

Financializing the Professions: The Rise of Private Equity in Accounting*

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Abstract

Private equity (PE) has expanded rapidly into professional services, raising questions about competition, labor markets, and professional independence in traditionally licensed, reputation-based, and partnership-controlled sectors. We study these issues in accounting using data from 1999–2024 that link more than 3,600 PE transactions to firm organization, labor-market outcomes, and audit pricing. PE investment increases sharply after 2020 and extends to both CPA-licensed audit firms and non-CPA advisory practices, with activity concentrated in large mid-tier firms. After PE entry, firms grow faster: non-audit revenues rise, employment expands, and cross-state mergers and acquisitions accelerate, consistent with platform building and consolidation. These organizational changes have market-level implications. PE investment increases labor-market concentration in key accounting occupations and raises audit fees in ERISA engagements, a highly standardized setting where regulation fixes scope and effort, isolating price effects consistent with increased market power. Our results show that in professions, private equity does not simply reorganize firms, it relaxes constraints on scale in ways that directly reshape competition and professional independence.

JEL Codes: G23, G34, L22, L4, L84, M41, M42, J44.

Keywords: Private equity, accounting firms, audits, consolidation, market power, labor-market concentration, M&A, professional services.

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1 Introduction

Private equity (PE) has evolved from a niche financing mechanism into one of the dominant forms of capital organization in the modern economy. Although historically associated with industrial buyouts and corporate restructurings, PE capital has increasingly expanded into sectors where value creation depends primarily on human capital and professional expertise rather than physical assets. Recent evidence documents substantial PE activity in healthcare ([Appelbaum and Batt, 2014](#); [Wollmann, 2020](#); [Gupta et al., 2021](#); [Asil et al., 2024](#)), law ([von Nordenflycht, 2010](#)), and higher education ([Eaton et al., 2020](#)). Production in these sectors is highly dependent on human capital, repeated interactions, and reputation, exactly the attributes for which outside equity, leverage, and short-term investors were once thought to be poor substitutes ([Greenwood and Empson, 2003](#); [Levin and Tadelis, 2005](#)). As a result, these sectors were long presumed to be largely immune to financial engineering.

Yet, PE has found its way in. Sponsors have built platforms that consolidate fragmented practices, centralize shared services, and convert reputation and client relationships into scalable cash flows ([Gray, 2024](#); [Singh et al., 2024](#); [Hammer et al., 2022](#)). This dynamic reflects a broader process that we refer to as the financialization of professionalism: transforming licensed occupations into firms that look, behave and monetize like the rest of the corporate sector ([Allan et al., 2019](#); [Cushen, 2013](#)).

In this paper, we ask a simple question: what happens when this model is applied to accounting, a profession explicitly designed to keep outside capital at arm’s length and one in which audit and assurance services constitute quasi-public goods that sustain the credibility of financial reporting ([Francis, 2011](#))? Using novel data, we trace how PE ownership changes the structure, conduct, and competition of accounting firms. We assemble a comprehensive dataset linking PE transactions from PitchBook and Preqin to firm-level audit and merger data from Audit Analytics, complemented with information on professional licensure and employment from Revelio Labs and industry reports. This dataset lets us follow both the direct and indirect channels through which PE capital enters the accounting ecosystem:

from buyouts of CPA-licensed firms to acquisitions of non-CPA entities in tax, valuation, and advisory services that orbit the audit practice, as well as roll-ups that knit these entities into multi-office platforms. Tracking firms through these transactions, we document how PE ownership relates to changes in organizational form, service composition, labor-market structure of the industry, and quantify the resulting effects at the firm and market-level.

