

The Value of Work Experience in the Auditing Profession

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ABSTRACT

This article sheds light on multiple facets of work experience in the auditing profession, from both theoretical and practical viewpoints. To begin with, it reviews extant literature, especially in psychology and accounting, to explain how work experience in the auditor's role can benefit individuals working in the audit firms. Next, the article discusses the work experience requirements for a license of Certified Public Account (CPA) in Thailand and compares them to the corresponding requirements in key countries worldwide. The study shows that Thailand has one of the most stringent rules regarding work experience required for a CPA license, while problems concerning the insufficient number of CPAs in Thailand have become increasingly apparent. The article, therefore, entails possible suggestions to relax the work experience requirements in Thailand for the related parties to consider. Moreover, the article displays how prior experience in the auditor's role can benefit individuals working in other related roles, including the audit committee member and the manager in charge of financial reporting processes. It also illustrates how work experience in other roles, particularly the manager's role, can enhance performance of an auditor. This article provides a wide array of implications for individuals interested in the auditing profession, audit firms, regulators and academic researchers attentive to the study of work experience in different roles.

Keywords: Experience, Auditor, Auditing Profession

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บทคัดย่อ

บทความนี้มีวัตถุประสงค์ เพื่อนำเสนอประเด็นสำคัญที่เกี่ยวข้องกับประสบการณ์ทำงานในวิชาชีพผู้ตรวจสอบบัญชี ทั้งในทางทฤษฎีและทางปฏิบัติ เริ่มจากการทบทวนวรรณกรรมในสาขาจิตวิทยาและสาขาวิชาการบัญชี เพื่อหาเหตุผลในทางทฤษฎีที่สามารถอธิบายประโยชน์ของประสบการณ์ทำงานตรงในฐานะผู้ตรวจสอบบัญชีต่อความสำเร็จในการปฏิบัติงานของผู้ตรวจสอบบัญชีในระยะยาว จากนั้นจึงอภิปรายกฎเกณฑ์เกี่ยวกับประสบการณ์ทำงานของผู้ตรวจสอบบัญชีรับอนุญาตที่บังคับใช้ในประเทศไทย และทำการเปรียบเทียบกับกฎเกณฑ์ในประเทศสำคัญอื่น ๆ ซึ่งพบว่าประเทศไทยเป็นหนึ่งในประเทศที่มีกฎเกณฑ์เข้มงวดที่สุด ในขณะที่ความกังวลเรื่องจำนวนผู้ตรวจสอบบัญชีรับอนุญาตที่อาจไม่เพียงพอต่อความต้องการที่เพิ่มสูงขึ้นในอนาคตนั้นสูงขึ้นเรื่อย ๆ บทความนี้จึงเสนอแนวทางในการปรับเปลี่ยนกฎเกณฑ์เรื่องประสบการณ์ทำงานของผู้ตรวจสอบบัญชีรับอนุญาตให้หน่วยงานที่เกี่ยวข้องพิจารณา นอกจากนี้บทความนี้ยังแสดงให้เห็นถึงประโยชน์ของประสบการณ์ทำงานในฐานะผู้ตรวจสอบบัญชีต่อการปฏิบัติงานในอาชีพที่เกี่ยวข้อง อาทิ กรรมการตรวจสอบและผู้บริหารกิจการที่มีหน้าที่ในการจัดทำรายงานทางการเงิน รวมทั้งยกตัวอย่างประสบการณ์การทำงานในด้านอื่นที่มีประโยชน์ต่อการทำงานในฐานะผู้ตรวจสอบบัญชี โดยเฉพาะอย่างยิ่ง ประสบการณ์ในตำแหน่งผู้บริหาร บทความนี้จะเห็นประโยชน์ต่อผู้สนใจในวิชาชีพผู้ตรวจสอบบัญชี บริษัทตรวจสอบบัญชี หน่วยงานที่รับผิดชอบในการตั้งกฎระเบียบ และนักวิจัยที่สนใจศึกษาประเด็นเกี่ยวกับประสบการณ์ทำงานในด้านต่าง ๆ

คำสำคัญ: ประสบการณ์ ผู้สอบบัญชี วิชาชีพการตรวจสอบบัญชี

1. Introduction

Albert Einstein once stated that “All knowledge of reality starts from experience and ends in it” and that “Information is not knowledge. The only source of knowledge is experience.” These famous quotes reflect the common belief in our society that experience is essential for learning as it serves as a means to acquire the desired knowledge. While experience can be defined loosely to include both first-hand encounters (i.e., direct experience from actual performance of a task or practice) and second-hand encounters (indirect experience from book reading, discussion with others, instruction and education in general), this article will mainly focus on direct work experience (the former type of encounters) because on-the-job learning is typically considered the most prevalent learning mode in the auditing profession (Westermann et al., 2015).

Expertise literature indicates that as a task grows more complex, one’s generic abilities, such as general problem-solving and reasoning skills, become insufficient for the task’s success and instead, domain-specific knowledge¹ turns into a vital factor. Hence, psychology researchers have looked into the differences between experts (ones with special skills or knowledge derived from relevant experience) and novices for decades. For example, Hoffman (1998) finds that knowledge acquired through experience enables experts, who possess superior skills or knowledge derived from domain-relevant experience, to make accurate and reliable judgments, and perform their tasks effectively and efficiently even in unusual circumstances.

