Determinants of Client Acceptance Decisions and the Impact on the Reputation of Public Accounting Firms in Indonesia

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Abstract

This study empirically aims to prove the effect of client acceptance decisions on improving the reputation of public accounting firms. This research was conducted with a quantitative approach sourced from primary data. The data was obtained from 210 respondents who are audit partners of public accounting firms (KAPs) and have a practice license from the Ministry of Finance of the Republic of Indonesia. The analytical tool used in this research is Structural Equation Modeling (SEM) analysis. The results showed that: the client's business risk, audit risk, and public accounting firm risk have a negative effect on client acceptance decisions, and audit fees have a positive effect on client acceptance decisions; Furthermore, the decision to accept clients affects the reputation of the public accounting firm. Conversely, public accounting firm risk does not affect the reputation of the public accounting firm. Public accountants in audit practice are expected to have the expertise to decide whether to accept audit clients. The reputation of public accounting firms may be affected by this decision.

Keywords: Client acceptance decision, KAP, The reputation of the public accounting firm, Client business risk, Audit risk, The public accounting firm risk, Audit fee

JEL: M40, M41

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Introduction

The International Federation of Accounting Committee (IFAC, 2020) urges auditors to assess the various uncertainty elements to determine the client's concerns. The results of this assessment become one of the most critical aspects of designing appropriate audit procedures. In this case, the design of the audit procedure must reflect the auditor's awareness of events or conditions that may cast doubt on the continuity of the business in using its professional judgment (Association of Chartered Certified Accountants, 2020). The condition in which uncertainty raises doubts about business continuity (going concern) is called business risk (Colbert & Murray, 1999). The company's business risk can result in the company's goals not being achieved (Paino et al., 2014). The auditor must make a risk management strategy to measure how much risk the auditor faces when receiving an audit assignment so that it will impact the client's acceptance decision. Failure to measure the client's business risk will lead to audit failure/audit failure (Johnstone & Bedard, 2004).

In addition to audit risk, the Audit Alert of the AICPA (1993) states that the auditor must pay attention to two other types of risks that may arise. The risk in question is the client's and KAP's business risk. What is meant by client business risk is a risk related to the level of survival and profitability level. KAP business risk means the risk of potential lawsuits arising from allegations of audit failure and other risks to KAP's reputation, whether the allegations are proven or not (such as reputation restoration costs in the eyes of professional associations and clients).

The case related to the auditor's inability to analyze the client's business risk occurred in KAP Tanubrata, Sutanto, Fahmi, Bambang & Rekan (Member of BDO International Limited) when conducting an audit of Garuda Indonesia Airlines in 2018. The audit team of KAP BDO has not properly assessed the substance of the transaction for the recognition of revenue and other income. The auditor's inability to analyze the client's business risk, audit risk, and KAP's business risk impact KAP's reputation. Client acceptance guidelines are already available but are still considered natural and widely known. The results of previous studies reveal that the client's business risk impacts the client's acceptance decision (Johnstone, 2000). The client's business risk assessment can be carried out by KAP properly if it has a competent industry specialist auditor. This research was then continued by Johnstone & Bedard (2003), which resulted in the finding that the client's business risk assessment can be carried out using various risk management methods, which will significantly affect the determination of the audit fee. Therefore, the higher risk to that auditor's face (public reputation) when accepting a client makes the audit fee charged higher to the client. Research conducted by both Johnstone & Bedard (2003) and Johnstone (2000) assumes that there are sufficient competent human resources within the KAP.

Meanwhile, there is an alternative if the KAP does not have sufficient human resources to carry out a risk assessment. It can use the Interval Valued Fuzzy Numbers system, a client ranking system that is measured using a similarity basis compared to the ideal model for accepting clients. The study found that risk tolerance in making client acceptance decisions at KAP Big 4 is relatively small in accepting clients with high audit risk. On the other hand, non-Big 4 KAPs have reasonably large risk tolerance.

Analysis of the strategy implementation process assists the auditor in evaluating how the client understands his position and responds to his positioning strategy. Furthermore, the focus of the strategy implementation process is understanding the client's managerial action responses, planning methods, and decision-making processes that shape and implement strategy (Bhimani & Langfield-Smith, 2007; Chakravarthy & Doz, 1992; Huff & Reger, 1987; Kochetova-Kozloski et al., 2011). There is a relationship between the business environment, its positioning strategy, the control system chosen by management, and the accounting system (Ittner & Larcker, 1997; Kochetova-Kozloski et al., 2011). The relationship between the control system chosen by management on strategy implementation, business processes, and financial reporting is directly proportional to the auditor's assumptions. Assumptions made by auditors when conducting business risk assessments will differ depending on the chosen strategy. The relationship above shows that different business risks will impact financial statement assertions differently.

The old audit risk assessment is based on the old auditing standards published by The International Federation of Accountants (IFAC) (2003). The old risk audit assessment was based on risk calculations using the formula Inherent Risk (IR) × Control Risk (CR) × Detection Risk (DR) (IFAC, 2003). Through this model, the auditor must assess the amount of assurance from the results of the IR and CR calculations through tests of controls, then determine the DR to obtain an acceptable audit risk result that will serve as a guide for subsequent audit assignments using substantive tests. However, in practice, most KAPs only take simple actions against IR and CR, which are types of risk that are within the control of the client, so the auditor determines the audit risk limit that the auditor will face at a maximum of 100% (Luo & Salterio, 2021). Furthermore, this condition causes the auditor to pass a control system test and immediately perform a substantive test. This measurement method allows the auditor to meet audit standards more efficiently than assessing IR and CR before a substantive test because there are reduced procedures. At the same time, time and effort are focused on substantive testing to ensure that the DR level is low so that the audit risk is acceptable (Luo & Salterio, 2021).

The old audit risk testing method, seen only on the surface, could meet the criteria set by the auditing standards at the time, but the method did not discover to reach the meaning of audit risk testing itself. The Enron case in 2002 became evidence that the old audit risk calculation model could no longer be used, so auditing standards were improved by the International Auditing and Assurance Standards Board (IAASB) in 2003. In the revised model, audit risk is defined as the risk of misstatement of the material Risk Misstatement Material (RMM) X detection risk (DR). To assess the RMM, the auditor must have adequate documents for an audit risk assessment. So the auditor must consider audit risk and cannot determine CR at a maximum value of 100%, avoid risks related to his client's business, and document the risk assessment results (SA 230; Audit Documentation). After understanding the client and its environment, including the internal control system, the auditor must work with an emphasis on analysis and analytical procedures as audit risk assessment procedures and determine the time and extent of substantive tests required. Thus, the analysis process and analytical procedures will be the key to the transition to a new approach to audit risk assessment. At the same time, management appraisal methods are widely used (Luo & Salterio, 2021). When the auditor fails to conduct an audit risk assessment, it will impact the business risk of the KAP (Johnstone, 2000; Johnstone & Bedard, 2003). The business risk of KAP Besar turns out to be using audit software as a measurement tool instead of financial ratios (Prameswari & Yustrianthe, 2015).

