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Executive Vertical Concurrent, Accounting Prudence and Audit Pricing

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Abstract

This study examines the impact of executive vertical cross-appointments on audit pricing from the perspective of accounting conservatism, using data from A-share listed companies in Shanghai and Shenzhen from 2009 to 2023. The findings reveal that vertical cross-appointments by executives tend to increase audit pricing, with this effect being more pronounced when the appointee is the company's chairman. Mechanism tests indicate that such appointments primarily elevate audit pricing by undermining accounting conservatism. When vertical cross-appointments occur, they exacerbate agency problems between major shareholders and minority shareholders, intensifying the "hollowing-out effect." Further analysis demonstrates that vertical cross-appointments in non-state-owned enterprises significantly influence audit pricing. This research expands existing studies on the economic consequences of executive cross-appointments and their impact on audit pricing, offering insights for improving corporate governance and strengthening government oversight.

Keywords

Auditing Pricing; Accounting Prudence; Vertical Concurrent Senior Management

1. Introduction

The vertical concurrent appointment of executives, as a phenomenon in the process of China's market economy transformation and corporate reform, originated from the need to strengthen the influence or control of major shareholders over listed companies. In China, early listed companies were typically formed through the spin-off and reorganization of numerous state-owned enterprises and private enterprise groups. These unlisted group major shareholders often appointed personnel to serve in listed companies, thus giving rise to vertical concurrent appointments. However, under the background of China's economic transformation, there are differing views in both theoretical and practical circles regarding how vertical concurrent appointments of executives contribute to corporate governance.

From a practical perspective, examining the roles of vertically integrated executives in corporate governance across different regulatory bodies reveals divergent viewpoints. For instance, the China Securities Regulatory Commission (CSRC) has introduced regulations to restrict such dual roles, anticipating that major shareholders might exploit them for personal gain. Meanwhile, state-owned asset management authorities argue that vertical integration strengthens shareholder oversight, permitting senior executives to concurrently serve as key corporate leaders (Zheng Gaoping et al., 2014). This divergence has sparked theoretical debates, with current research demonstrating both positive and negative impacts of vertical integration on corporate governance. On one hand, vertically integrated executives facilitate communication between major shareholders and listed companies, serving as a bridge for information exchange. This effectively mitigates information asymmetry between stakeholders, reduces shareholders' incentive to drain corporate resources, and ultimately enhances corporate value. When these executives exert a "supervisory effect," they help optimize governance structures. Studies show that vertically integrated executives strengthen information flow between major shareholders and listed companies, enabling enterprises to access more resources and expand information channels, thereby improving performance—especially when the executive serves as chairman, where this effect becomes more pronounced. On the other hand, under the rational principal-agent hypothesis, conflicts of interest may arise between major shareholders and minority shareholders. Vertical cross-appointees, who largely represent the interests of major shareholders, may engage in opportunistic behaviors to protect these interests. To conceal such actions, they often adopt less conservative accounting practices. In the current context, non-compliant information disclosure by listed companies could mislead stakeholders in decision-making. This phenomenon suggests that when executives hold dual roles in key internal positions, it may potentially harm minority shareholders' interests. Such "hollowing-out effect" undermines corporate governance structures.

By examining both theoretical frameworks and practical cases, we observe that corporate governance effectiveness in vertical executive cross-appointments cannot be generalized. Different types of executive cross-appointments may exert distinct governance effects across enterprises of varying natures. Notably, few scholars have explored the relationship between executive cross-appointments and audit pricing. This study expands research on the economic consequences of vertical executive cross-appointments.

The potential research contributions of this paper are as follows: First, it explores the factors influencing audit pricing from the perspective of corporate governance. Hay et al. (2006) summarized significant research findings from 1975 to 2000, identifying key factors such as firm size, business complexity, and corporate risk. While most scholars have focused on these aspects, there has been limited research on the relationship between group company governance characteristics and audit pricing, particularly regarding the impact of vertical executive cross-appointments. This paper examines this issue through the lens of vertical executive cross-appointments, while also expanding research on how group company governance structures influence corporate financial behavior by incorporating equity structure and executive characteristics. Second, it investigates the governance mechanisms of vertical executive cross-appointments from the perspective of audit pricing, enriching economic consequence studies in this field. Different types of vertical executive cross-appointments reflect diverse power configurations and governance mechanisms. When evaluating the economic effects of such corporate governance arrangements, policymakers, regulators, and investors should comprehensively consider the types of vertically appointed executives and the company's ownership structure to fully grasp the various economic consequences that vertical executive cross-appointments may bring.