These findings likely hold for most tasks performed by accounting professionals, such as auditors and accountants, due to the unique requirements of domain-specific knowledge. Particularly for the professional auditors, direct work experience has long been one of the major criteria for accreditation in the field. Auditors in Thailand and most other countries need to have at least a few years of relevant work experience as pre-qualifications for a Certified Public Accountant (CPA) license. While the requirement is widely accepted, an interesting underlying question is how work experience develops the auditors into ones more capable of performing their job. Therefore, the main objective of this article is to synthesize extant relevant research to shed light on how auditors gain the much-needed domain-specific knowledge through their work experience over time and how such knowledge/experience contributes to their future careers.

¹ The American Psychological Association defines domain-specific knowledge as specialized knowledge of a topic, such as knowledge of chess, baseball or music.

This article is organized as follows. Section 1 dives into the psychology and accounting literature in order to explain how auditors' prior experience helps them accumulate necessary knowledge. Section 2 discusses the current work experience requirements for a CPA license in Thailand as well as in other key countries around the world, and entails possible changes to make the rules in Thailand more suitable to the current socioeconomic situations. Section 3 provides evidence on how auditors' domain-specific knowledge gained through experience can lead to better performances in other related roles. Lastly, Section 4 explores how prior experience in other associated roles can possibly aid auditors in performing their tasks. In each section, areas for further research that accounting researchers can potentially explore are also indicated.

2. Work Experience of Independent Auditors

Prior accounting research generally finds that, similar to experts in other fields, auditors perform audit work better when they gain more experience in the field. Initially, researchers examined judgment and decision making quality of the more experienced and the less experienced auditors in experimental settings. Early studies mainly report that auditor experience helps improve the ability to contemplate conjunctive events (Frederick and Libby, 1986), the ability to explain and interpret audit findings (Libby and Frederick, 1990), the ability to integrate information (Bonner and Lewis, 1990), the ability to select relevant information and the ability to disregard irrelevant information (Davis, 1996); all of which can enhance the auditor's judgment and decision making quality, and further contribute to audit quality.

As data on auditor experience become more available, later studies have attempted to conduct archival empirical studies to find associations between auditor work experience and proxies of audit quality (or lack of quality). For instance, Wang et al. (2015) find that auditor experience is negatively associated with discretionary accruals, especially when income-increasing earnings management is present. Cahan and Sun (2015) indicate that auditor experience is negatively associated with absolute discretionary accruals, while positively associated with audit fees. Chi et al. (2017) categorize auditor experience into pre-client and client-specific experiences, and illustrate that both types of experience are positively associated with audit quality as well as creditors' perception of audit quality. Although these studies demonstrate the importance of practical work experience for auditors' work, they do not directly address the key question regarding how auditors' work experience can help them gain the relevant knowledge.

Before discussing how auditors learn from work experience, it is important to understand how people learn from their experience in general. Psychology researchers have investigated this issue for decades and come up with a wide array of theories. At one end of the spectrum, the theory of associationism indicates that experience allows people to form connections between elements (e.g., a stimulus and a response), then the simple connections are subsequently associated and combined to create more complex mental phenomena (English, 1954). At the other end of the spectrum, the structuralist theories suggest that before experiencing something, people already have the pre-existing cognitive structures. The new experience then provides new information that is assimilated into the pre-existing structures. To accommodate the new information, the pre-existing structures change until the whole conceptual network reaches the state of equilibrium (Piaget, 1950). While both ends were dominant theories at some point in time, prior research has shown contradictory results and failure to account for pivotal phenomena such as how people comprehend language in the first place (for associationism) and how the pre-existing cognitive structures are actually developed (for structuralism). Therefore, most researchers nowadays believe that the more appropriate theories should lie between these two extremes and how knowledge is stored in memory would be crucial in addressing this question (Wilson, 1980).

Extant research indicates that the differences between experts and novices largely stem from differences in knowledge, the information stored in the long-term memory. Two primary dimensions of knowledge include knowledge content, which refers to the specific pieces of information that is stored in the memory, and knowledge structure, which describes how the information is organized in the memory (Bonner, 2008). While both dimensions are essential in explaining learning through experience, past research mainly focuses on knowledge content since it is easier to measure and concretely explain.

Among various ways to categorize knowledge content, two distinctions are commonly mentioned in prior accounting research which are (1) episodic knowledge vs. semantic knowledge and (2) declarative knowledge vs. procedural knowledge. The first distinction, namely episodic vs. semantic knowledge, is information stored in two types of long-term memory: episodic and semantic memory, respectively (Tulving, 1985). The episodic knowledge is information regarding personal experience, consisting of numerous dimensions of a personally experienced event (or an episode). It tends to be in the form of visual images encoded from the actor's perspective (Conway, 2008) and allows remembering or thinking about a past event, which typically triggers personal recollection of the event, including associated emotions and feelings (Ryan et al., 2008). The semantic knowledge, on the other hand, refers to information in the form of facts, meanings, concepts or principles. One of the major differences

between episodic and semantic knowledge is that while semantic knowledge can be obtained through both first-hand encounters (by extracting the underlying meaning of a particular experience) and second-hand encounters (e.g., by reading books or instructions), attainment of episodic knowledge typically requires direct experience of a person.

