetAcctBig4</i>	0	5.818	5.644	5.717
	1	5.746	5.595	5.609
	<i>Diff<0</i>	$p = 0.8134$	$p = 0.7340$	$p = 0.8973$
<i>SameAcct</i>	0	5.776	5.612	5.645
	1	5.787	5.642	5.709
	<i>Diff<0</i>	$p = 0.4570$	$p = 0.3862$	$p = 0.2866$
<i>SameAcctBig4</i>	0	5.773	5.376	5.729
	1	5.804	5.662	5.699
	<i>Diff<0</i>	$p = 0.3942$	$p = 0.1531$	$p = 0.5395$

Table 3 presents the Pearson correlation matrix, revealing several important relationships in M&A transactions. The results indicate that larger target companies are positively and significantly associated with both transaction value and enterprise value at completion. This suggests that larger targets are typically contributing to higher-value transactions.

A significant negative correlation exists between the acquirer's decision to hire an accountant and the target's decision to do so. This implies that the hiring choice of one party can influence the other party in M&A transactions. Additionally, the positive and significant correlation between transaction value and the acquirer's decision to hire a Big 4 firm indicates that acquirers are more likely to engage higher-quality accountants when transaction values are larger, reflecting a conservative approach in substantial deals.

However, the negative and significant relationship between the acquirer's decision to hire a Big 4 accountant and the target's decision to hire an accountant suggests that acquirers may place less importance on accountant quality when the target independently decides to engage one.

The positive and significant correlation between the acquirer's decision to hire an accountant and the target's decision to hire a Big 4 firm implies that, in the absence of acquirer engagement, targets tend to prefer higher-quality CPA firms.

Moreover, a negative and significant association is observed between the target's decision to hire an accountant and its choice of a Big 4 firm. This means that when a target hires an accountant, it is more likely to choose a higher-quality firm. The positive and significant relationship between the choices of Big 4 firms by both the acquirer and the target showed that if one side chooses a higher-quality accountant, the other side is also more inclined to do the same.

Finally, the decision for both parties to hire the same accountant is negatively and significantly related to whether either party hires an accountant, but positively and significantly related to the engagement of a Big 4 firm by either party.

This pattern suggests that when both sides decide to hire accountants, there is a greater likelihood they will engage the same firm, particularly if it is one of the Big 4. Overall, these findings highlight the dynamic nature of acquirer and target decisions regarding hiring accountants and the quality of firms selected in M&A transactions.

Table 3: The Pearson correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1)EVC	1.000								
(2)TV	0.9563 (0.000***)	1.000							
(3)TargetSize	0.7881 (0.000***)	0.7405 (0.000***)	1.000						
(4)NoAcquirerAcct	-0.0259 (0.2278)	-0.0205 (0.3401)	-0.0037 (0.8647)	1.000					
(5)NoTargetAcct	0.0324 (0.1311)	0.0255 (0.2341)	0.0377 (0.0788*)	-0.1553 (0.000***)	1.000				
(6)AcquirerAcctBig4	0.0285 (0.1840)	0.0367 (0.0873*)	-0.0012 (0.9565)	-0.4050 (0.000***)	-0.0461 (0.0316**)	1.000			
(7)TargetAcctBig4	-0.0191 (0.3732)	-0.0134 (0.5319)	-0.0272 (0.2055)	0.1430 (0.000***)	-0.7543 (0.000***)	0.1067 (0.000***)	1.000		
(8)SameAcct	0.0023 (0.9140)	0.0062 (0.7724)	0.0121 (0.5732)	-0.1045 (0.000***)	-0.2934 (0.000***)	0.1229 (0.000***)	0.2812 (0.000***)	1.000	
(9)SameAcctBig4	0.0058 (0.7885)	0.0145 (0.4984)	0.0105 (0.6234)	-0.0964 (0.000***)	-0.2754 (0.000***)	0.2353 (0.000***)	0.3651 (0.000***)	0.9228 (0.000***)	1.000

EMPIRICAL RESULTS

The acquirer's accountant choice and the post-merger value

Table 4 presents the regression results on the relationship between the acquirer's choice of accountant and post-merger value (EV). Across three models, Transaction Value (TV) shows a strong positive effect on EV. In Model (1), the coefficient for TV is 0.8498 ($t = 83.11^{***}$); in Model (2), it is 0.8495 ($t = 214.88^{***}$); and in Model (3), it is 0.8491 ($t = 223.57^{***}$). These results confirm that transaction value is the primary driver of enterprise value in merger and acquisition (M&A) transactions. Target Size also consistently demonstrates a positive and significant association with EV. The estimated coefficients are 0.1728 ($t = 83.11^{***}$) in Model (1), 0.1728 ($t = 53.61^{***}$) in Model (2), and 0.1729 ($t = 14.88^{***}$) in Model (3). This suggests that larger target firms are systematically linked to higher post-merger values.