The accounting industry serves as a boundary case for PE. The traditional partnership model, in which ownership is restricted to licensed professionals and profits are distributed among partners, is explicitly designed to protect the audit function from external capital and preserve independence (Lennox et al., 2020; Gelter and Gurrea-Martínez, 2020; Van Lent, 1999). Partnership governance restricts leverage and external equity financing and ties residual control to reputational capital. At the same time, it constrains investment in technology, compliance infrastructure, and geographic expansion as fixed costs and regulatory burdens have risen. To relax these constraints, many networks have created non-CPA affiliates for tax, valuation, and advisory services, which can accept non-CPA equity and be organized along standard PE lines. The resulting dual-entity structure, a CPA partnership plus a non-CPA advisory platform, formally preserves audit independence while giving investors economic control over much of the underlying infrastructure. Accounting thus offers a hard test of whether PE can penetrate professional services built on licensing, personal liability, and reputational capital.

In recent years, these barriers have weakened in practice due to deal structuring. PE firms now acquire both CPA-licensed practices and non-CPA affiliates providing tax, valuation, and advisory services, structuring investments to comply with ownership restrictions while consolidating operational control. The pace of such transactions has accelerated since 2020, coinciding with rising technology and compliance costs, partner retirements, and liquidity pressures among mid-sized firms. These developments mirror the broader private-capital logic observed in other professional-service sectors: fragmented markets with recurring client relationships and reputational rents that are conducive to roll-up strategies and shared-

service platforms that enhance scale and profitability (Gray, 2024).

Our descriptive evidence confirms this pattern: PE investment in accounting has accelerated sharply since 2020, driven by both sector-focused funds and diversified buyout groups that increasingly treat accounting as part of a scalable professional-services platform. Since the mid-2000s, investors have acquired stakes in tax, valuation, advisory, and compliance firms that operate outside the regulatory perimeter of public-accounting practice. These entities, while not licensed to issue audit opinions, form the infrastructure through which accounting expertise is developed, distributed, and monetized. By targeting these ancillary segments, PE investors can navigate ownership restrictions while capturing economic rents tied to brand reputation, client relationships, and specialized human capital.

This tiered approach mirrors strategies observed in other regulated service industries, such as healthcare, where acquisitions of peripheral providers paved the way for consolidation among core practitioners (Wollmann, 2020; Asil et al., 2024). In accounting, similar dynamics blur the line between regulated and unregulated professional services, allowing financial capital to reshape the industry from its margins inward. To understand how this process extends into the core of the profession, we next focus on the audit market, where richer firm-level data permit a detailed examination of which firms attract PE investment, how ownership reshapes their operations, and what these changes imply for competition in markets organized around reputation and regulation.

Within the audit sector, the PE entry pattern follows the same logic of scale, credibility, and recurring revenue that governs investor behavior in other professional sectors. PE capital predominantly flows to mid-sized and large firms, PCAOB-registered firms, and firms serving public-company clients. These characteristics signal established quality-control systems and governance, attributes that reduce informational frictions and make such firms credible anchors for further consolidation.

Following investment, audit firms exhibit a shift in their business model. The revenue mix tilts toward non-audit lines and employment expands. The expansion of consulting and

technology-enabled services reflects both the injection of external capital and the pressure to generate scalable recurring revenue beyond the constraints of audit work. Overall, the pattern is consistent with PE ownership enabling accounting firms to transition from local partnerships organized around human capital to integrated, multi-line service providers built on shared technological and organizational capital.

These organizational changes have direct implications for the competitiveness of the accounting industry. Private equity investment alters not only how firms are organized internally, but also how they compete in the markets where they operate. By injecting capital, standardizing systems, and centralizing ownership, PE sponsors can simultaneously increase operational efficiency and reduce market fragmentation. In industries with high fixed costs or network effects, this combination naturally produces a scale-concentration dynamic: firms become larger and more efficient, but they also gain greater control over local markets. Whether this tradeoff ultimately improves welfare depends on how investment reshapes input markets, product-market rivalry, and pricing—dimensions that matter especially in professional services, where reputation and expertise, rather than physical capital, anchor competitive advantage.