2. Literature Review, Theoretical Analysis and Hypothesis

2.1. Literature Review

In their 1999 study, La Porta and colleagues first examined the phenomenon of vertical executive cross-appointments. They found that in U.S. family-owned businesses, controlling shareholders tend to appoint family members to senior management positions, a practice that has largely yielded positive governance outcomes. Specifically, this phenomenon helps mitigate principal-agent problems between shareholders and management (see Chen et al., 2010), enhances corporate performance and value (Anderson & Reeb, 2003; Villalonga & Amit, 2006). When reviewing subsequent literature on vertical executive cross-appointments, we identified two main research threads: (1) The "supervision effect," with extensive literature focusing on the first category of principal-agent issues. According to this perspective, vertical appointments between executives in shareholder-owned companies and their managed subsidiaries serve as a critical coordination and information transmission mechanism. Such appointments help reduce the "information gap" between shareholders and management, thereby strengthening shareholder oversight and effectively mitigating potential agency conflicts (Opie et al., 2019). Furthermore, Joffe et al. (2021) noted that this mechanism can generate positive "supervision effects" (Joffe et al., 2021). Furthermore, the practice of vertical cross-appointments in state-owned enterprises has been recognized in Arnoldi et al. 's 2019 study as a means for shareholders to strengthen control over listed companies. This not only enhances cooperation between shareholders and listed companies but also optimizes information exchange mechanisms (Arnoldi et al., 2019). In state-owned listed companies, when executives engage in vertical cross-appointments, it significantly strengthens major shareholders' oversight. Under current circumstances, the alignment of objectives between shareholders and corporate management becomes more achievable, which undoubtedly helps mitigate common agency conflicts. Accordingly, relevant studies (Pan Hongbo and Han Fangfang, 2016) indicate that such alignment significantly improves the quality of accounting information. (2) The "hoarding effect": Some scholars have analyzed the excessive control by senior executives from the perspective of the second type of agency problems. They point out that this situation may facilitate major shareholders 'tunneling behavior, allowing them to conveniently transfer corporate resources under personal control (Zheng Gaoping et al., 2014). In emerging capitalist markets, the "hoarding effect" of vertically cross-appointed executives manifests as major shareholders harming minority shareholders' interests, suppressing corporate innovation (Yan Zhenli et al., 2019), damaging corporate value (Zheng Gaoping et al., 2014), and increasing stock price crash risks (Yang et al., 2020).

Simunic (1980) first proposed the audit pricing model, laying the theoretical foundation for related research in audit pricing. Additionally, scholars have studied the impact of factors such as auditor reputation and opinion types in audit reports on audit pricing. Most of these studies used multiple regression models to analyze and reveal the significant influence of various factors on audit pricing. In existing academic research, most literature explores and analyzes factors affecting audit pricing from two dimensions: individual characteristics of auditors and the operating environment of enterprises, including both internal and external environments (Ittonen et al., 2013). Using listed companies in Sweden and Finland as research samples, they found that financial report information quality was higher in companies audited by female auditors. Considering the potential impact of gender differences on audit work, we have reason to believe that female auditors may demonstrate more meticulous and thorough work attitudes during audit tasks, leading to greater time and effort investment in the audit process. This differentiated labor input may, to some extent, increase audit service costs, thereby influencing audit service pricing strategies. Wu Wenjing (2012) found that auditors 'professional competence and industry expertise affect audit pricing, specifically manifested as higher professional competence leading to higher audit pricing. Additionally, some studies have discovered a positive correlation between auditors' age and audit pricing, as age may indicate more extensive work experience among auditors. In the field of research on auditor characteristics and their impact on audit pricing, existing literature has conducted in-depth discussions from multiple perspectives, including the internationalization level of accounting firms (Bae et al., 2016; Bills et al., 2016; Peng Wen et al., 2020). Furthermore, scholars have not only focused on individual auditor characteristics but also extensively considered internal and external environmental factors of enterprises, which have also attracted close attention in audit pricing research. Internally, larger enterprises require greater audit investment from auditors, leading to correspondingly higher audit pricing. Francis et al. (1984) studied Australia's large audit market and found a significant positive correlation between the total asset size of audited entities and audit pricing. This is because large enterprises typically have more complex business structures and higher audit risks, requiring auditors to invest more time and resources in completing audit work, thus increasing audit fees. Research indicates that improvements in corporate accounting integrity can, to some extent, reduce pricing costs during the audit process (Zeng Qi et al., 2018; Geng Yanli and Lu Guihua, 2018). From another perspective, when considering the impact of external environments, multiple studies observe an increase in negative media coverage (Liu Qiliang et al., 2014; Liu Xiaoxia et al., 2017), along with economic uncertainties such as recessionary trends in macroeconomic conditions (Zhang Limin et al., 2018). These macro factors will lead to the increase of audit pricing.