In the case of auditors, they typically spent years completing their education in accounting. During these years, they acquire both episodic and semantic knowledge but the great emphasis in traditional education is put on acquisition of semantic knowledge; for instance, how to account for transactions and how to perform audit tests. Although the related experience (e.g., an event in which a person is reading a book or sitting in a classroom) could be captured in an episode, such pallid episodes without personal or emotional attributes tend to fade away fast and may not be accessible or useful over time (Conway & Pleydell-Pearce, 2000). Therefore, while novice auditors fresh from college are well equipped with semantic knowledge, their episodic knowledge is very limited.

Work experience allows auditors to accumulate episodic knowledge that may benefit their work. For instance, an episode of a previous encounter with a client's executive comprises various elements such as meeting time, meeting venue, the auditor, the executive and their interaction. Once the episode is retrieved from episodic memory, the auditor can re-experience the encounter. This kind of knowledge allows individuals to use their knowledge of past events to construct possible future scenarios, which can be useful when making predictions. Unfortunately, most extant research regarding auditor experience cannot disentangle the effect of episodic knowledge from that of semantic knowledge. The main reason is the use of years of work experience as a proxy for knowledge/experience. After all, both episodic and semantic knowledge of more experienced auditors may be higher than their less experienced counterparts. Thus, the handful research that focuses on episodic knowledge has to be carefully planned and executed, mostly in an experimental context. For example, Nelson (1993) conducts an experiment to demonstrate the positive effect of episodic knowledge, beyond semantic accounting knowledge, on auditors' judgment quality when performing analytical procedures. McDaniel et al. (2002) conduct an experiment to illustrate the importance of episodic knowledge from accounting-related work experience when evaluating a firm's financial reporting quality. Lisic et al. (2022) examine a unique hand-collected dataset and find that the auditor's first-hand experience in major oversight positions significantly affect the audit quality they deliver, implying the importance of episodic knowledge.

The second popular distinction of knowledge content is declarative vs. procedural knowledge. Declarative knowledge is about "knowing what" or facts about the world, while procedural knowledge is about "knowing how" (usually in the form of if-then rules) or skills to perform a task. Waller and

Felix (1984) illustrate that auditors typically acquire declarative knowledge regarding accounting, auditing and client environment (knowledge of the economic and social environment that produces a financial report) in their formal education. However, through professional work experience, a declarative representation of knowledge would be refined and developed into a procedural knowledge. While both forms of knowledge are important in the auditing profession, certain tasks demand procedural knowledge for superior judgment and decision-making qualities.

Like research on episodic vs. semantic knowledge, the effects of declarative and procedural knowledge cannot be disentangled in most studies and only a few studies in accounting directly examine them. For example, Hertz and Schultz (1999) demonstrate that experienced auditors possess higher procedural knowledge, which leads to superior performance in a structured accounting task. Furthermore, Mascha (2001) finds that as a task grows more complex, experience becomes increasingly important in the acquisition of procedural knowledge. Earley et al. (2001) illustrate that explanatory feedback and self-explanation of the rationale underlying a judgment are two alternative training approaches that can help promote procedural knowledge acquisition in real estate valuation tasks. Selby (2012) extends this research and finds that learning from worked samples, instruments that provide an expert's problem-solving model for a learner to study, can also be effective in procedural knowledge acquisition.

Research about knowledge structure is also less prevalent but the conclusions are rather consistent. Prior research finds that experienced individuals generally organize their knowledge better, allowing them to access necessary knowledge more efficiently and more effectively. For instance, Frederick (1991) indicates that auditors who organize their knowledge of internal control in a script form, a knowledge structure that represents regularities about event categories, can retrieve relevant knowledge more efficiently and are less likely to be prone to output interference. Choo (1996) finds that several aspects of knowledge structure in a script form are positively associated with accuracy in going-concern probability judgments. Anderson (2005) proposes the concept of a schema, a representation of categorical knowledge that assists people in making inferences about an item by just knowing its category.

In summary, extant literature indicates that work experience offers opportunities for knowledge acquisition and that the increase in knowledge content and better organized knowledge structures lead to superior performance in various tasks, including those related to accounting and auditing. The findings have significant implications for the emphasis on experience in career advancement, especially on the requirement of work experience on CPA licensure (discussed in detail in the next section). Due to the vast variety of tasks performed by auditors, interested researchers can further

investigate the effects of episodic knowledge, procedural knowledge and/or more efficient knowledge structures like schemas and scripts in different audit tasks. They can also explore how different types of knowledge interact with each other (e.g., how a specific piece of episodic knowledge interacts with relevant semantic knowledge) or the interplay between knowledge content and knowledge structure. The interactions between knowledge and other person or task variables in various tasks are also worth exploring.