In Model (2), the dummy variable indicating that acquirers did not hire accountants (NoAcquirerAcct) shows a coefficient of -0.0621 ($t = -252.54$, $p < 0.001^{***}$). This indicates that not engaging an accountant is significantly associated with lower post-merger values. In Model (3), the variable for acquirers hiring Big 4 accountants (AcquirerAcctBig4) has a positive coefficient of 0.0037, but this effect is statistically insignificant ($t = 0.69$, $p > 0.10$). This suggests that hiring a Big 4 firm does not provide any additional measurable benefit once we account for transaction value and target size.

All models include controls for industry and year fixed effects. Overall, these findings emphasize that the not hiring an acquirer accountant negatively impacts post-merger value, while the choice to hire a Big 4 firm does not offer any incremental explanatory value. These results support our hypotheses 1 and 2.

Table 4: The regression results of the relationship between the acquirer's accountant choice and the post-merger value

	Model (1) EV	Model (2) EV	Model (3) EV
Intercept	-0.3689 (-1.96*)	-0.3653 (-3.28)	-0.3725 (-5.56**)
TV	0.8498 (83.11***)	0.8495 (214.88***)	0.8491 (223.57***)
TargetSize	0.1728 (83.11***)	0.1728 (53.61**)	0.1729 (14.88***)
NoAcquirerAcct		-0.0621 (-252.54***)	



<i>AcquirerAcctBig4</i>			0.0037
			(0.69)
<i>Industry</i>	controlled		
<i>Year</i>	controlled		
<i>R-square</i>	0.9307	0.9309	0.9310

***significant at the level 0.01, ** significant at the level 0.05, *significant at the level 0.1

The target company’s accountant choice and the post-merger value

Table 5 presents the regression results related to the relationship between the target company’s choice of accountant and post-merger value (EV). Model (2) includes a variable for targets that do not hire accountants (NoTargetAcct), which shows a positive and statistically significant coefficient (0.0211; $t = 16.49^{**}$). This finding indicates that transactions in which the target does not hire an accountant are associated with higher post-merger values. This could reflect the acquirer's compensation for the lack of target-side accounting support, as well as cost savings during the M&A transaction. Model (3) introduces an indicator for targets that hire Big 4 firms (TargetAcctBig4), which has a negative and statistically significant coefficient ($\beta = -0.0036$; $t = -7.65^*$). This suggests that hiring a Big 4 accounting firm is negatively related to post-merger value (EV) once transaction value and target size are controlled.

All models include year and industry fixed effects to control for time- and sector-specific variations. In sum, these results indicate that the choice of accounting firm by the target influences post-merger outcomes. Specifically, hiring an accountant would decrease the post-merger value, while hiring a Big 4 firm would significantly reduce it further. These findings support our hypotheses 3 and 4.

Table 5: The regression results of the relationship between the target company’s accountant choice and the post-merger value

	Model (1) EV	Model (2) EV	Model (3) EV
<i>Intercept</i>	-0.3689	-0.3719	-0.3667
	(-1.96*)	(-3.99)	(-36.20**)
<i>TV</i>	0.8498	0.8498	0.8498
	(83.11***)	(639.38***)	(195.72***)
<i>TargetSize</i>	0.1728	0.1726	0.1727
	(83.11***)	(20.76**)	(27.74**)
<i>NoTargetAcct</i>		0.0211	
		(16.49**)	
<i>TargetAcctBig4</i>			-0.0036
			(-7.65*)
<i>Industry</i>	controlled		
<i>Year</i>	controlled		
<i>R-square</i>	0.9307	0.9309	0.9309

***significant at the level 0.01, ** significant at the level 0.05, *significant at the level 0.1

The same accountants choice and the post-merger value

Table 6 presents the regression results that explore the relationship between the choice of the same accountant and post-merger value (EV). In Model (2), we introduce a variable indicating M&A transactions in which both the acquirer and target used the same accountant (SameAcct). The results indicate a negative and highly significant relationship (-0.0371 ; $t = -113.92^{***}$), suggesting that the joint appointment of the same accountant is associated with lower post-merger values.

This may reflect a reduction in independence or a decline in the quality of information provided. In Model (3), when we incorporate the variable for transactions where both firms utilized the same Big 4 accountant (*SameAcctBig4*), the negative effect remains significant (-0.0417 ; $t = -66.55^{**}$). This implies that even when both firms opt for a high-quality auditor, the lack of independence may outweigh any potential advantages, resulting in lower post-merger values. All models control industry and year fixed effects. In summary, these findings underscore that the joint selection of the same accountant, particularly a Big 4 firm, adversely affects post-merger value. These findings supports our hypothesis 5 and hypothesis 6.