2.2. Theoretical Analysis and Hypothesis

The existing researches on the vertical executive concurrent has revealed the dual effects of the phenomenon, namely the "supervision effect" and the "hollowing-out effect".

First, let's delve into the "supervision effect." When examining this phenomenon, we must base our analysis on a fundamental premise: vertical cross-appointments of executives can enhance communication between major shareholders and management. In this strengthened communication environment, the pervasive information asymmetry between shareholders and management can be significantly alleviated through targeted measures. Furthermore, given the governance advantages derived from vertical cross-appointments of top executives, it is foreseeable that major shareholders will exert stronger oversight over management, which undoubtedly helps mitigate potential agency conflicts between shareholders and management. To improve accounting information quality and further reduce managerial misconduct, Pan Hongbo and Han Fangfang (2016) suggest that as agency conflicts intensify, management may sacrifice shareholder interests for personal gain. Under certain circumstances, management might deliberately manipulate accounting information to conceal their opportunistic tendencies (Hope and Thomas, 2008). Secondly, when agency problems become acute, the alignment of interests between shareholders and management may dissolve. This could lead management to overinvest in pursuit of higher compensation. In such cases, management might adopt overly aggressive accounting conservatism policies, such as premature revenue recognition or overestimating accumulated earnings. Nevertheless, when executives concurrently serve as major shareholders, this vertical dual role may effectively strengthen their ties with listed companies. Such connections help mitigate information asymmetry and reduce the costs of information acquisition and oversight. Consequently, executives' incentives to boost performance through underreporting losses, earnings manipulation, or opportunistic investments for excessive returns may diminish. This, in turn, enables companies to promptly recognize incurred losses and enhances the robustness of accounting information. When corporate management practices demonstrate high accounting conservatism, auditors can more accurately verify their authenticity, thereby reducing audit risks to some extent. Lower audit risks may lead to reduced audit expenditures, which in turn could result in decreased audit fees. Based on the above analysis, the following hypothesis is proposed:

H1a: When other factors remain constant, listed companies with executive cross-appointments exhibit lower audit pricing.

Secondly, vertical cross-appointments of executives may lead to the so-called "hollowing-out effect." In such scenarios, major shareholders leverage their dual control over executives holding concurrent positions. When considering potential compliance risks in corporate operations—particularly violations involving substantial fund diversion—these activities clearly undermine healthy business operations. This analysis suggests that executives holding vertical cross-appointments might exploit improper means like fund diversion to conduct so-called "hollowing-out" of listed companies. This phenomenon is often linked to major shareholders 'limited liability for corporate debts, their substantial voting rights, and absolute controlling stakes, which collectively grant them significant influence over corporate decision-making. Under current equity structures, major shareholders wield considerable influence due to their high ownership shares. In such circumstances, if motivated by personal interests, they may initiate strategies detrimental to both the company and creditors. Specifically, they could use their corporate influence to transfer company assets to their personal names through fund diversion or illegal guarantees, thereby harming the company's future growth. Furthermore, such damage may extend to the company's investment and operational activities. Vertical cross-appointments of executives further increase the likelihood of such misconduct. These improper practices, including but not limited to fund diversion, adversely affect the company's financial health and may damage its reputation and brand image. Meanwhile, such conduct may provoke discontent among other shareholders, thereby exacerbating internal agency conflicts. Consequently, executives may be more inclined to boost performance through underreporting losses, earnings manipulation, or opportunistic investments to secure excessive returns. This, in turn, hinders timely recognition of incurred losses and compromises the robustness of accounting information. When corporate management demonstrates low accounting conservatism, it elevates audit risks to some extent. Higher audit risks may necessitate greater audit resources, consequently driving up audit fees. Based on the above analysis, the following hypotheses are proposed:

H1b: When other factors remain constant, listed companies with executive cross-appointments face higher audit pricing.