The ability of large KAP to build and maintain a database system to apply new audit risk assessment models has caused large KAP to charge a reasonably high audit fee. However, it can minimize the occurrence of audit risk for material misstatements. Research conducted by (Chen et al., 2019) found that audit fees will become increasingly expensive, in line with the increase in systemic risk from economic recession conditions. Furthermore, it is stated that audit fees have a positive effect on restatement, which is one indicator of the poor quality of financial reports and audit quality. Another study (Ramalho, 2018) found misstatements in the client's financial statements. There were KAP that focused on non-audit services (non-audit services). (Ethridge et al. 2007; Johnston 2003) shows that client, audit, and KAP risk significantly impact the client acceptance process at KAP.

Furthermore, the chances of companies with good management integrity being accepted as clients at KAP are quite significant compared to companies with poor management integrity. This study attempts to bridge previous research by empirically testing the effect of audit fees on client acceptance decisions and KAP's reputation. Furthermore, this study distinguishes risk analysis between assurance services (attestation services) and non-assurance services (accounting and bookkeeping services, tax services, management consulting) provided by KAP.

This research contributes to increasing awareness of the importance of procedures and evaluation of engagement risk. Engagement risk affects the reputation of the KAP; this shows the auditor's prudence when accepting clients, which is reflected in the planning and implementation of the audit. In addition, KAP needs to consider the quality of human resources and classify the specialization of the auditor's field to be sharp in analyzing risks during the audit. For regulators, this research contributes to policies regarding implementing risk-based audits.

Literature review

Influence of Client's Business Risk on Client's Acceptance Decision

Auditors need to measure the client's characteristics to assess the client's business risk, determine the possibility of litigation, and determine the audit plan and fees (Pratt & Stice 1994). If the auditor accepts a risky client, the auditor needs to take an audit approach, such as increasing fees to accommodate the high risk (Asare et al. 2005). Auditors need to increase their efforts in conducting audit processes on companies threatened with litigation (Huss et al. 2000). Material misstatements may not reveal during the audit process. Still, they may be revealed when the audit opinion has been issued. Audit risk affects individual clients and KAP litigation risk (Huss et al. 2000). Audit risk assessment becomes the auditor's consideration in determining audit fees and professional auditors. In research in Indonesia, business risk is proven to influence auditors in making decisions to accept clients (Wondabio 2006).

Auditors can suffer material losses and reputational damage due to the client's carelessness in presenting financial statements not detected by the auditor or the client's business failure (Houtson et al. 1999). Certain parties may sue the auditor for the opinion issued if they are deemed detrimental to that party. This claim causes auditor losses in terms of material and reputation of auditors and KAP (Huss et al., 2000). Therefore, KAP's business risk is one of the essential factors to consider when deciding to accept a client. Selective client selection will increase more reliable audit services. Houston (1999) found evidence that a client's business risk was considered in planning audits, while Johnstone and Bedard (2003) found that KAP accepted clients who were not in a going concern condition. According to Bell et al. (2001), there is an influence between business risk and audit fees. Namely, if the auditor is faced with high business risk, it will increase audit hours, which has an impact on increasing audit fees. Based on the description above, the hypotheses can formulate as follows:

H1: The client's business risk hurts the client's acceptance decision.

Effect of Audit Risk on Client Acceptance Decisions

The auditor's strategic understanding of the client is a business and industry to assess client business risk, i.e., the risk that the client will fail to achieve its objectives. Client business risk can arise from many factors that affect the client and the environment, such as new technology eroding the client's competitive advantage or the client failing to execute strategies as well as competitors. Failure to assess the client's business risk is one of the impacts that can cause an error in giving an opinion. The public accounting firm will try to maintain its reputation and avoid things that can damage it so that it will always be objective in its work (Januarti and Fitrianasari, 2008). Audit procedures to get an understanding are referred to as risk assessment procedures. Some of the results can be used by the auditor as audit evidence to support assessments of the risks of material misstatement in the financial statements. The audit evidence obtained may also apply to transactions, account balances, disclosures, and the operating effectiveness of controls. According to Hayes (2017), audit risk has three components: inherent risk, control risk, and detection risk.

The public accounting firm has a good information system to monitor clients, time and billing, OPE (out-of-pocket expenditure), staff, and engagement file management (assignment file management). An information system monitors work quality and quality control compliance. The information system should also be designed to address identified and assessed risks as part of the

KAP risk assessment process. Business risk is a broader concept than the risk of material misstatement. Most business risks can affect financial statements in the short and long term. Auditors need to identify business risks and understand the potential misstatements that may result. Several studies related to the reputation of public accounting firms: (1) the reputation of a public accounting firm refers to the image of the company that is built from time to time by the public accounting firm, such as the quality of the auditors owned, the name of the public accounting firm (Sucher et al., 1999). Brand, audit quality with little or no demands, fees charged (2) Fuerman and Kraten (2008) say that the reputation of a public accounting firm is grouped into two types, namely reputable and disreputable. The reputation of the Public Accountant Office groups KAP into four levels: eight/six/four, medium 2, small KAP BPA, and KAP BPA Tunggal (3). De Angelo (1981) says that the theory of rational opinion for audit quality. In practice, audit quality by using KAP measures and confirming large KAP loses more clients if they maintain to provide low-quality audits. Researchers have not found previous research directly related to client acceptance decisions that can affect the reputation of public accounting firms. Based on the description above, the hypotheses can formulate as follows:
H2: Audit risk hurts client acceptance decisions.