3. Work Experience Requirements for a CPA License

The Certified Public Accountant (CPA) is a professional accreditation given to qualified public accountants, usually by each country's board of accountancy. Becoming a CPA is a significant milestone for many individuals who work in the accounting field since it does not only signal the person's capability but also leads to career advancement, higher earnings, more job stability and job flexibility.² Although in most countries, candidates that meet certain education requirements can take the CPA exam without prior work experience, a CPA license can be obtained only when they both pass the exam and meet the work experience requirements. These conditions are also present in Thailand, where the Federation of Accounting Professionals let graduates with degree in accountancy take the CPA exam, consisting of six subjects: Accounting I & II, Auditing I & II, Tax and Accounting Law I & II. However, in addition to passing all the tests, they must have at least 3 years of work experience as an independent auditor and no less than 3,000 hours of professional practice (under a CPA's supervision) within a 5-year time span³ before obtaining a CPA license.

The previous section shows that the work experience requirements for a CPA license actually have merits since experienced auditors should possess superior relevant knowledge, compared to the inexperienced. Auditors who have work experience, therefore, are likely to perform their job better, especially in the tasks where episodic knowledge, procedural knowledge or expert-like knowledge structures play a major role. Nevertheless, questions regarding what kind of work experience should be considered and the length of work experience that should be demanded still remain. Before discussing these questions, let us take a look at the work experience requirements for CPA in Thailand and other key countries worldwide.

² For example, LinkedIn, the world's largest online professional network, has recently published an article on the benefits of acquiring a CPA designation (<https://www.linkedin.com/pulse/benefits-acquiring-cpa-designation-simandhar-education>). The US's National Association of State Boards of Accountancy also provides key reasons to become a CPA (<https://nasba.org/blog/2017/04/26/5-reasons-to-be-a-cpa/>).

³ The main objective of this requirement is to ensure continuity of the practice.

Table 1 Work Experience Requirements for CPA in each country⁴

Country	Minimum Work Experience Required (Years)	Types of Work Experience Required
G7 Countries		
Canada	2.5	Auditing or Accounting-related
France	3	Auditing or Accounting-related
Germany ⁵	3	Independent Auditing Only
Italy	3	Auditing or Accounting-related
Japan	2	Auditing or Accounting-related
United Kingdom	3	Auditing or Accounting-related
United States ⁶	1–2	Auditing or Accounting-related
Comparable Countries in Asia/Oceania		
Australia	3	Auditing or Accounting-related
China	2	Independent Auditing Only
Hong Kong	3	Auditing or Accounting-related
Indonesia	3	Auditing or Accounting-related
Malaysia	3	Auditing or Accounting-related
Philippines	3	Auditing or Accounting-related
Singapore	3	Auditing or Accounting-related
South Korea ⁷	2	Auditing or Accounting-related
Thailand	3	Independent Auditing Only

⁴ Data are compiled as of 31 March 2023.

⁵ Three years of practical work experience are required. However, two out of the three years must be experience in auditing.

⁶ Specific experience requirements vary among states. While most states demand two years of general accounting-related work experience, some states such as California, Georgia and New York only require one year of accounting-related work experience.

⁷ If prior work experience is not audit experience, the candidate must also attend at least 100 hours of additional training offered by the Korean Institute of Certified Public Accountants.

Table 1 illustrates the current work experience requirements of Thailand and other key countries of interest. Data of The Group of Seven (G7) countries are included because they are among the most advanced economies in the world.⁸ Major developed countries in Asia/Oceania and neighboring countries are also included as they may be more comparable to Thailand due to their locations as well as people and culture. All of the selected countries, except the United States (US), have one set of work experience requirements regardless of location within the country. After all, the US has different work experience requirements across states since each state has its own State Board of Accountancy that governs the CPA designation in that state.

Most countries require a minimum work experience of 3 years for a CPA to be accredited for public practice. Nevertheless, a few countries (mostly developed ones) have a shorter term of work experience requirements: 2.5 years for Canada, 2 years for Japan, China and South Korea, and 1–2 years for each state in the US. The other crucial aspect of the work experience requirements is the types of work experience that count towards the requirements. Most countries define the work experience requirement to include auditing or accounting-related practical work experience. Therefore, in addition to those with work experience as an independent auditor, those who worked in other auditing and accounting-related positions such as internal auditors, financial accountants and managerial accountants may be eligible for a CPA accreditation as well. Nevertheless, virtually all countries still demand that the practical work experience be supervised by a CPA to ensure quality of the practice.

Combining the two dimensions of work experience requirements, it is evident that Thailand has one of the most stringent requirements out of all countries. From Table 1, only Thailand, Germany and China necessitate the practical work experience to be in the role of independent auditor. Moreover, China and Germany only require 2 years of experience in that role (Germany still requires an additional year of general work experience though), while Thailand is the only place that commands 3 years of work experience as an independent auditor. On one hand, the stringent requirements may ensure that individuals work as an independent auditor for a considerable amount of time, allowing them to accumulate sufficient knowledge to become a CPA. According to the framework suggested by Waller and Felix (1984), both candidates who worked as an independent auditor and those who work

⁸ International Monetary Fund (IMF) classifies G7 countries as major advanced economies. Together, they make up 9.9% of the world's population and generate 43.5% of global gross domestic product in 2023 (<https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>). G7 countries also have great influence on the formulation of accounting standards, e.g., the sustainability disclosures (<https://www.ifrs.org/news-and-events/news/2022/05/issb-chair-emmanuel-faber-responds-to-g7-communicue/>).

in other accounting/auditing-related positions should have the opportunity to develop knowledge content and knowledge structure in accounting and general business environment. However, the former group should have more developed skills (procedural knowledge) and knowledge structures in auditing. On the other hand, the stringent requirements have ultimately constrained the number of CPAs in Thailand, which started to become an apparent issue in the last decade.