3. Research design

3.1. Sample Selection and Data Sources

This study selects non-financial A-share listed companies in Shanghai and Shenzhen from 2009 to 2023 as research samples, with the following processing steps: (1) excluding companies listed for less than three years; (2) removing firms with negative net assets; (3) eliminating ST and PT companies; (4) filtering observations with missing variables, yielding 22,521 valid observations. All continuous variables undergo tail-trimming at 1% and 99% levels, with cluster adjustment for regression standard errors at the firm level. The primary source of raw data is the CSMAR database.

3.2. Model Construction and Variable Definition

This study references Yan Zhenli et al. (2024) to construct Regression Model (1) for hypothesis testing.

$$AuditFee = \alpha_0 + \alpha_1 AM + \sum Control + \sum Year + \sum Industry + \varepsilon \quad (1)$$

AuditFee denotes audit pricing, while AM indicates vertical executive overlap. When a listed company's chairman or general manager concurrently serves at a major shareholder's entity, AM is assigned a value of 1; otherwise, it is 0. If research hypothesis H1a holds, AM's coefficient should be significantly negative; if hypothesis H1b holds, it should be significantly positive.

Additionally, as referenced in Zhu Bing et al. (2024), this study controls for the following variables in the model: firm size, debt-to-asset ratio (Lev), return on assets (ROA), firm age, whether the accounting firm is a Big4 member, audit opinion type (MAO), growth rate, loss status, accounts receivable and inventory scale (Vrec), the shareholding ratio of the largest shareholder (TOP1), board size, and ownership nature (SOE). The model also incorporates fixed effects for industry and year.

4. Empirical Results and Analysis

4.1. Correlation analysis

Table 1 presents the correlations of key variables. The analysis reveals a significant positive correlation between executive multi-role positions (AM) and audit fees (Audit Fee). Except for the negative correlation between return on assets (ROA) and audit fees, all other factors—including company size, debt-to-asset ratio (Lev), listing age (Age), and membership in the Big Four—show positive correlations with audit fees, all statistically significant at the 1% level.

Table 1. Correlation analysis

	AuditFee	AM	Size	Lev	Age	ROA	Big4
AuditFee	1						
AM	0.088***	1					
Size	0.786***	0.101***	1				
Lev	0.338***	0.036***	0.449***	1			
Age	0.320***	-0.011*	0.394***	0.368***	1		
ROA	-0.052***	0.020***	0.016**	-0.366***	-0.173***	1	
Big4	0.468***	0.056***	0.383***	0.096***	0.102***	0.047***	1

4.2. Descriptive statistics

Table 2 presents the descriptive statistics of key variables in this study. Audit fees (AuditFee) show a right-skewed distribution with a mean of 13.87 and median of 13.76, accompanied by a standard deviation of 0.781 and a maximum value of 16.41, indicating significant pricing disparities among listed companies in China. The asset-liability ratio (Lev) averages 48%. These findings align with existing research on major variables.

Table 2. Descriptive statistics

Variable	N	Mean	SD	Min	p50	Max
AuditFee	22521	13.87	0.781	9.210	13.76	16.41
AM	22521	0.199	0.399	0	0	1
Size	22521	22.43	1.366	19.91	22.25	26.36
Lev	22521	0.481	0.198	0.0600	0.487	0.909
ROA	22521	0.0360	0.0590	-0.195	0.0340	0.217
Age	22521	2.156	0.851	0	2.398	3.296
Growth	22521	0.181	0.447	-0.544	0.107	2.909
Vrec	22521	0.263	0.168	0	0.242	0.945

Big4	22521	0.0710	0.256	0	0	1
MAO	22521	0.0450	0.418	0	0	11
TOP1	22521	34.70	14.90	9.080	32.51	74
Board	22521	8.753	1.691	5	9	15
SOE	22521	0.442	0.497	0	0	1
Loss	22521	0.119	0.324	0	0	1

4.3. Regression results and analysis

Column (1) of Table3 presents the positive coefficient of executive vertical cross-appointment (AM) that is statistically significant at the 1% level, supporting Research Hypothesis H1b: Other conditions being equal, listed companies with executive vertical cross-appointment exhibit higher audit pricing. By incorporating control variables in Column (2) and accounting for annual and industry fixed effects, we conducted further analysis of the AM coefficient. Even under these control conditions, the coefficient remains positive and maintains statistical significance at the 5% level. This finding further validates the robustness of our conclusions, with the results of key control variables aligning with those reported by Gao Chong et al. (2023) and Zhu Bing et al. (2024).

