

ABSTRACT

The main purpose of this research is examining factors that affect the audit firm switching. Those factors are client size, client growth, client's financial distress, audit firm size, and audit opinion. This topic is chosen because the problem of auditor independence because of lengthy tenure is relevant nowadays at business world, it's also because of rule of public accountant service that stated by Indonesian Government, Financial Minister Statutory No. 423/KMK.06/2002, determine limitation of audit tenure, then it has impact to audit firm switching.

This research evaluates the effect of various independent variables on audit firm switching using logistic regression analysis. Population of research is company that listed at Indonesian Stock Exchange during 2003-2008. Sample is selected with purposive method focused on financial company. Data is documentary type and collected from ICMD 2003-2008 also published audited yearly financial statement.

An examination of 53 financial companies listed at Indonesian Stock Exchange during 2003-2008 period reveals that audit firm switching is associated and affected by audit firm size. The other factors have no association and effect significantly.

Keywords : audit firm switching, client size, client growth, client's financial distress, audit firm size, and audit opinion