By August 2023, there are 14,867 individuals who hold a CPA license in Thailand. Among them, more than 4,000 have inactive licenses and/or are not working in the auditing profession.⁹ Comparing these numbers to approximately 800,000 business entities in Thailand, it is estimated that on average, each active CPA has to engage in auditing of more than 80 business entities. This raises issues regarding professional competence and due care as prescribed in Code of Ethics for Professional Accountants by the Thai Federation of Accounting Professions (TFAC). Since 2013, the TFAC has imposed the rules that limit the maximum number of audit clients for a particular CPA in a calendar year to 200 clients. Nevertheless, engaging in 80 or more clients annually may already be questionable considering the nature of assurance services and the importance of quality control.

In early 2022, the Securities and Exchange Commission of Thailand (SEC), expressed concerns regarding the number of auditors in the capital market and indicated that the situation might be even more severe when the economy recovers and more companies want to raise funds in the capital market. The SEC, therefore, issued an announcement to reduce the approval fee for new auditors working with the listed companies. However, this measure only provided a temporary boost that lasted only a few months. On the other hand, to ensure sufficient quality in the audit of listed companies, the SEC has considered imposing another rule to audit firms that work for listed companies.¹⁰ The potential new rule demands that every audit firm that works with listed companies have a sufficient number of CPAs within the firm: at least 4 CPAs since 1 March, 2026 and at least 6 CPAs since 1 March, 2029 onwards. Although such requirements aim to push audit firms to have sufficient personnel in order to ensure high audit quality of listed companies, they may inadvertently exacerbate the issue regarding the limited number of CPAs currently available.

⁹ The Federation of Accounting Professions provides comprehensive data on the CPA licenses and their statuses (https://eservice.tfac.or.th/check_cpa/).

¹⁰ The SEC conducted public hearing on the draft regulations in early 2023 (https://www.sec.or.th/TH/Pages/News_Detail.aspx?SECID=9819).

As aforementioned, the need to promote the number of CPAs in Thailand is more important than ever. Despite the sheer importance of work experience requirements for CPAs, in reality there exists a tradeoff between ensuring the competency of CPAs and supplying sufficient CPAs to the economy. Considering that the current rules in Thailand are among the strictest in the world without any concrete evidence to support the use of such stringent rules, one possible solution is to relax the work experience requirements. The authority may consider (1) lowering the length of work experience required and/or (2) expanding the type of eligible work experience to include other auditing or accounting-related jobs. It should be worthwhile to study and learn from other countries. For instance, how the US, despite being the world's most advanced and complex economy, is satisfied with one of the most lenient work experience requirements for CPAs. South Korea's current requirements are also particularly interesting; while general accounting experience is accepted, additional training may be required for those who do not have audit experience.

Future studies can look into whether work experience in auditing can be partly substituted by experience-based classroom learning or training programs. Knechel (2000) indicates that the shift in nature of audit work from the structured method to the more subjective, risk-based approach in the previous decades has demanded auditors to develop diverse skills such as critical-reasoning, decision-making, communication and interpersonal interaction skills. Moreover, Westermann et al. (2015) illustrate that the auditor's interactions with others, such as their clients and supervisors, during client engagements, play a vital role in the auditor's learning process and make on-the-job learning so effective for auditors. While this area of accounting research is still in nascent stage, it is likely that the effective learning methods for auditors should involve interactive learning exercises, such as cases, role playing and debates, in the environment that closely resembles real-world practices. Additionally, researchers can examine how different types of technical knowledge interact with procedural knowledge (or skills) in various tasks performed by auditors of different ranks. This stream of research can shed light on the required knowledge and work experience of CPAs and has practical implications on setting the work experience requirements.

4. Transfer of Knowledge Gained from the Auditor Role to Other Related Roles

As previously described, work experience in the auditor role allows one to develop their knowledge content and knowledge structure in auditing, accounting and general business environment. A position that can directly benefit from such knowledge is an audit committee member. The audit committee is responsible for setting a control environment to discipline unusual business practices, aggressive accounting methods, and violations of the company's code of business conduct. Given

such important responsibilities, the audit committee should be composed of independent and competent directors. An important audit committee task that can benefit from work experience in the auditor role is auditor-management dispute reconciliation. Researchers have long recognized the auditor-manager imbalance of power in the audit context; for example, aggressive managers may demand auditors to act in management's economic interests (Knapp, 1987). If the auditors refuse to cater to management's interests, auditor-management disputes arise. Audit committees, who serve as liaisons between auditors and management, should intervene in these disputes to reduce management's pressure on auditors.