The Effect of KAP Risk on Client Acceptance Decisions
Based on the 1995 Audit Risk Alert (updated July 1, 1999), the types of risks that affect client acceptance decisions defined in the concept of engagement risk can be grouped, namely: 1) client business risk, 2) audit risk, and 3) Public Accounting Firm risk. Client business risk is the risk that the client will fail to achieve its objectives, which relate to a) reliability of financial reporting, b) efficiency and effectiveness of operations, and c) compliance with law and government (Arens et al., 2005). Client business risk can arise from many factors that affect the client and his environment. Audit risk arises because the auditor unknowingly does not appropriately modify his opinion on financial statements containing material misstatements. The method used by the auditor to consider audit risk consists of 1) inherent risk or inherent risk is the susceptibility of an account balance or class of transactions to a material misstatement with the assumption that there are no related internal control structure policies and procedures. 2) control risk or control risk is a function of the client's internal control policies and procedures; the effectiveness of the client's internal control over an assertion can reduce control risk; otherwise, the ineffectiveness of the client's internal control will increase control risk (Boyton & Kell, 2001). 3) detection risk is the auditor will not detect a material misstatement contained in an assertion.

Auditor services are the work performed by a public accounting firm for its clients. The work performed by auditors (except consulting services) is based on the standard assignment guidelines published by the International Auditing and Assurance Standards Boards (IAASB). The IAASB's assignment standards cover the following matters: 1) International Standards on Auditing (ISA) as standards applied in audits of historical financial information; 2) International Standards on Review Engagements (ISRE) as standards applied in reviews of historical financial information; 3) International Standards on Assurance Engagements (ISAE) as standards applied in assurance engagements other than audits historical financial information; 4) International Standards on Related Services (ISRS) as a standard applied to compilation engagements, assignments to apply agreed-upon procedures for information, and assignment of services other related services determined by the IAASB. Based on the description above, the following hypotheses can be formulated:
H3: The risk of a public accounting firm hurts client acceptance decisions.

Effect of Audit Fee on Client Acceptance Decision
The risks considered in accepting clients are the client's business risk, audit risk, and the risk of a Public Accounting Firm (Colkest et al. 1996, Huss and Jacobs 1991). The client's business risk is the risk that the client's economic condition will destroy either in the short or long term (proxy by

profitability, liquidity, etc.). (Huss and Jacobs 1991). Audit risk is the risk that the auditor may not know will fail to appropriately modify their opinion about financial statements that are materially misstated (e.g., proxy by inherent risk and control risk) (AICPA 1983, AU 312.02). The risk of the Public Accounting Firm will result in KAP experiencing losses from the employment contract (such as proxy by profitability and potential litigation involvement) (AICPA 1983, AU 312.02).

The professional standards on client acceptance (AICPA 1998, QC 30.15) state that the firm must adequately consider the risks associated with providing professional services in particular circumstances. Based on this, it will be difficult to predict how the auditor will combine client acceptance risk with the client's financial condition experiencing losses. Perhaps reducing his administrative staff can affect the strength of the internal control system and the auditor's evaluation of control risk. Clients with a high level of audit risk require higher costs for the audit process. They are associated with the risk of audit failure as a guarantee in the face of possible litigation or unfavorable publicity by the KAP (Johnstone, 2000). With incentive compensation and business competition between KAPs, auditors still consider audit fees in accepting clients (Asare, 2005). Based on the description above, the following hypotheses can be formulated:
H4. Audit fees have a positive effect on client acceptance decisions.

The Influence of Client Acceptance Decisions on the Reputation of a Public Accounting Firm
Several previous studies have widely discussed client acceptance decisions and the reputation of public accounting firms (Bedard et al., 2008; Ebaid, 2011; Ethridge et al., 2007; Gendron, 2001; Hardy & Deppe, 1992; Wittek et al., 2008). In this case, Gendron discusses how auditors make client acceptance decisions. The research was conducted through a field study of three big six companies in Canada. The results show that in all companies, the client's decision-making process in action is very flexible, characterized by a high level of informal communication and adaptation of client acceptance policies and decision assistance to circumstances. Commercialization in one company significantly influences the decision-making process in another company; the decision-making process is mainly consistent with professionalism.

Bedard et al. (2008) summarized the research literature relating to audit firm quality control with a dual purpose: (1) to provide information about the current state of knowledge about how audit firms monitor and control firm-level risk, and (2) to identify specific areas where current research is insufficient. It examines many specific topics under the overall heading of enterprise-level risk monitoring and control, including client acceptance/continuation procedures, auditor independence (partner and company rotation, hiring of ex-auditors, non-audit services, partner compensation), electronic decision aids, consulting units, procedures for communicating weaknesses and taking corrective action, and review of engagement activities (including engagement quality reviews, peer reviews, and regulatory inspections). It is concluded that smaller audit firms should be subject to the same quality and reputation control regulations as larger firms. (Ebaid 2011; Yessie 2021)) examines the impact of corporate governance practices on auditor decisions (assessment), particularly client acceptance decisions in Egypt, which lead to auditor reputation, where corporate governance is not mandatory or legally binding. Research findings reveal that strong corporate governance is associated with better acceptance ratings than weak corporate governance. These findings propose that the voluntary adoption of corporate governance practices by Egyptian companies improves the quality of the financial reporting process and, therefore, affects the decision (judgment) of the auditor and his reputation. (Ethridge et al. 2007; Dewi 2020) results show that these altered perceptions are based on the acceptance of clients who are more at risk or a more detailed analysis of their existing clients. It is hoped that the current environment will encourage audit firms to review their client base in accepting clients who will positively develop the accounting firm's reputation. In addition, Hardy & Deppe (1992) emphasized that CPAs should consider the decision to accept clients with appropriate procedures so that their reputation can maintain and, in turn, can be improved. Then the hypotheses that can be put forward are as follows:

H5: Client acceptance decisions have a positive effect on the reputation of public accounting firms

The Influence of Client's Business Risk on the Reputation of a Public Accounting Firm

The relationship between client business risk and the reputation of public accounting firms has been extensively studied in various previous studies (Gates et al., 2009; Gramling et al., 1998; Krishnan et al., 2013; Morgan, 2000; Swanepoel et al., 2017). Gates et al. (2009) stated that the company's reputation is manifested from the image of the media, and the CEO is the impact of various parties' perceptions of the reliability and assessment of client business risks. According to Morgan (2000), the level of the company's reputation depends on the level of how the client's risk assessment and perception and risk management. Swanepoel et al. (2017) added that the company's reputation could be measured through the reputation assessment gap, one of which is by paying attention to the client's business risk profile and the level of complexity of the risk. Many factors affect an organization's reputation (in this case, KAP). In KAP, reputation is influenced by the client's business risk, client acceptance, audit fee, and consideration of the decision to audit (Gramling et al., 1998). KAP that have a high reputation are usually able to implement risk management strategies, so understanding the client's business risks is essential in maintaining the reputation of the KAP (Krishnan et al., 2018). All of these factors, individually or simultaneously, can affect the reputation of the KAP. Then the hypotheses that can be put forward are as follows:
H6. The client's business risk hurts the reputation of the public accounting firm.