Table 3. Benchmark test

	(1)	(2)	(3)	(4)
VARIABLES	AuditFee	AuditFee	AuditFee	AuditFee
AM	0.172***	0.017**		
	(5.75)	(2.38)		
CEO			0.015*	
			(1.84)	
Chair				0.038***
				(3.14)
Constant	13.835***	5.186***	5.169***	5.154***
	(978.94)	(69.52)	(27.62)	(27.56)
Observations	22,521	22,521	22,521	22,521
R-squared	0.008	0.716	0.716	0.716
Controls FE		YES	YES	YES
Industry FE		YES	YES	YES
Year FE		YES	YES	YES

When examining the position structure of senior executives in Chinese listed companies, we identify two types of vertical concurrent appointments: chairperson and general manager. In this structure, the chairperson and general manager each hold distinct functions and authority. Specifically, the chairperson possesses independent management authority and, as the company's legal representative, holds the highest decision-making power under the law, responsible for formulating and executing corporate strategies. Conversely, the general manager handles day-to-day operations. Therefore, compared to the general manager, the chairperson—as the company's legal representative and steering figure—plays a decisive role in selecting and applying accounting policies. Accordingly, this study predicts that vertical concurrent appointments of the chairperson would have a more pronounced impact on audit pricing. To test this, we analyze the effects of different executive types on accounting conservatism. The Chair variable is coded as 1 for chairperson-only concurrent appointments and 0 otherwise; the CEO variable is coded as 1 for general manager-only concurrent appointments and 0 otherwise. Data from columns (3) to (4) in Table 3 show that when only general manager concurrent appointments are considered, the AM coefficient is statistically significant at the 10% level. However, when only chairperson concurrent appointments are examined, the AM coefficient remains significantly positive at the 1% significance level.

4.4. Robustness test

Change the main variable measurement.(1) Implementing lagged vertical executive appointments. Given that current audit fees are fundamentally unaffected by previous year's executive appointments, this study employs a one-period lagged vertical executive appointments (AM) as an analytical tool to investigate its potential impact on audit pricing, thereby mitigating endogenous issues. The results show that the AM coefficients are all positive and statistically significant at the 5% level, reinforcing the study's conclusions. (2) Adjusting audit pricing measurement. The measurement of audit pricing uses fees paid to domestic accounting firms, excluding indirect costs like travel expenses. As shown in Table 4(2), the AM coefficient remains positive and significant at the 1% level.

Table 4. Robustness test

	(1)	(2)
VARIABLES	AuditFee	Fee
L.AM	0.018**	
	(2.14)	
AM		0.020***
		(2.82)
Constant	3.956***	5.378***
	(48.33)	(81.19)
Observations	17,847	22,313
R-squared	0.677	0.666
Controls FE	YES	YES
Industry FE	YES	YES
Year FE	YES	YES

4.5. Mechanism test

The "hollowing-out effect" caused by vertical executive appointments may lead to delayed recognition of actual losses and improper revenue confirmation by executives to justify their opportunistic behavior, thereby enhancing the legitimacy of high compensation. This phenomenon undermines accounting conservatism. From the perspective of financing constraints, vertical executive appointments can further reduce accounting conservatism (Yan Zhenli et al., 2024). Reduced accounting conservatism may increase the risk of financial statement errors, consequently elevating audit risks. In such cases, to gather sufficient and appropriate audit evidence and reduce audit risks to an acceptable low level, accounting firms may need to assign more experienced auditors and expand audit procedures. This undoubtedly requires greater time and effort from accounting firms and certified public accountants. As a result, to compensate for these additional costs, audit fees may need to be increased.

CScore, a metric for accounting conservatism, is derived from annual regression analysis by Khan and Watts (2009). It measures the rate at which bad news is recognized compared to good news. Column (1) of Table 5 reveals a significant negative correlation between executives 'vertical cross-appointments and accounting conservatism, indicating that such appointments reduce conservatism—a finding consistent with Yan Zhenli et al.' s (2024) study. Column (2) further demonstrates a significant negative correlation between accounting conservatism and audit pricing, suggesting that higher conservatism leads to lower audit pricing. In summary, vertical cross-appointments by executives diminish accounting conservatism, thereby increasing audit pricing.

