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**AUDIT EFFORT AND THE UNIT AUDIT PRICE OF INDUSTRY  
SPECIALIST AUDITORS: EVIDENCE FROM KOREA**

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**ABSTRACT**

Higher audit fees associated with auditor industry specialization, as documented in previous studies, could be a reflection as to whether industry specialist auditors (ISA) either charge a higher unit price for their effort and/or provide a higher quantity of audit services. We ask (1) whether auditor industry specialization leads to higher audit effort as measured by hours and if so, (2) how the extended audit effort of ISA is related to audit fee premiums associated with auditor industry specialization. Exploiting a field setting in Korea where audit effort information is required to be disclosed in the firms' annual reports, we find that industry specialization leads to significantly higher audit effort relative to non-ISA. When the audit effort and audit fees are analyzed together as per hour, i.e. unit audit price, indicating that higher total audit fees associated with ISA, which prior studies view as an ISA audit fee premium, could be attributable primarily to audit quantity differences in the audit effort between ISA and non-ISA, but not to a higher unit audit price.

**Keywords:** Industry specialist auditors; Audit effort; Audit fee premium; Audit quality