Table 6: The regression results of the relationship between the target company’s accountant choice and the post-merger value

	Model (1) <i>EV</i>	Model (2) <i>EV</i>	Model (3) <i>EV</i>
<i>Intercept</i>	-0.3689	-0.3593	-0.3571
	(-1.96*)	(-12.93**)	(-5.69)
<i>TV</i>	0.8498	0.8498	0.8500
	(83.11***)	(58.24**)	(60.35**)
<i>TargetSize</i>	0.1728	0.1729	0.1727
	(83.11***)	(22.11**)	(16.90**)
<i>SameAcct</i>		-0.0371	
		(-113.92***)	
<i>SameAcctBig4</i>			-0.0417
			(-66.55**)
<i>Industry</i>	Controlled		
<i>Year</i>	controlled		
<i>R-square</i>	0.9307	0.9309	0.9430

***significant at the level 0.01, ** significant at the level 0.05, *significant at the level 0.1

CONCLUSIONS

This paper explores the outcomes of acquirers hiring accountants, targets hiring accountants, and both parties engaging the same accountant in merger and acquisition (M&A) transactions. Additionally, we examine the role of high-quality CPA firms in these contexts. The findings indicate that acquirers are more likely to hire accountants for higher-value transactions, and this engagement positively correlates with post-merger value. However, the quality of the accounting firm does not appear to affect this outcome. In contrast, when target firms hire accountants, the result on post-merger value is negative, and the involvement of a high-quality CPA firm increases this negative impact. Furthermore, when both the acquirer and the target hire the same accountant, there is a decline in post-merger value, with this negative effect being particularly significant when the shared accountant is from a Big 4 firm.

In addition to these regression findings, descriptive evidence found further dynamics in the selection of accountants. Acquirers tend to prefer hiring accountants for larger transactions. The decisions regarding accountant engagement are interdependent: the accountant choice made by the acquirer influences whether the target hires an accountant, and vice versa. If the acquirer does not engage an accountant, the target is more likely to do so. When targets do hire accountants, they often prefer Big Four firms. Moreover, when both parties engage the same accountant, there is a high likelihood that this accountant will be from one of the Big Four firms.

Overall, this study provides insights into the role of CPA firms, highlighting the strategic dynamics behind accountant selection and the implications of these choices for post-merger performance.



DISCUSSION AND IMPLICATIONS

Our study provides important insights into the role of CPA firms in M&A transactions, particularly when examined through the lenses of professional ethics in accounting and organizational decision-making in management research.

In terms of professional ethics, our findings raise significant concerns about independence and conflicts of interest when both the acquiring and target companies use the same accountant. The evidence suggests that post-merger value may decline under these circumstances, especially when the shared accountant is from a Big 4 firm. This decline highlights that, although the reputation and expertise of Big 4 firms can be advantageous, these benefits may be overshadowed by perceived or actual compromises in auditor independence. The Code of Professional Conduct emphasized the importance of maintaining independence, both in fact and in appearance (AICPA, 2014). Previous research has demonstrated that compromised independence can erode market confidence and diminish firm value (DeAngelo, 1981; Bazerman et al., 1997). Our findings are consistent with this literature, indicating that when CPA firms take on dual roles in M&A transactions, the perceived integrity of financial assessments may be compromised, ultimately reducing the value of the transaction.

Engaging accountants from target-side firms, particularly those associated with the Big 4, can have negative implications and raise significant ethical concerns. One possible interpretation is that target firms may strategically hire high-quality accountants to signal their strength or protect their interests. However, acquirers might perceive this as an adversarial move, potentially leading to increased transaction costs. Research on auditor independence and client pressure suggests that even highly reputable firms often struggle to balance client advocacy with objectivity (Moore et al., 2006). Furthermore, while the involvement of Big 4 firms is often linked to improved audit quality (Francis, 2004), their presence in mergers and acquisitions may create perceptions of bias, ultimately resulting in inefficiencies during negotiations.

From a management perspective, our findings contribute to the research on interorganizational trust and strategic decision-making in mergers and acquisitions (M&A) transactions. The positive relationship between the involvement of accountants by acquirers and the value created post-merger suggests that such engagement can enhance deal quality by reducing information asymmetry. This aligns with transaction cost economics (Williamson, 1985) and agency theory (Jensen & Meckling, 1976). However, we also observed interdependence in hiring decisions: targets are more likely to hire accountants if the acquirers do not. This illustrates the strategic nature of these choices. This dynamic reflects the bargaining and signaling behaviors documented in management literature, where parties strive to balance power asymmetries in negotiations (Puranam et al., 2009)

Additionally, both parties' preference for hiring Big 4 firms when working with the same accountant showed the concept of institutional isomorphism (DiMaggio & Powell, 1983). In high-stakes transactions, organizations may adopt similar practices not only for efficiency but also to boost their legitimacy by associating with globally reputable firms. Our findings indicate that this convergence can lead to unintended consequences; specifically, the shared reliance on the same Big 4 accountant is linked to lower post-merger value. This highlights the importance of considering not just legitimacy-seeking behaviors but also the potential trade-offs involved in complex transactions.

In summary, this study contributes to both accounting ethics and management literature by showing that the selection of CPA firms in mergers and acquisitions (M&A) is not just a



technical or procedural choice, but a strategic one with significant implications. From a professional perspective, our results underscore the risks associated with dual roles and potential compromises in independence. Additionally, our findings reveal how interconnected decisions and institutional pressures influence firm behavior, sometimes leading to negative outcomes in transactions.

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