The Effect of Public Accounting Firm Risk on the Public Accounting Firm's Reputation

The relationship between public accounting firm risk and public accounting firm reputation has been widely discussed by previous studies (Aronmwan et al., 2013; Chaney & Philipich, 2002; Faccia et al., 2020; Lennox, 1999; Moizer, 1997; Skinner & Srinivasan, 2012). It boils down to audit quality, including the quality of audit reports and procedures. The quality of audit reports can increase the trust and reputation of the company, which is also supported by an audit process focusing on information technology (Faccia et al., 2020). Various failures in the quality of audit reports can lead to audit risk and audit failure resulting in additional losses and costs, which in turn lead to a decline in the reputation of the KAP (Chaney & Philipich, 2002). Evaluation of KAP's reputation is also inseparable from audit quality and auditor size so that quality audit reports and audit procedures can be used as an evaluation to improve KAP's reputation (Lennox, 1999). Poor audit reports and processes can result in low audit quality, so the impact is enormous on the reputation of the KAP (Aronmwan et al., 2013).

The reputation of KAP and its auditors can be seen from their consistent handling of reports and audits of the audit process professionally to avoid KAP risks (Moizer, 1997). In simple terms, the risk of KAP, which is reflected in audit quality, dramatically determines the reputation of the KAP itself (Skinner & Srinivasan, 2012). Based on the description above, the hypotheses that can be proposed are as follows:
H7. The risk of a public accounting firm hurts the reputation of the public accounting firm.

The Effect of Public Accounting Firm Risk on the Public Accounting Firm's Reputation

The quality of audit reports can increase the trust and reputation of the company, which is also supported by an audit process focusing on information technology (Faccia et al., 2020). Various failures in the quality of audit reports can lead to audit risk and audit failure resulting in additional losses and costs, which in turn lead to a decline in the reputation of the KAP (Chaney & Philipich, 2002). Evaluation of KAP's reputation is also inseparable from audit quality and auditor size so that quality audit reports and audit procedures can be used as an evaluation to improve KAP's reputation (Lennox, 1999). Poor audit reports and processes can result in low audit quality, so the impact is very large on the reputation of the KAP (Aronmwan et al., 2013). The reputation of KAP and its auditors can be seen from their consistent handling of reports and audits of the audit process

professionally to avoid KAP risks (Moizer, 1997). In simple terms, the risk of KAP, which is reflected in audit quality, dramatically determines the reputation of the KAP itself (Skinner & Srinivasan, 2012). Then the hypotheses that can be put forward are as follows:
H8: The risk of a public accounting firm hurts the reputation of a public accounting firm

The Effect of Audit Fees on the Reputation of a Public Accounting Firm
Several previous researchers have also discussed the effect of audit fees on KAP's reputation (Hapsoro & Santoso, 2018; Moizer, 1997; Nursiam et al., 2021; Pham et al., 2017). For example, Pham et al. (2017) suggested that KAP size, audit fees, and audit quality can determine the reputation of the audit conducted by KAP. However, it found that small KAPs are better in audit quality, surprising that the larger the audit fee, the lower the audit fee.
H9. Audit fees affect the reputation of a public accounting firm.

Methodology
The approach of this research is positivist. Research is conducted quantitatively on the measurement of the constructs that make up the model and analyzes the effect of one construct on another. The population used in this study is a partner or partner of a KAP in Indonesia; according to the explanation above, the partner (partner) occupies the highest position in the engagement because the decision to accept the client is the partner's authority in a KAP. The sample in this study used simple random sampling. In this study, there are six variables, so the minimum sample size is in the range of 150 to 300 samples. The method of data collection in this study used the survey method. The survey uses a cross-sectional survey, which collects data from the respondent partners (colleagues) of public accounting firms in Indonesia. This study uses SEM analysis tools using the Lisrel program because, methodologically, this research design is causal and simultaneous and has a relatively complicated effect, so testing using this method is predicted to be able to test what the objectives of this study are.

Results and Discussion
Questionnaires have been distributed to 225 KAPs directly or through Google Forms throughout Indonesia. A total of 210 respondents returned and completed the questionnaires by KAP partners. Thus there are 210 (93.3%) respondents from the data can be processed according to research procedures. Testing the measurement model (measurement model) is a test of validity and reliability that aims to measure the relationship between indicators and their constructs. In other words, this model maps how much the indicators in the model can explain the construct or latent variable. The results of the multivariate normality test can be presented in the following table 1.

Table 1. Multivariate Normality Test Results

Skewness			Kurtosis			Skewness and Kurtosis	
Value	Z-score	p-value	Value	Z-score	p-value	Chi-Square	p-value
0.289	1.451	0.047	1.450	1.214	0.038	7.962	0.029

Source: Data processed 2021

Based on Table 1., it is known that the chi-square value = 7.962 (p = 0.029; = 0.05), it can conclude that H0 is rejected so that H1 can be accepted. Thus, the data obtained from the population is normally distributed. The data used in this study were obtained from a normally distributed population. For this reason, a model estimation can be done using the maximum likelihood (ML) method.

The results of the accuracy of the model obtained (simultaneous or overall model testing) are indicated by the size of the model suitability (goodness of fit statistics). Evaluation of goodness of fit indices criteria can be presented as follows.