Professional accounting standards sometimes use vague terms that are sensitive to interpretation. For instance, vague phrases or wording such as "realistic possibility", "probable", and "material" are commonly used to describe thresholds in disclosure rules (Cuccia et al., 1995). The manager who has an incentive to report aggressively may interpret a vague professional standard liberally or excessively push the materiality threshold to support their preferred position. On the other hand, the auditor may have an incentive to interpret the standard conservatively due to concerns over legal and reputation loss. Even when the standard is precise, Cuccia et al. (1995) find that the manager compensates for the loss of latitude in interpreting the vague standard by aggressively interpreting evidence supporting their preferred position. During discussions between the audit committee, the auditor and the client management, audit failures may occur if audit committee members do not have adequate sensitivity to the management's excessive pressure on the auditor (Knapp, 1987).

Psychological research considers accurate perspective taking as a primary component of social interactions, such as business negotiations and group discussions. In particular, simulation theory, a theory proposed by various well-known philosophers such as Robert Gordon and Alvin Goldman, indicates that certain regions of a person's brain are used not only to generate behavior but also to predict and infer that of others (Breazeal et al. 2006). Hence, before taking certain actions, people use their prior knowledge and experience to imagine what others will do in the same situation. Tversky and Kahneman (1974) describe the process of perspective taking as the "anchoring and adjustment heuristic." People adopt others' perspectives by initially anchoring on their own perspective and then subsequently accounting for differences between themselves and others until a plausible estimate is reached. Johnson (1967) indicates that perspective taking is critical in managing conflicts during discussions because it increases understanding of other people's messages. Furthermore, Johnson (1971) and Sessa (1996), demonstrate that more accurate perspective taking helps individuals understand other people's information and perspectives better and retain them longer in their memory.

Several studies, such as Van Boven et al. (2000), find that equipping individuals with relevant experience can improve their perspective taking in tasks involving people in different roles. For instance, buyers often fail to take sellers' perspectives accurately because they ignore the fact that sellers own an object while they do not. This egocentric bias causes buyers to offer bids that are lower than sellers' threshold. However, letting buyers own an object, without knowing its price, significantly reduces buyer-seller disagreements because the experience of owning an object allows them to adopt the sellers' perspectives more accurately. Therefore, in arbitrating auditor-manager disputes, prior work experience as an auditor should enhance audit committee members' ability to take the perspectives of the auditor, making them understand what it feels like to be in the auditor's shoes.

Perspective taking is important during an auditor-manager dispute. To decide whether to support the auditor or the manager, audit committee members may first develop their own perceptions toward the matter after obtaining relevant information from both the auditor and management. They then take into account differences between their internal states and those of auditors and managers to make adjustments to their own perceptions in their assessment of the auditor's and management's arguments. Finally, they compare auditors' actions to their assessment of what they think auditors should do to determine whether to support auditors. Because both audit committee members and auditors aim for accurate financial reporting, their motivations are aligned and there is no reason to object to auditors' decisions if the audit committee members know with certainty that the auditors did a good job. However, it is possible that despite the auditors doing a good job, audit committee members still disagree with the auditors due to the egocentric bias resulting from the inadequate sensitivity to underlying intention and/or incentives of the auditor and management involved in the dispute.

A few studies examine the effects of accounting knowledge/experience in audit committee tasks. DeZoort and Salterio (2001) indicate that higher auditing knowledge, measured using conceptual questions from auditing textbooks and professional accounting examinations, is associated with greater support of the auditor in disputes with client-management. Their finding suggests a significant benefit of semantic/declarative knowledge (e.g., concepts about auditors' responsibilities) to audit committee effectiveness, but does not address episodic/procedural knowledge. McDaniel et al. (2002) study participants with business experiences by dividing them into two groups: one with accounting/finance experience (financial experts) and another without such experience (financial literates). They suggest that financial experts possess more developed knowledge structure (in the form of expert-like schemas) for evaluating financial reporting quality, relative to financial literates. Although their findings bring to bear the importance of accounting knowledge/experience for audit committee

members, the definition of financial experts in their study include not only ex-auditors, but also other accounting/financial executives and the effects of episodic/declarative and semantic/procedural knowledge cannot be disentangled. Trotman et al. (2015) review literature on audit group judgment and decision making and indicate that the dynamic interactions among auditors, client and audit committees are important and there is a call for future studies. Bhattacharjee et al. (2020) extend this line of research and find that an audit committee member that encourages the conflicting auditor and manager to consider an accounting dispute from the other's party perspective can resolve the dispute faster and lead to more satisfied outcome.

In addition to the audit committee member's role, the knowledge transfer from the auditor role to the manager role is another area that is worth researchers' attention as several management tasks that relate to financial reporting may benefit from auditor experience. For instance, Bowlin et al. (2009) find that prior experience as an auditor, especially the experience of having been a diligent auditor, lower managers' aggressive reporting behavior when penalties for detected aggressive reporting are large. Moreover, another stream of research examines auditor characteristics and client investment efficiency. Bae et al. (2017) indicate that auditors do not only provide independent assurance on the credibility of financial information (e.g., see DeFond and Zhang, 2014) but can also provide information advantages to their clients, leading to higher client investment efficiency. Yang et al. (2021) extend this research and find that the auditor's industry expertise is the main driver that significantly boosts client investment efficiency. Therefore, if the auditor changes their career and assumes a management position at another firm, the industry experience should help promote the investment efficiency of their new firm.