Table 5. Mechanism test

	(1)	(2)
VARIABLES	CScore	AuditFee
AM	-0.174*	
	(-1.70)	
CScore		-0.004***
		(-4.12)
Constant	0.565	3.832***
	(0.48)	(46.34)
Observations	19,342	19,342
R-squared	0.069	0.686
Controls FE	YES	YES
Industry FE	YES	YES
Year FE	YES	YES

The increase in audit pricing may result from auditors 'greater time and effort invested in the audit process, which could lead to higher costs including labor expenses, time costs, and other related expenditures. To maintain operational sustainability and profitability, audit firms may reflect these additional costs in their audit fees. From an economic perspective, when auditors invest more effort in their work, the corresponding audit service pricing tends to rise. For measuring audit effort, we adopt the natural logarithm of the interval days between a company's balance sheet date and the audit report date plus 1 (Aeffort) as a proxy variable, as referenced by Liu Xiaoxia and Li Minghui (2019). A longer interval indicates greater auditor effort and higher audit input. Table 6 illustrates the impact of executive vertical concurrent positions (AM) on audit effort (Aeffort), revealing that such positions increase auditors' audit input, thereby driving up audit pricing.

Table 6. Audit input

	(1)
VARIABLES	Aeffort
AM	0.008*

	(1.93)
Constant	4.540***
	(51.83)
Controls FE	YES
Industry FE	YES
Year FE	YES
Observations	22,555
R-squared	0.543

4.6. Explore further

Heterogeneity Analysis: Distinguishing Property Rights Nature. To further investigate whether vertical concurrent appointments of executives affect audit pricing differently across property rights structures, this study conducts grouped regression analysis based on property rights characteristics using Model (1), with specific results presented in Table 7. Column (1) shows the impact of vertical concurrent appointments in state-owned enterprises (SOEs), revealing a potential reduction in audit pricing, though this effect remains statistically insignificant. Column (2) demonstrates that such appointments in non-state-owned enterprises (NSOs) significantly increase audit pricing, with the effect being significant at the 5% level.

Table 7. Aheterogeneity analysis

	(1)	(2)
VARIABLES	AuditFee	AuditFee
AM	-0.004	0.020**
	(-0.37)	(2.36)
Constant	4.177***	6.254***
	(35.49)	(66.87)
Observations	9,958	12,560
R-squared	0.743	0.687
Controls FE	YES	YES
Industry FE	YES	YES

5. Conclusions

This study examines the impact of executive vertical cross-appointments on audit pricing from the perspective of corporate financial reporting. The findings reveal that listed companies with executive cross-appointments exhibit higher audit pricing, supporting Research Hypothesis H1b. This suggests that under identical conditions, when executives hold positions in affiliated enterprises, the company's audit fees may increase. The conclusion enhances our understanding of the economic consequences of executive cross-appointments, particularly their effects on corporate governance and audit market pricing mechanisms. Mechanism tests demonstrate that executive cross-appointments primarily increase audit pricing by reducing accounting conservatism. Specifically, companies with such appointments achieve this through "hollowing-out effects" and improved internal capital allocation efficiency, thereby lowering accounting conservatism.

Further analysis reveals that non-state-owned enterprises demonstrate stronger effects of executive cross-appointments in driving audit pricing through reduced accounting conservatism compared to state-owned enterprises. These findings provide valuable insights for refining corporate governance mechanisms and strengthening regulatory oversight.

The findings of this study provide valuable insights for optimizing corporate governance structures. On one hand, when executives hold multiple vertical positions, it can enhance information flow between major shareholders and listed companies, creating more resource acquisition opportunities for enterprises and demonstrating positive effects on innovation performance. This positive impact becomes particularly pronounced when the chairman assumes such concurrent roles. However, on the other hand, this concurrent arrangement may increase risks of information disclosure violations, potentially misleading investors and harming the interests of minority shareholders. Therefore, in corporate governance practices, we need to carefully weigh the potential benefits and risks associated with vertical executive concurrent positions. Simultaneously, strengthening regulatory oversight is essential to prevent abuse of concurrent roles and maintain the stability and fairness of corporate governance. Additionally, the study reveals that companies with vertical executive concurrent positions often face higher audit fees. This finding suggests that audit institutions fully consider the additional risks and complexity of such arrangements when pricing services. This helps the audit market more accurately assess risks, improve audit quality, and further protect investor interests.

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