Table 2. Evaluation of Criteria for Goodness of Fit Indices

GoF Size	Target Match Rate	Estimated Result	Match Rate
Chi-Square/DF P	Small Value P = 0 (saturated) or P > 0.05	c/DF = 1.983 P = 0.000	Good Fit
NCP	Small value Narrow interval	196.61 (143.81; 257.20)	Good Fit
RMSEA	0.049 ≤ RMSEA ≤ 0.065 P < 0.05	0.057 P = 0.000	Good Fit
ECVI	Small value and close to ECVI saturated	M* = 6.613 S* = 6.658 I* = 12.821	Good Fit
AIC	Small value and close to AIC saturated	M* = 502.61 S* = 506.00 I* = 974.39	Good Fit
CAIC	Small value and close to CAIC saturated	M* = 679.83 S* = 1351.98 I* = 1047.96	Good Fit
NFI	NFI ≥ 0,90	0.914	Good Fit
RFI	RFI ≥ 0,90	0.848	Close Fit
IFI	IFI ≥ 0,90	0,931	Good Fit
TLI	TLI ≥ 0,90	0,874	Close Fit
CFI	CFI ≥ 0,90	0.919	Good Fit
RMR	RMR ≤ 0,08	0,533	Close Fit
GFI	GFI ≥ 0,90	0,903	Good Fit
AGFI	AGFI ≥ 0,90	0,824	Close Fit
PGFI	PGFI ≥ 0,60	0,756	Good Fit

Source: Data processed 2021

Referring to the table, the results of model testing concerning the value of 2/df obtained a value of 1.983, whose ratio is < 2.000, so it is stated that the structural model formed is acceptable (fits with the data). Other sizes such as NCP, RMSEA, ECVI, AIC, CAIC, NFI, RFI, IFI, TLI, CFI, RMR, GFI, AGFI, and PGFI all show a good fit model, or at least a close fit, which means that the model in this study is acceptable. Based on the size of the fit of the model obtained, it can be stated that the structural model formed follows the data and can be declared to meet the criteria of Goodness of Fit. Overall, the model used in this study is good. It can be seen from the Confirmatory Factor Analysis (CFA) analysis that each manifest variable is a significant indicator in reflecting each latent variable.

The determination of the structural model usually includes several calculations related to the correlation matrix between constructs, the coefficient of determination (R2), and the path coefficient, including its indirect effect, R2 for the LCM model is 0.361, which indicates that 36.1% of the variance in the LCM can be explained. by RBK, RA, RKAP, and FA. The R2 for the Rep model is 0.569, which means that the KPK can explain 56.9% of the variance in the REP, RBK, RA, RKAP, and FA, while the rest can be explained by other factors not included in the model.

In summary, below are the results of calculating the structural equation for testing the hypothesis.

Table 3. Summary of Hypothesis Testing

Model	Coef.	SE	t-value	p-value	Significance	Hypothesis
RBK	-0,216	0,061	-3,622	0,000	Sig	Accepted
RA	-0,122	0,060	-2,024	0,043	Sig.	Accepted
RKAP	-0,162	0,073	-2,223	0,026	Sig.	Accepted
FA	0,311	0,075	4,130	0,000	Sig.	Accepted

Model	Coef,	SE	t-value	p-value	Significance	Hypothesis
RBK	-0,110	0,052	-4,629	0,007	Sig.	Accepted
RA	-0,172	0,050	-5,450	0,014	Sig.	Accepted
RKAP	-0,115	0,061	-1,889	0,059	NS	not accepted
FA	0,351	0,064	3,432	0,001	Sig.	Accepted
KPK	0,266	0,058	2,122	0,034	Sig.	Accepted

Mediation KPK	Coef,	SE	t-value	p-value	Significance	Effect
RBK	-0,057	0,018	-3,190	0,001	Sig	Mediated
RA	-0,032	0,011	-2,953	0,003	Sig.	Mediated
RKAP	-0,043	0,017	-2,544	0,011	Sig.	Mediated
FA	0,083	0,035	2,363	0,018	Sig.	Mediated

Source: Data processed 2021

Influence of Client's Business Risk on Client's Acceptance Decision

Referring to the summary table of hypothesis testing (see Table 4), information was obtained that the direct effect of RBK on the KPK was -0.216 with a t-value = 3.522 (p 0.05), which means that the direct effect of RBK on the KPK was significant. Thus, the hypothesis "client business risk hurts client acceptance decisions" is accepted. Based on the results of testing the hypothesis, it can be stated that the client's business risk, in general, has become the main determining factor for the KAP in making client acceptance decisions. This condition implies that the firm may accept risky clients. In essence, this client's business risk has become the primary consideration for KAP to accept or reject the client. However, there may be KAPs in Indonesia that accept clients whose business is in a risky situation.

This condition can be made more transparent by looking at the difference between KAPs that provide assurance services (AS) and those that provide assurance services and non-assurance services (ASNAS). KAPs in the AS group tend to be more careful in considering the client's business risks compared to KAPs in the ASNAS group. In this case, the client's business risk can be the primary consideration for the US group KAP in accepting clients. However, it is not the primary consideration for the ASNAS group KAP.

This finding is at least in line with the results of previous studies that auditors need to measure client characteristics to assess client business risks to see possible litigation and determine audit plans and fees (Pratt & Stice 1994). If the auditor accepts a risky client, the auditor needs to take an audit approach, such as increasing fees to accommodate the high risk (Osseo-Asare et al., 2005). It applies to KAPs in the AS group as the primary consideration in accepting or rejecting clients, but not so for KAPs in the ASNAS group that the client's business risk is not the primary consideration for the KAP to accept or reject clients. In previous studies, client business risk in Indonesia was proven to influence auditors' decisions to accept clients (Wondabio 2006). However, this study only applies to KAP in the AS group. At the same time, KAP in the ASNAS group does not always apply.

As stated earlier, auditors in US firms consider the client's business risks because the auditor could suffer material loss and reputational damage due to the client's carelessness in presenting undetected financial statements or the client's business failure (Houtson et al. 1999). However, auditors at KAP in the ASNAS group do not make this a primary consideration in accepting or rejecting clients. It is in line with the findings of Houtson (1999) that the client's business risk is a consideration in planning the audit, while Johnstone and Bedard (2003) found that KAP accepts clients who are not in a going concern condition.

Effect of Audit Risk on Client Acceptance Decisions

Referring to the summary table of hypothesis testing (see Table 4.27), information is obtained that the direct influence of RA on the KPK is -0.122 with a t-value = 2.024 (p 0.05), which means that the direct effect of RA on the KPK is significant. Thus, the hypothesis "Audit risk hurts client acceptance decisions" can be accepted. Based on the results of testing these hypotheses, it can be stated that audit risk can be one of the crucial factors influencing client acceptance decisions. If this audit risk is at an acceptable low level, the firm will likely decide to accept the client. If the audit risk is high, the auditor will not decide to accept the client. This finding also confirms that both KAPs in the AS group and KAPs in the ASNAS group also position audit risk as one of the essential factors influencing client acceptance decisions. In this case, the AS group KAP is more intensive in paying attention to audit risk than the ASNAS group KAP. In general, KAP is careful not to give an inappropriate audit opinion (expressing an inappropriate audit opinion) on financial statements that are materially misstated (Tuanakotta, 2015). It applies to both AS and ASNAS group KAPs.