In accounting, these competitive channels arise through three linked mechanisms. The first mechanism is mergers and acquisitions. Roll-up strategies and cross-state combinations allow PE-backed firms to integrate smaller local practices into broader service platforms. This integration can generate economies of scale in technology, quality control, compliance, and recruiting—functions that are increasingly costly for stand-alone partnerships to maintain. But consolidation also reduces the number of independent providers, particularly in mid-sized markets where competition is already thin. In audit markets, where switching costs, reputational capital, and regulatory oversight shape client choices, the reduction in stand-alone competitors lowers the effective elasticity of client demand.

Our evidence shows substantial increases in M&A activity consistent with this mechanism. Following PE entry, the probability that an audit firm engages in an acquisition rises

sharply: event-study estimates show increases of roughly 30–40 percentage points in the second and third years post-investment, with a near-flat pre-trend. In regression specifications with firm and year fixed effects, the likelihood of completing an M&A transaction three years after PE investment increases by roughly 31 to 55 percentage points. PE-backed firms are also far more likely to engage in cross-state acquisitions, stitching together practices in different regulatory environments and transforming what were once geographically fragmented markets into multi-state platforms. These dynamics reflect a classic consolidation pattern: capital-backed integration that simultaneously expands productive scale and reduces the number of autonomous competitors, with immediate implications beyond firm boundaries. As PE-backed platforms expand through roll-ups and cross-state acquisitions, they not only reduce the number of independent providers, they also shape the markets for the key input into accounting production: skilled labor.

The second mechanism works through labor-market effects, whereby consolidation and centralized HR practices shrink workers’ outside options and strengthen firms’ bargaining power. Recent work shows that the labor-market effects of private equity are highly heterogeneous and closely related to ownership and payout structures, with outcomes that differ between owners and rank-and-file workers ([Isen et al., 2025](#)). Skilled professionals, such as partners, managers, and staff auditors, are the main input in production, and the ability to recruit, retain, and allocate these workers determines the effective capacity of a firm ([Barrios, 2022](#)). PE ownership can alter this equilibrium in two ways. Consolidation raises the share of employment controlled by a smaller number of employers, reducing outside options for workers, and decreasing the elasticity of labor supply faced by the larger firms. Internal reorganization of centralized HR systems, standardized career tracks, and shared training platforms can further shift bargaining power by creating more uniform employment terms across offices. In professional markets where human capital is the binding constraint, tighter employer concentration directly translates into greater control over wages, mobility, and staffing decisions ([Manning, 2003](#); [Ransom and Sims, 2010](#); [Staiger et al., 2010](#); [Benmelech](#)

et al., 2022; Von Nordenflycht, 2010).

Empirically, this labor mechanism shows up clearly in the data. After PE entry, local labor markets become more concentrated: the probability that an MSA moves into the top decile of employer concentration in accounting-related occupations rises by roughly 8–12 percentage points within five years. The effects are concentrated in tax and financial-analysis roles—the positions most closely tied to the non-audit services that expand after PE investment. Thus, employment shares shift toward large firms and away from smaller partnerships. In practice, PE-backed firms become dominant employers in the markets they enter, altering the distribution of labor-market power and narrowing the set of outside options available to individual practitioners (Azar et al., 2022; Ransom and Sims, 2010).

The third mechanism operates through product-market pricing. PE investment can change an audit firm’s pricing strategy by increasing its market power, pushing it toward more aggressive pricing and sales practices, and introducing performance targets that emphasize higher margins, all of which can lead to higher fees. The question is whether these pressures show up in actual fees. To isolate pricing from changes in effort or complexity, we turn to a segment of the audit market where discretion is minimal and the rules do most of the work: employee benefit plan audits. Under the Employee Retirement Income Security Act of 1974 (ERISA), large employee benefit plans must obtain an annual, independent audit whose scope is tightly prescribed by the Department of Labor (DOL) and Generally Accepted Auditing Standards (GAAS). The result is a highly standardized, slow-moving, and largely homogeneous service. In such an environment, a sustained increase in fees after PE entry is difficult to attribute to “harder audits” or richer engagement complexity. Instead, it is more likely to reflect a price effect, in other words a shift in markups rather than in inputs.

