

## Expected Impacts of Rotation Requirements on Auditors and Audit Firms with Regard to the Market Size

Art. 33 of the Proposal COM(2011) 779 from November 30th 2011, Regulation of the European Parliament and the European Council on specific requirements regarding statutory audit of public-interest entities.

**Assumption: Currently international entities tend to engage one out of the four big audit firms.**

**(Deloitte & Touche, Ernst & Young, KPMG, PwC)**

**The rotation requirements are not likely to change this demand situation.**

**I. Survey of two possible auditing scenarios.**

The following survey depicts two possible scenarios. They do not, however, exhaust the number of all possible scenarios.

### Szenario 1: Single Audit

Rules defined in the Regulation:

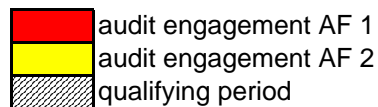
The maximum time period for auditing is six years.

Upon six years, there is a mandatory waiting period of four years.

Assumption: An extension of two years on top of the regular period of auditing will not be granted

### Possible Market Demand

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
Deloitte	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey	Grey			Red	Red	Red	Red	Red	Red	Red	Grey	Grey		
E&Y							Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Grey	Grey	Grey	Grey				Yellow	Yellow		
KPMG																							
PwC																							
PG4																							
PG5																							



**Probable Results**

Two audit firms (AF) switch every six years.  
An international entity will request the services of two out of the four established audit firms.

**Scenario 2: Joint Audit**

Specification of the Regulation:

*One auditor can audit an entity for a maximum of nine years.*

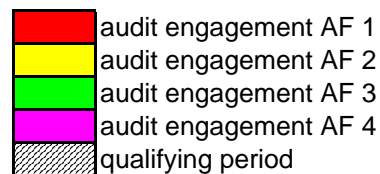
*The maximum auditing time of nine years can only be used if the first two mandates have been assigned to two audit firms for a period of six years.*

After the six or respectively nine years there is a qualifying period of 4 years.

Assumption: An extension of the auditing period for another three years will not be permitted.

**Possible Market Demand**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
PwC	Red	Red	Red	Red	Red	Red	Red	Red	Red	Hatched	Hatched	Hatched	Hatched	Red	Red	Red	Red	Red	Red	Red	Red	Red
KPMG	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Hatched	Hatched	Hatched	Hatched	Hatched	Hatched	Hatched	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Hatched	Hatched
E&Y										Green	Green	Green	Green									
Deloitte										Magenta	Magenta	Magenta	Magenta									
PG4																						
PG5																						



**Probable Results**

2 AF for 6 years, 1 AF for 3 years, 2 new AF

An international entity will request the services of the four established audit firms.