The findings of this study also confirm the opinion of Messeir et al. (2014) that auditors have tried to consider audit risk in deciding on client acceptance. So that later problems will not occur, especially related to expressing an inappropriate audit opinion when the financial statements are materially misstated. This audit risk is also one of the primary considerations of the KAP in deciding to accept a client. Here the KAP seeks to avoid the risk that the auditor may inadvertently fail to appropriately modify an opinion on financial statements that are materially misstated (Boynton et al., 2005). Audit risk arises because the auditor unknowingly does not modify his opinion appropriately on financial statements containing material misstatements.

The audit risk considered by the KAP at least refers to (1) inherent risk is the susceptibility of the balance or group of transactions to the possibility of material misstatement, either for each group account balance or group of transactions or when combined incorrectly. Presentation of account balances or other classes of transactions, assuming there is no related internal control. (2) Control risk is the risk of misstatement that may occur in account balances or groups of transactions and which is material, either for individual account balances or groups of transactions or when combined with misstatements of other account balances or groups of transactions. It cannot be prevented or detected and correlated in a timely manner with the accounting system and internal control system; and (3) Detection risk is the risk that the auditor's substantive procedures will not detect material misstatements in account balances or groups of transactions, either for individual account balances or groups of transactions as well as when combined with misstatements of account balances or other classes of transactions, as suggested by Hayes et al. (2017).

The Effect of Public Accounting Firm Risk on Client Acceptance Decisions

Referring to the summary table of hypothesis testing (see Table 4), information is obtained that the direct influence of RKAP on the KPK is -0.162 with a t-value = 2.223 (p 0.05), which means that the direct effect of RKAP on the KPK is significant. Thus, the hypothesis "The risk of a public accounting firm hurts client acceptance decisions" can be accepted. Based on the results of testing these hypotheses, it can be stated that the KAP risk can also be an important factor influencing the client's acceptance decision. In this case, the firm anticipates negative events, develops a practical decision-making framework, and utilizes the firm's resources to ensure client acceptance decisions. The more capable the auditor is in dealing with KAP risk, there is a tendency for the auditor to decide to accept the client. The test of differences in KAP in AS and ASNAS groups found that the KAP in the ASNAS group tended to have more ability to overcome the risk of KAP than the AS group. In other words, KAP can manage risk (risk management). This condition will also turn and have an impact on the risk of the public accounting firm on the decision to accept its clients.

Management of CPA firm risks can help CPA firms anticipate negative events, develop effective decision-making frameworks, and utilize CPA firms' resources. Thus the decision to accept clients can also be more focused. In this case, by implementing risk management, KAP has the opportunity to anticipate negative events, develop a practical decision-making framework, and utilize KAP resources (Tuanakotta, 2013). As a business entity, KAP has certain risks. This risk cannot be eliminated just like that. It can reduce to a certain extent according to the ability of the KAP itself (Bell et al. 2000). KAP risk is the auditor, or if the KAP will suffer losses due to the engagement even though the audit report made for the client is declared an unqualified opinion. For example, a lawsuit in court by a party who feels aggrieved due to the use of the services of a public accounting firm, and legal sanctions set by the organization. For professions such as IAI, public punishment is in the form of slanderous accusations or underestimating the reputation of a KAP and trying not to use their services and may not be paid. KAP risk is one of the essential factors to consider when deciding to accept a client. These risks need to be managed so that the KAP can overcome these risks as a basis for deciding on client acceptance (Eilifsen & Jr, 2000; Ethridge et al., 2007).

Effect of Audit Fee on Client Acceptance Decision

Referring to the summary table of hypothesis testing (see Table 4), information is obtained that the direct influence of FA on the KPK is 0.311 with a t-value = 4.130 (p 0.05), which means that the direct influence of FA on the KPK is significant. This influence is the most dominant influence on the KPK. Thus, the hypothesis "Audit fees have a positive effect on client acceptance decisions" can be accepted. Based on the results of testing these hypotheses, it can be stated that FA is one of the most important factors influencing the client's acceptance decision. This condition implies that the acceptance of the client's decision will depend on the size of the audit fee—the greater the audit fee, the more excellent the opportunity for the auditor to accept clients. Judging from the KAP group (AS and ASNAS), the high and low audit fees will likely impact the decision to accept clients for the ASNAS group KAP compared to the US group KAP. In other words, the FA level in the ASNAS group was higher than the AS in influencing the client's admission decision.

This finding is in line with previous research. Mulyadi (2002) mentioned that audit fees are fees received by public accountants after carrying out their audit services; the amount depends on the assignment risk, the complexity of the services provided, the level of expertise needed to carry out these services, and the cost structure of the KAP concerned. (Ferguson et al. 2003) prove that the expertise of public accountants and the size of the public accounting firm affect the size of the audit fee. Auditor services are the work performed by a public accounting firm for its clients. The work performed by auditors (except consulting services) is based on the standard assignment guidelines published by the International Auditing and Assurance Standards Boards (IAASB). The IAASB's assignment standards cover the following matters: 1) International Standards on Auditing (ISA) as standards applied in audits of historical financial information; 2) International Standards on Review Engagements (ISRE) as standards applied in reviews of historical financial information; 3) International Standards on Assurance Engagements (ISAE) as standards applied in assurance engagements. On the other side, audits or reviews of historical financial information; 4) International Standards on Related Services (ISRS) as a standard applied to compilation engagements, assignments to apply agreed-upon procedures for information, and assignment of services other related services determined by the IAASB. The findings of this study are in line with the results of Johnstone's (2000) study that most auditors will tend to accept risky clients by using three strategies: (1) screening clients based on their risk characteristics; (2) screening clients based on the audit firm's risk of loss on the engagement; and (3) more proactively adapt using strategies including adjusting audit fees (audit fees), planning for required audit evidence, planning for personnel assignments, or adjusting the amount of data collected during the client acceptance process.

