

Responses to Reviewer 1's Comments

1. The paper argues the advisory role of auditors outweigh their monitoring role, by finding auditor tenure decreases misstatements. On the other hand, the paper argues the monitoring role of board outweighs their advisory role by finding independent board decreases misstatement. The paper need to talk more about the differentiating effects and justify with theory.

Response:

Thanks to the number of papers pointed out by the reviewer we have incorporated the findings from Giround and Mueller (2011), Li (2014) and Li et al. (2018) and other researchers to discuss the differentiating effect of the advisory role versus the monitoring role of auditors, board of directors, and creditors. Thus, the revised manuscript better places the paper along this stream of research emphasizing the importance of auditor expertise in strengthening corporate governance.

2. The contributions of the paper are not elaborated well in the current paper. You can talk about the following contributions: What insights can you provide based on your findings? Do they push forward our understanding? What should we do with your research? Do you have any suggestions to improve the current regulation or practice?

Response: Thanks for the comment. The revised paper discusses in greater detail the insights from our findings, how they push forward our understandings and provides suggestions to improve current regulations and practice, particularly in the discussion and conclusion sections.

3. My main suggestion is that you should tell a richer story and link to more literature by discussing more relevant channels. One main channel is corporate governance. You should consider, for example market competition as a governance mechanism: Giround and Mueller (2011), corporate governance, product market competition, and equity prices. Journal of Finance 66, 563-600. The interaction between the executives, such as mutual monitoring among the executives: Li, Z. F., (2014), mutual monitoring and corporate governance, Journal of Banking & Finance, 45, 255-269; and external interactions between CEOs in the industry tournaments: Coles et al. 2018, Review of Financial Studies, 31 (4): 1418-1459. On inside debt as governance: Li, F., et al. (2018) risk adjusted inside debt, Global Finance Journal 35: 12-42. You need to discuss those aspects of possible channels to give readers a more comprehensive view and a richer story and/or point out future research directions.

Response: Thanks for pointing us to these important studies. We did read and incorporate most of these studies in the revised manuscript. The revised manuscript does a better job of telling a richer story and links more literature by discussing possible channels of governance. Particularly, in the conclusion section we point to future research directions to study possible channels for effecting stronger corporate governance in less developed countries.

Minor Comments and Suggestions

Generally speaking, the paper is well written. However, try to avoid long sentences and vague words. Use short, precise, and concise sentences and be more straightforward.

The abstract is not very well written. You need to seriously proofread the paper and extend and update your references.

Response: Thanks for the comments. We have rewritten the abstract, had the revised manuscript proofread, and updated our references.

In conclusion, I would like to thank the authors for a very interesting, unique and potentially important paper. Hope these comments and suggestions can help further the study.

Response: Thank you so much for the comments and suggestions, which has greatly helped to improve the quality of the revised manuscript.