A few studies also examine the impact of prior accounting experience to the performance of chief executive officers (CEOs) and chief financial officers (CFOs). Hoitash et al. (2016) find that CFOs with accounting and auditing background tend to more conservative and risk-averse when making an R&D investment decision. This may be proper if the company operates in a low-growth industry but may not be appropriate in a high-growth industry. Li et al. (2022) indicate that CFOs with auditor experience can improve the quality of corporate information disclosure, especially when the work experience was with Big 4 accounting firms. Ngelo et al. (2022) examine ex-auditor CEOs and CFOs and find that the ex-auditor CEOs tend to make efficient investment decisions but the ex-auditor CFOs do not. However, investment efficiency is significantly higher when a company's CEO and CFO both have auditor experience. All in all, the results largely portray the knowledge transfer from the auditor's role to the manager/executive's role.

Future research can utilize experimental research methods to disentangle the effects of different types of knowledge in the above settings. Researchers can also explore variables that can facilitate perspective taking during the auditor-manager dispute reconciliation or other interactions. They can also expand this stream of research by examining additional audit committee and manager's tasks that may benefit from experience as an auditor. Since auditors perform their job in the environment where ethical standards are critical, researchers can also explore the transfer of ethical concern after a career switch.

5. Other Experiences that Contribute to the Auditing Profession

Previous sections illustrate the importance of direct work experience in the auditor's role in the independent auditing profession. This section explores other types of experience that can contribute to the success of auditors. Church et al. (2015) examine how the auditor's prior experience in the manager's role affects their judgment regarding financial reporting quality. They find that prior experience in the manager's role facilitates the auditor's perspective taking, leading them to put themselves "in the manager's shoes" more accurately. As a result, the auditors with experience in the manager's role are better able to assess whether the manager's reported earnings are materially misstated. The findings imply that audit firms can benefit from hiring auditors who have direct work experience in the manager's role, especially those who get involved in the financial reporting processes. This is consistent with a major trend in the last two decades that audit firms have put more resources and efforts in recruiting their former employees, commonly known as boomerangs (Badal 2006; Deloitte 2011), especially for the high-level positions.¹¹

Lisic et al. (2022) extend this area of research by conducting interviews with audit partners who have work experience in the industry (i.e., boomerangs who came back to auditing after working at firms that do not perform auditing services) and those who do not, followed by an archival empirical study. They find that direct experience in major oversight positions among the boomerang auditors contribute to higher audit quality. Additionally, both experience in a key financial reporting oversight role and industry expertise are beneficial to audit efficiency. These results have important implications for audit firms to maintain healthy relationships with their alumni, who can potentially return to the firms and become valuable resources.

¹¹ Hiring boomerangs is one of the major accounting hiring trends in the past decade (<https://ringsidetalent.com/5-accounting-hiring-trends-to-watch-out-for-during-2018/>). For instance, in mid-2010's, 30% of experienced hires at EY were its former employees (<https://www.efinancialcareers.com/news/2016/06/boomerang-employees-pros-and-cons-of-going-back-to-a-former-job>).

Church et al. (2015) also illustrate that dispositional perspective taking, a dimension of personality indicating the individuals' propensity to spontaneously take the viewpoint of others, mediates the relationship between prior experience and the auditor's assessment of the manager's reported earnings. The findings suggest that audit firms may consider dispositional perspective taking in their staff selections or assignments. Despite the significant contributions and implications, Church et al. (2015)'s findings are subject to one major limitation. The experimental task used in the study focuses on the cognitive aspects of perspective taking due to its game-like nature, while other important aspects of perspective taking such as the affective aspects are suppressed. Therefore, future research can extend this study by investigating how auditors may benefit from affective empathy (i.e., sensitivity to their counterparts' feelings in gauging others' behavior).

Another closely related research topic is tacit managerial knowledge, defined as knowledge regarding how to manage oneself, manage relationships with others and manage a career. Unlike technical knowledge that individuals can learn from their formal education, tacit managerial knowledge is largely unarticulated and is likely learned from experience. Tan and Libby (1997) examine how technical knowledge and tacit managerial knowledge affect auditor's performance at different levels of the organizational hierarchy. They find that while technical knowledge is a critical factor determining auditors' performance at the entry level rank, tacit managerial knowledge such as communication and interpersonal skills become more important than technical knowledge at the managerial rank.

Several research has extended Tan and Libby (1997)'s findings on tacit managerial knowledge. Jamal and Tan (2001) indicate that the ability to predict the choice of others, which is associated with audit expertise, is higher for auditors who possess more tacit managerial knowledge. Tan and Jamal (2001) demonstrate that auditors with higher tacit managerial knowledge are more objective when evaluating their subordinates' work (i.e., they are less susceptible to the subordinates' identities). Fu et al. (2001) propose that the ability to negotiate is another important aspect of tacit managerial knowledge. Their studies show that auditors with high tacit managerial knowledge can better negotiate with clients who have a contentious negotiation style. Tan and Jamal (2006) indicate that an auditor's accuracy in knowing how others view his/her own technical competence (metaperception) is one dimension of tacit managerial knowledge and show that the more experienced auditors display more metaperception accuracy. Shankar and Tan (2006) illustrate that tacit managerial knowledge moderates the relationship between the auditor's workpaper justifications and the reviewer's task preferences.