The Influence of Client Acceptance Decisions on the Reputation of a Public Accounting Firm

Referring to the summary table of hypothesis testing (see Table 4.38), information is obtained that the direct influence of the KPK on the Rep is 0.266 with a t-value = 4.629 (p 0.05), which means that the direct influence of the KPK on the Rep is significant. Thus, the hypothesis "Client acceptance decisions have a positive effect on KAP's reputation" can be accepted. Based on the results of testing the hypothesis, information was obtained that the KPK is an important factor affecting KAP's reputation. The accuracy of the auditor in accepting clients will significantly affect the reputation of the KAP. One of the major problems of the firm in the early stages of the firm-client relationship is that the prospect of obtaining additional services from a new client leads audit partners to accept risky clients and audit assignments (Gendron 2002; Johnstone 2000; Johnstone and Bedard). 2003). The problems in accepting clients with various risks can damage the KAP's reputation (Wittek, van der Zee, & Mühlau, 2008).

In line with the results of previous studies, this study found that the right decision to accept clients will motivate individuals who work at a KAP to maintain the reputation of the KAP. The reputation of the KAP itself is reflected in an effective and conducive KAP work culture, the personal expertise or quality of partners and staff, the effectiveness of the audit process, as well as the reliability and benefits of audit reporting. KAP, in general, can also be divided into two orientations: commercial orientation and professional orientation (Gendron, 2002). A firm with a strong commercial orientation emphasizes financial results and continuously strives to increase profitability. The KAP, with a strong professional orientation, can focus on the good collective character of the reputation of the KAP audit service. Audit partners are asked to prioritize norms such as auditor independence and professional expertise. Trust in the auditor profession, and public responsibility for auditing are prominent motives for commitment to professional norms and the inculcation of professional knowledge. This professional or commercial orientation has important implications for an acceptable risk when accepting a client. Gendron (2002) states that in both types of KAP, both logics need to be present to some extent. Commercially oriented KAPs cannot ignore professional norms because clear violations of codes and rules will eventually lead to loss of reputation and litigation. Similarly, KAPs operating with a dominant professional logic must ensure their commercial viability to remain competitive. Therefore, rather than considering audit firms as following a 'commercial' or 'professional' logic, differences in orientation should be seen as a matter of certain uniqueness of professional or commercial values within the culture and organizational structure of the firm itself.

Risk is acceptable of the expected benefits can cause action to exceed the expected costs. KAP can apply a risk management strategy described by Johnstone (2000) to identify whether the client poses an undue risk and, in turn, decide to accept/reject or continue the relationship with his client. Firms with high reputations usually not only increase the general tendency to reject clients as an unacceptable risk. It will, in particular, reduce the effect of additional services on client acceptance. KAPs with a particular reputation are not interested in revenue from additional services. The KAP is more focused on avoiding violations of the independence norms of the audit profession that can disrupt audit tasks and the provision of general financial services (Wittek et al. 2008). This statement is in line with the findings of this study that KAPs with "mediocre" reputations tend to accept risky clients compared to KAPs with high reputations. It is ultimately related to the client's business risk, audit risk level, KAP risk level, and audit size in the client's acceptance decision, which impacts the KAP's reputation level. Related to it, the reputation of KAP in AS group is not as high as that of KAP in the ASNAS group. These conditions can distinguish the position of a reputable KAP and a less reputable KAP concerning the reputation level of the KAP.

The Influence of Client's Business Risk on the Reputation of a Public Accounting Firm

Referring to the summary table of hypothesis testing (see Table 4), information is obtained that the direct influence of RBK on Rep is -0.110 with a t-value = 2.122 ($p \leq 0.05$), which means that the direct effect of RBK on Rep is significant. Thus, the hypothesis "Client's business risk hurts the KAP's reputation" can be accepted. Based on the results of testing the hypothesis, it can be stated that the client's business risk has become a determining factor for the auditor in maintaining the reputation of the KAP. This condition implies that the firm's reputation is considered when the client has high business risk. So, a KAP with a high reputation tends to consider whether a business is a high risk or the risk is acceptable. The higher the firm's reputation, the more likely the firm will consider the client's business risks.

This study found that KAPs in the ASNAS group paid more attention to RBK regarding their KAP reputation than KAPs in the AS group. It is understandable because KAP in the ASNAS group generally has a higher reputation than the US group. In this case, the KAP needs to consider the client's business risk as the risk of the client's economic condition that will suffer losses both in the short and long term (such as profitability, liquidity, etc.) (Huss & Jacobs 1991). This finding can confirm the results of research from Skinner & Srinivasan (2012), which confirms that a client's business risk is a significant consideration for reputable KAPs compared to less reputable ones. When the client's business risk is high, a reputable KAP tends to reject the client because accepting a high-risk client can impact the firm's audit quality. Audit quality is an important aspect of maintaining the reputation of the KAP. The findings of this study are also in line with the income of Aronmwan et al. (2013), which also confirms that KAPs with a high reputation will tend to maintain a track record of audit quality. KAPs with a high reputation will be careful in accepting clients with high business risks.

The Effect of Audit Risk on the Reputation of a Public Accounting Firm

Referring to the summary table of hypothesis testing (see Table 4.27), information is obtained that the direct influence of RA on Rep is -0.172 with a t-value = 3.432 (p 0.05), which means that the direct effect of RA on Rep is significant. Thus, the hypothesis "Audit risk hurts the reputation of a Public Accounting Firm" can be accepted. Based on the results of testing the hypothesis, it can be stated that audit risk can be an essential factor affecting the reputation of the KAP. Thus, KAPs with a high reputation tend to consider audit risk. Audit risk will be increasingly considered when the reputation of the KAP is getting higher. The findings of this study revealed that the RA in the AS group KAP was higher than the RA in the ASNAS group KAP. It shows that the US group of KAP is more intense in paying attention to audit risk, which can affect the reputation level of their KAPs. The ASNAS group KAP tends to be more "relaxed" in this regard.

Risk-based audit quality will go hand in hand with the reputation of the KAP itself. According to the law (2008), KAPs that have auditors with CPA-level certification will be more effective in minimizing audit risks that occur. The risk-based audit considers reasonable assurance (reasonable assurance); reasonable assurance is a high level of assurance but not an absolute level of assurance. Adequate assurance is achieved when the auditor obtains sufficient appropriate audit evidence to reduce audit risk. Auditors at reputable KAPs have more ability to reduce this audit risk to an acceptably low level.

Further, Rezaee et al. (2002) also emphasized that reputable KAPs tend to pay attention to capabilities in auditing automation related to real-time financial/auditing reporting, which are driven by advances in digital technology. Thus, audit quality and credibility can be improved more comprehensively, allowing for more innovative audit models. In essence, KAPs can be more effective in overcoming limitations in the diverse nature of financial reporting, available audit evidence, audit procedures, and timely financial reporting.

