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An Overview on Contracting Theory & Agency Theory: Determinants of Voluntary Public Accounting Firms Switching

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Abstract

The objective of this literature study is to explore factors affecting voluntary Public Accounting Firm (PAF) switching according to contracting theory and agency theory of Watts & Zimmerman (1986). PAF switching may occur due to regulations that require a company to do PAF switching, called mandatory realignment; and due to the company’s own wishes, called voluntary PAF switching. The result of the study shows that 23.3% of companies voluntarily change their PAF because of management changes, financial distress, PAF size, changes in management, client size, and auditor’s reputation. Contracting theory may explain researchers in the field of auditing practices, such as auditor as PAF, related to auditor's reputation, professionalism, and the environment, PAF size, and industry specialization. Large PAF has a broad image of having a better reputation than small PAF (Watts & Zimmerman, 1986). This is also supported by De Angelo (1989), who stated that large PAFs are preferred by clients because they are considered to be more independent than small PAFs. Agency theory is often used in research in the field of auditing because information asymmetry is a situation gap between the interests of agents and principals. Therefore, an independent third party is needed, and the role of the auditor is only as the monitoring party.

Keywords: contracting theory, agency theory, Public Accounting Firm switching.

Creative Economic Development Strategy in Malang City

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Abstract

Creative economy is a growing concept based on creative assets that potentially generate economic growth and progress. It contributes significantly to the economic growth of Malang City. The main purpose of this research was to develop the strategy of creative economy development in Malang City. The other purpose also updated the subsector creative economy data. By identifying the challenging problems in the development of creative economy, this research method used a descriptive qualitative approach with SWOT analysis. The populations of this research were MSMEs (UMKM) which were engaged in creative economy. The results showed that from 1100 MSMEs in Malang City, 520 were engaged in the creative economy. Other research results indicated that the challenging problems in the development of creative economy between sub-sectors somewhat varied. In general, among others, the business model of creative industry has not yet been optimal, lack of appreciation to local creativity, limited marketing distribution, the susceptibility of creative industry institutions, and limited capital development. Given these shortcomings, this research has succeeded in formulating general development and each sector strategies.

Keywords: Creative Economy, Creative Industry, UMKM, SWOT Analysis, Malang City.