Furthermore, Bol et al. (2018) find that higher tacit knowledge in experienced auditors is positively associated with higher tacit knowledge acquisition by their inexperienced subordinates. All in all, the results suggest that prior experience in the manager role is valuable to the auditors in the

managerial rank not only because the acquired tacit managerial knowledge helps them perform better in managerial tasks but it also boosts the tacit knowledge acquisition of lower level auditors in their firms.

The conclusion that tacit managerial knowledge can benefit auditors, particularly those in management-level, may have practical implications to the CPAs' selection of Continuing Professional Developments (CPD). In most countries, once accredited, CPAs are subject to a minimum requirement of CPD each year. For example, CPAs in Thailand need to have at least 12 hours of CPA, half of which need to be in accounting-related topics, in a calendar year. One of the major reasons for such requirement is that accounting, auditing and business environments evolve over time, resulting in the need to regularly update the relevant knowledge. However, the discovery of tacit managerial knowledge implies that once the auditors get to work at the managerial level, additional tacit knowledge may prove more beneficial. Hence, the auditors, especially those in higher rank, should plan their CPD so as to develop their tacit managerial knowledge, in addition to merely updating their accounting or auditing knowledge. Future research can uncover specific types of tacit managerial knowledge needed for specific tasks of auditors in different ranks. Additionally, experimental researchers can explore how tacit knowledge actually affects the auditor's cognitive processes in these tasks.

6. Conclusion

Work experience in the auditor's role is essential to the auditor's career path in various ways. To begin with, the experience allows one to develop their knowledge content and knowledge structure, far beyond those acquired through traditional education, that help them perform audit tasks more effectively and efficiently. Specifically, extant research indicates that such phenomena may likely result from superior episodic knowledge, procedural knowledge, and/or expert-like knowledge structures. The requirement of work experience in the auditor's role for CPA licenses in various countries is, therefore, based on a solid theoretical foundation. Working as an auditor should remain an excellent choice for new accounting graduates to jumpstart their careers and gradually develop their expertise.

In the long run, experienced auditors become valuable resources to audit firms since the accumulated work experience would allow them to excel in more complex tasks, usually faced by audit managers and audit partners. In addition, non-audit firms can also benefit from appointing the experienced auditors to the audit committee or adding them to the management team. Prior research indicates that work experience in the auditor's role is valuable in audit committee member tasks, especially in the reconciliation of auditor-management conflicts. The findings presumably stem from the fact that an audit committee member who used to be in the auditor's role can more accurately

take the perspective of the auditor facing such conflicts and thus are more likely to support the auditor. Therefore, appointing audit committee members who are ex-auditors can potentially improve audit committee effectiveness. Moreover, extant research indicates that knowledge obtained during practical experience in the auditor's role can be transferred to the work of management, including senior executives such as CFOs and CEOs. In particular, firms that include ex-auditors in the senior management team have higher financial reporting quality and make better investment decisions.

Although the work experience in the auditor's role has substantial merits especially to the audit-related tasks, significant questions regarding the specific requirements of CPA's work experience need to be addressed. Most importantly, there are variations in the type and the length of work experience required for CPA licenses globally. The comparison in this article demonstrates that the current requirements in Thailand are among the strictest in the world while the number of active CPAs are increasingly constrained. In the absence of concrete evidence showing the benefits of such stringent requirements, it may be tenable to loosen the work experience requirements in Thailand to be more in line with other countries. To balance the costs and benefits of such requirements, the regulators may consider reducing the length of work experience and/or expanding the scope of eligible work experience to include other accounting or auditing-related work. The current work experience requirements of South Korea that demand only two years of auditing or accounting-related experience are required (additional training may be requested for those without auditing experience), is particularly interesting and serves as a model for further investigations by the regulators as well as researchers. Making the work experience requirement for CPAs less restrictive can also tenably make the auditing profession more attractive to the new generation.

Future studies should explore possible alternatives to direct work experience in the auditor role; for example, experience-based classroom environment, role-playing and student internship programs. These learning methods may be tailored to provide rich direct experience to equip students with necessary knowledge during academic years. New information technologies (such as artificial intelligence, data analytics and virtual reality) also bring major changes to the way the students learn and are well worth attention of researchers in order to effectively and apply them in accounting education. The findings would directly complement to the relaxing of CPA's work experience requirement by suggesting alternative learnings methods that can partially compensate for direct work experience.

Besides work experience in the auditor's role, prior work experience in the manager's role is shown to be impactful to the auditor's task performance. The benefits may result from taking the perspective of the manager more precisely as well as tacit managerial knowledge acquired through

the manager's role. The results also have practical implications to the staff selection and training of audit firms; for example, hiring boomerangs and selecting staff based on dispositional perspective taking. As the types of knowledge necessary for auditors' tasks at different levels supposedly vary, researchers may further explore how diverse experience affects auditors' task performance in each rank.

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