We find economically meaningful increases in professional fees following PE investment. In models with auditor fixed effects, state fixed effects, and controls for plan size and par-

ticipant counts, ERISA audit fees rise by roughly 7 percent in the year after PE entry.¹ Synthetic-control estimates confirm that treated plans diverge sharply from their matched counterfactuals, with fee gaps widening in the years following investment. Because ERISA audits leave little room for scope expansion or quality differentiation, these fee increases are best interpreted as higher markups or stronger bargaining leverage rather than changes in audit effort. The pricing evidence therefore aligns closely with the consolidation mechanism above: as markets become more concentrated, platform firms gain the ability to command higher fees even in segments where service quality is largely standardized by regulation.

Together, these patterns suggest a single underlying channel. PE capital scales accounting firms by providing capital, centralized systems, and acquisition capacity that the traditional partnership model struggles to provide. But scale comes with concentration. As PE-backed platforms expand, they reshape the allocation of labor, reduce the number of independent competitors, and gain greater leverage in standardized audit markets. The financialization of accounting thus produces the familiar tradeoff seen in other professions transformed by outside capital: larger, more efficient organizations operating in markets with fewer autonomous providers and greater scope for markups.

Our findings contribute to several strands of research. First, we extend a growing literature on the real effects of private equity. Prior work shows that PE can relax financing constraints, reorganize production, and reshape incentives across many sectors (Davis et al., 2014; Gupta et al., 2021; Asil et al., 2024). Accounting provides a demanding test of these mechanisms: production relies almost entirely on human capital, reputational constraints limit substitution, and regulation restricts ownership. That we still observe the familiar PE pattern (i.e., scaling, platform-building, and increased pricing power) shows that these forces operate even in professions traditionally viewed as insulated from financial ownership. The results broaden the scope of PE’s real effects and illustrate how external capital reshapes equilibrium outcomes in regulated, reputation-based service markets.

¹Throughout the paper, we use the terms “auditor” and “audit firm” interchangeably.

Second, we contribute to research on the financialization and organizational design of professional services. Accounting is a boundary case: ownership rules, licensing requirements, and partnership governance historically limited investor influence (Von Nordenflycht, 2010; Allan et al., 2019; Cushen, 2013). We show how PE navigates these constraints through dual-entity structures and by consolidating advisory affiliates before reshaping the audit core. These dynamics parallel developments in the legal industry, where investors acquire management-service platforms rather than law firms directly (Times, 2024a,b; LLP, 2025).² The common pattern of economic control without direct equity rights (Asil et al., 2023) suggests a broader institutional shift in how external capital reorganizes professions built around trust, expertise, and independence.

Third, we contribute to accounting research on the economics and governance of audit firms. Prior work has focused largely on Big Four and public-company audits, where concentration and entry barriers are well documented (Doogar and Easley, 1998; Gerakos and Syverson, 2015). We instead study the mid-tier market, where PE activity is concentrated and consolidation is more recent and far less understood. Building on new evidence of PE restructuring in audit firms (Doan et al., 2025; Mao et al., 2025), we show how PE changes the internal composition of firms, overall structure through M&A, as well as how these changes translate into market outcomes, including more concentrated labor markets and higher fees in standardized audit segments. These results directly address longstanding questions about partnership governance, incentives, and the boundaries of the audit firm (Van Lent, 1999; Lennox et al., 2020).

Finally, by linking PE transactions, audit-firm information, and ERISA pricing, we provide the first integrated analysis of how external ownership affects input markets, consolidation dynamics, and pricing power in this important yet understudied market. ERISA audits, with their tightly regulated scope, offer a clean setting to identify markups rather

²Recent reporting indicates that firms such as Cohen & Gresser have explored selling stakes to PE investors through convertible-note arrangements tied to management entities—structures designed to comply with non-lawyer ownership rules while still transferring meaningful economic control to outside capital (Times, 2024a).

than changes in the audit effort. Our results point to a broader research agenda: as data improves, similar questions about market structure and pricing should be examined in non-audit CPA services such as tax, valuation, and advisory, where scalability is higher and the potential for market power through consolidation may be even greater.