Reputable KAPs generally review new methods in auditing, which in turn can be utilized to improve audit quality by facilitating the identification of risk components of acceptable audit risk. In addition, the auditor provides the added value of external financial audits to identify residual business risks (risks that the client does not identify). It can have a positive effect by utilizing information related to the client's business risk and audit risk and the effectiveness of the engagement time (Albert & Serban, 2012).

This study's findings confirm Tuanakotta's (2015) opinion that a reputable KAP can overcome problems such as giving an inappropriate audit opinion (expressing an inappropriate audit opinion) on financial statements that are materially misstated. The KAP can also reduce the risk of expressing an inappropriate audit opinion when the financial statements are materially misstated (Messeir, Glover & Prawitt, 2014). Furthermore, the higher the reputation of a KAP, the more capable of overcoming the problem of unintentional failure to modify opinions appropriately regarding financial statements that contain material misstatements (Boynton, Johnson & Kell, 2005). KAPs with a high reputation can reduce the risk of giving an inappropriate audit opinion when financial statements are materially misstated (Hayes, Wallage & Gortemaker, 2017).

The Effect of Public Accounting Firm Risk on the Public Accounting Firm's Reputation

Referring to the summary table of hypothesis testing (see Table 4.38), information is obtained that the direct influence of RKAP on Rep is - 0.115 with a t-value = 1.889 ($p > 0.05$), which means that the direct effect of RKAP on Rep is not significant. Thus, the hypothesis "The risk of a public accounting firm negatively affects the client's reputation" is not accepted. Based on the results of testing the hypothesis, it can be stated that the KAP risk is not an important factor affecting the KAP's reputation. It means that the reputation of KAP does not completely depend on the ability of the auditor to overcome the KAP risk. However, its influence through the KPK is great, so this RKAP cannot directly influence the Rep but needs to go through the KPK. The auditor's ability to overcome the KAP's risk will determine the right client acceptance decision, which can improve the KAP's reputation.

Judging from KAP in AS group, the KAP risk is not considered a factor that affects the reputation of the KAP, in contrast to the KAP in the ASNAS group, which makes KAP risk one of the factors that affect the reputation of the KAP. In other words, there is a difference in the effect of risk in AS group and ASNAS group in influencing the reputation of KAP. In this case, the US group CPA firm is very dependent on how the CPA firm accepts or continues the relationship with the client. If the KAP accepts the right clients (low business risk and low audit risk), then the KAP risk that may occur can also be minimized. Furthermore, KAPs with high individual and group capabilities tend to manage risk management with specific strategies so that client acceptance decisions can be more precise (Johnstone & Bedart, 2003), which in turn can improve the reputation of the KAP itself.

KAP that are highly capable of managing this risk can also continuously anticipate negative events, develop a practical decision-making framework and empower various available resources (Tuanakotta, 2013). This capability reflects the level of reputation of a KAP. KAPs that use risk management seriously can ultimately improve their reputation of KAPs. Here, enterprise risk management (ERP) can be a valuable tool in managing the reputation of the KAP itself (Pérez-Cornejo et al., 2019). Reputation can be assessed as an important intangible asset for the KAP (Fernandez-Gamez et al. 2016), which is also related to the KAP's financial performance and client relationships. The findings of this study are also in line with the opinion of Neef (2012) that reputation management always goes hand in hand with risk management. In this case, if the KAP can minimize the client's business risk, audit risk, and the risk of the KAP office itself, then the reputation of the KAP can continue to be maintained.

The Effect of Audit Fees on the Reputation of a Public Accounting Firm

Referring to the summary table of hypothesis testing (see Table 4.38), information is obtained that the direct influence of FA on Rep is 0.351 with a t-value = 5.450 (p 0.05), which means that the direct influence of FA on Rep is significant. This influence is also the dominant influence on Rep. Thus, the hypothesis "Audit fees have a positive effect on KAP's reputation" can be accepted. Based on the results of testing the hypothesis, it can be stated that FA is one of the most important factors affecting KAP's reputation. This condition implies that the high audit fee will increase the reputation of the KAP. The higher the audit fee, the higher the reputation of the KAP. This study found that KAP's reputation is closely related to better audit quality, influenced by increased audit fees received (Linthicum, Reitenga, & Sanchez, 2010). The failure of the KAP to conduct a proper audit will worsen its reputation of the KAP, especially with the amount of the audit fee, which is considered too high by the client (Chaney & Philipich, 2002).

The findings of this study are the effect of audit fees on AS and ASNAS group of KAPs on the reputation of KAPs is not too much different. This condition reflects that the amount of the audit fee can directly affect the client's acceptance decision as well as affect the reputation of the KAP. The amount of the audit fee in this study goes hand in hand with the perception of the KAP's reputation. This finding is also in line with the results of Boo & Koh's (2004) research which ensures that the client's perception of the KAP's reputation is closely related to the size of the audit fee. KAPs with a reputable reputation (Big-4) can exploit premium audit fees more than non-Big-4 KAP.

Conclusion

The conclusions of this study are as follows: 1.) Client's Business Risks negatively affect the Client's Acceptance Decision which means that the level of the client's business risk becomes an important consideration for the KAP in the decision to accept or reject the client. 2.) Audit risk hurts Client Acceptance Decisions, which means audit risk can be one of the important factors influencing client acceptance decisions. 3.) KAP risk hurts Client Acceptance Decisions, which means KAP risk can be one of the important factors influencing client acceptance decisions. The more capable the auditor is in dealing with KAP risk, there is a tendency for the auditor to decide to accept the client. 4.) The greater the audit fee, the more excellent the opportunity for the auditor to accept clients. 5.) The accuracy of the auditor in accepting clients will significantly affect the reputation of the KAP. 6.) The higher the reputation of the KAP, the more likely it is that the KAP will consider the client's business risks. 7.) Audit risk will be more considered when the reputation of the KAP increases. 8.) KAP risk does not affect the reputation of KAP, which means that KAP risk is not one of the important factors affecting the reputation of KAP. 9.) The Audit Fee affects the reputation of KAP, which means that FA is one of the most important factors affecting the reputation of KAP. This condition implies that the high audit fee will increase the reputation of the KAP. The higher the audit fee, the higher the reputation of the KAP.

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