



SDI Review Form 1.6

Journal Name:	<u>British Journal of Economics, Management & Trade</u>
Manuscript Number:	2013_BJEMT_8639
Title of the Manuscript:	Effects of Reputation and Economic Dependence on Auditor Strategic Interactions
Type of the Article	

General guideline for Peer Review process:

This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment <i>(if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)</i>
<u>Compulsory</u> REVISION comments	Although I must admit that I am not an expert in the type of theoretical models that the authors use, it seems odd to me that they use deterministic language like "...they always make low audit efforts..." (p. 7) and "Because Big 4 firms have more clients ..., they will select..." (p. 9). Because the models concern human decision making, wouldn't the propositions necessarily be probabilistic rather than deterministic (e.g. "... they tend to make low audit efforts...")? While the literature review is clear and thorough, in some cases on p. 4 I thought the authors would do well to explain the findings in previous studies more in their own words. Particularly, the paraphrase of Lee and Gu's findings seems to be too close to Lee and Gu's own words. The authors ought to use substantially different words or use quotation marks to indicate that they are using a direct quote. Also, I would think that the summary of Chi's paper seems rather abstract (e.g. "some of the prior arguments", "in certain cases"), and ought to focus more on the specific findings in this study.	The authors thank the reviewer's valuable comments very much. We have changed the propositions from deterministic to probabilistic languages. Please refer to page 9 (line 2 of paragraph 1) and page 11 (line 2 of Lemma 1) for the questions the reviewer raised. In fact, we have corrected the manuscript accordingly. Please refer to pages 7-16 of the revised manuscript for the changes. We have rephrased Lee and Gu's study and findings. Please refer to page 4 of the revised manuscript. We have changed the wordings for Chi's paper. Please refer to page 6 (paragraph 1) of the revised manuscript.
<u>Minor</u> REVISION comments	Figures 1 and 2 are very helpful to illustrate the authors' assumptions. However, I think they could be clarified more by pointing out that (if I understood correctly), the variables on the x-axes represent causes or predictors of the variables on the y-axes. For example, Figure 1 implies that the higher the level of screening will be, the lower the reputation loss will tend to be (rather than, for example, the higher the reputation loss, the lower the	We have pointed out the variables on the x-axes and y-axes in Figures 1 and 2. Please refer to pages 9 and 10.. Thanks.



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	level of screening will be). There seems to be a mild case of plagiarism on p. 4, where the authors use more or less the exact words of Lee and Gu. They do cite the paper but should either indicate it is a direct quote (through quotation marks), or paraphrase using their own words.	We have revised the way we cited Lee and Gu (1998) and we are very sure that there is plagiarism at all. Please refer to page 4 of the revised manuscript.
<u>Optional/General</u> comments	This paper provides an interesting and thorough discussion of the decisions that auditors make regarding the amount of effort to punt into screening their clients, and into the audit process itself, in light of the risk of litigation and reputation damage.	The authors are grateful for the reviewer's appreciation of the paper.