



Dan A. Simunic



Dan Simunic was born in 1945 in Bratislava, which was then a city in Czechoslovakia. Five years later his family left for North America, and made their way to Chicago – via Hamilton, Ontario, where Dan attended first grade. He grew up on the North side of Chicago; after high school, he attended De Paul University, where he received a Bachelor of Science in Commerce degree in 1966, with a major in accounting and awards for the highest-grade point average in accounting.

He then took a position with the Chicago office of Ernst & Ernst, becoming an Illinois CPA the following year. In 1970, he began his studies in the Graduate School of Business at the University of Chicago, with economics, management science and accounting being his areas of concentration. He received an MBA degree in 1973, and a PhD in 1979. His doctoral dissertation was titled “The Pricing of Audit Services: Theory and Evidence.” The combination of practical experience in a large office of a Big 8 accounting firm and his study of economics enabled him to lay the foundations for research in the economics of auditing.

In 1979, Dan joined the Faculty of Commerce and Business Administration at the University of British Columbia (UBC), where he served for 39 years. He became a CGA in 1988, and from 1994, he held the CGA Chair in Accounting until his retirement in 2018, although he served as a visiting professor at various times at universities in Hong Kong, Australia, New Zealand, Europe and the US. He was very active in the PhD program at UBC, serving as Supervisor or Co-supervisor for eight PhD students, and committee member or university examiner for five others. After retiring from UBC he took a half-time position as Term Professor of Accounting at Simon Fraser University.

He has a remarkable record of service in relation to academic journals, as Editor, Co-Editor, Associate Editor, Consulting Editor and/or Editorial Board member for ten different journals (some in more than one capacity). From a Canadian perspective, the most notable was *Contemporary Accounting Research*, which he served in four capacities, including Co-Editor with Gerald Feltham for the years 1997–2000; he also served four other top-tier journals. He is author or co-author of 24 refereed papers, five of which are noted for being highly cited. Details with regard to three of these follow.

During his PhD studies and at UBC, Dan originated an important stream of research that applies economic analysis to the study of financial statement audits by professional public accounting firms. The May 2016 Virtual Issue on Economics-Based Auditing Research Published in the *Journal of Accounting Research* states (on page 1): “With respect to economics-based auditing research, Simunic [1980] represents a landmark paper integrating theory with archival data to study the competitiveness of the public company audit market.” The paper, titled “The Pricing of Audit Services: Theory and Evidence” (*Journal of Accounting Research*, 1980, Vol.18, No.1), taken from his doctoral dissertation, was the first to analyze auditor effort decisions in an engagement as a trade-off between the cost of

labour against the benefit of a reduction in an auditor's expected share of legal liability losses arising from a possibly failed audit. In addition, the paper laid out the underlying logic for the audit fee model and the basic empirical form of that model — which is necessary to isolate the price of audits by examining the revenue from an audit engagement, i.e., the audit fee. Also, that paper was the first to describe the market for audit services and the average quality of audits as being two-tiered — audits by Big 8 firms vs. non-Big 8 firms — with the further possibility that one of the firms (now PwC) was itself differentiated from the remaining Big 7 firms.

Dan's research in the economics of auditing did not stop with this original contribution. Rather, he continued to examine key issues and develop the conceptual structure for research in this field. His second sole-authored paper, "Auditing, Consulting, and Auditor Independence" (*Journal of Accounting Research*, 1984, Vol. 22, No. 2), was the first academic research to study the economic incentives associated with the joint performance of an audit and management consulting services for a given client, and the possible existence of economies of scope. Again, this research combined economic theory with empirical data and found evidence consistent with the existence of economies of scope, given an assumption that the demand for audit assurance was sufficiently price elastic.

Other important and innovative work followed. For example, in 1987, Dan and his then PhD student at UBC, now Professor Michael T. Stein, produced a monograph for the CGA Canada Research Foundation titled *Product Differentiation in Auditing: Auditor Choice in the Market for Unseasoned New Issues*. That work was the first to analyze the economic incentives of companies "going public" to employ a high quality "Big" audit firm, and to investigate why, in fact, a large percentage of IPO's in the US used lower quality ("non-Big") audit firms. The authors found that auditor litigation risk in an IPO context and its impact on the supply price of audits was a major explanation for this seemingly anomalous auditor choice.

In addition, Dan has made significant contributions to the accounting profession as a whole by, among other things, serving as a technical advisor to the International Auditing Practices Committee (now the International Auditing and Assurance Standards Board) on behalf of CGA-Canada from 1988 through 1997.

Dan has received four special honours for his contributions and achievements:

- the Haim Falk Award for Distinguished Contribution to Accounting Thought from the Canadian Academic Accounting Association, in 2001;
- Fellowship designation (FCGA) from CGA-British Columbia, in 2003;
- the Outstanding Auditing Educator Award from the Auditing Section of the American Accounting Association, in 2005; and
- the "100 CGAs Who Have Made a Difference" Award, from CGA-Canada on the occasion of its 100th Anniversary, in 2008.

Dan married Sharon Corrigan in 1963. They had two children, Alan and Lesley.