

THE DETERMINANTS OF AUDIT FEES IN THE ALTERNATIVE INVESTMENT MARKET (AIM)

Bai Xue

School of Business and Economics, Loughborough University,
Email: Sylvia-xue@hotmail.com

and

Noel O'Sullivan

School of Business and Economics, Loughborough University,
Email: c.n.osullivan@lboro.ac.uk

ABSTRACT

The Alternative Investment Market (AIM) was established in 1995 by the London Stock Exchange as a market for small and medium-sized companies to raise new capital, to allow their shares to be traded widely and to allow owner/managers to liquidate some of their shareholdings. The more relaxed admission rules and reduced regulation has proved attractive with in excess of 1,000 companies currently listed on AIM making it a very significant part of the UK quoted company sector. Despite AIM's growing importance relatively little academic attention has focused on AIM companies. This study seeks to address this gap by investigating the determinants of audit fees for 402 companies listed on AIM. Our principal findings are that audit fees for AIM companies are positively influenced by auditee size, a number of complexity and audit risk variables, auditor location, the length of time between the financial year-end and the signing of the audit report and the joint provision of non-audit services. We also find that audit fees paid by AIM companies are negatively influenced by firm performance. Finally, we find that auditor size is a key determinant of audit fees on AIM with big 4 auditors charging a fee premium and smaller auditors charging significantly lower fees.

Key Words: AIM; Audit Fees; Governance; Big-4; Non-Audit