2 Institutional Background: Private Equity and the Accounting Industry

This section sets out the institutional context for our analysis. We first summarize the core economic mechanisms through which private equity creates value, then describe how the ownership and regulatory structure of accounting firms shape their access to external capital, and finally how these two systems intersect in practice.

2.1 The Economics of Private Equity

Private equity has grown from a specialized financing tool into a major ownership model that actively reorganizes capital, control, and incentives across industries. Through leveraged buyouts, growth investments, and secondary transactions, PE sponsors alter firms' financing constraints, governance structures, and operational practices. The balance among these channels varies across deal types and macroeconomic conditions, shaping the real effects of PE investment (Davis et al., 2014). Understanding these mechanisms provides the foundation for analyzing how PE may transform professional-service sectors such as accounting, where traditional governance arrangements were designed to insulate professional judgment from outside capital.

The first mechanism operates through relaxation of financing constraints. PE funds mobilize equity and debt capital, providing liquidity and strategic financing to firms that face limited access to traditional credit markets. Evidence from French leveraged buyouts shows that PE-backed firms expand assets, employment, and leverage relative to matched controls, consistent with easing of financial frictions (Boucly et al., 2011). In the U.S.

market, [Fracassi et al. \(2022\)](#) document that PE-financed retailers increase sales and product scope by roughly 50% compared to peers, while [Bernstein et al. \(2019\)](#) find that PE-backed firms sustained investment and employment during the 2008-2009 financial crisis when credit markets tightened. Collectively, these results portray PE as an alternative intermediation channel that reallocates capital to constrained but high-potential firms.

A second channel operates through governance and incentive alignment. Classic analyses emphasize that buyouts combine leverage, participation in managerial equity, and concentrated ownership to reduce agency costs ([Jensen, 1989](#)). Empirical studies confirm that PE-backed firms exhibit tighter expenditure discipline and greater use of performance-based pay. For example, [Edgerton \(2012\)](#) shows that the target firms significantly reduce the fleets of corporate-jets after buyouts, reflecting limits on managerial facilities. PE ownership is also associated with structured human resource management, which governs hiring, promotion, and compensation ([Bloom et al., 2015](#)). At the plant level, targets experience productivity gains and labor reallocation ([Davis et al., 2014](#)), and workplace safety improves through persistent declines in OSHA violations and injury rates ([Cohn et al., 2021](#)). These findings illustrate how private ownership replaces diffuse monitoring of public markets with more concentrated oversight.

Operational reorganization represents a third mechanism through which PE generates value. [Lerner et al. \(2011\)](#) show that innovation quantity and quality remain stable or even rise post-buyout, indicating that efficiency gains are not simply achieved by cost cutting. Specialist funds often amplify these effects by leveraging domain expertise: in hospitality, sector-focused investors generate higher profitability via cost efficiencies without revenue declines ([Spaenjers and Steiner, 2024](#)), while in insurance, PE-owned firms reallocate risk and capital more efficiently to enhance profitability ([Kirti and Sarin, 2024](#)). Across settings, operational engineering—rather than financial-constraint relief—emerges as a key source of long-run productivity gains.

The aggregate implications of these transactions extend beyond firm boundaries. Indus-

tries with substantial PE participation exhibit faster growth in output, employment, and value added and show reduced sensitivity to macroeconomic shocks (Bernstein et al., 2017). However, these benefits may coincide with fiscal externalities: in German municipalities, higher PE activity is associated with lower local tax revenues, reflecting profit shifting and tax-efficiency strategies (Olbert and Severin, 2023). Hence, PE may simultaneously improve firm-level efficiency and redistribute surplus within the broader economy.

Whether these mechanisms operate similarly in professional-service firms remains an open question. Audit and assurance services constitute quasi-public goods that sustain the credibility of financial reporting (Francis, 2011). CPA firms, governed by partnership ownership and reputational capital, face limited separation between ownership and control, which constrains both leverage and external equity financing. Consequently, the typical PE levers, financial restructuring, incentive redesign, and cost rationalization, may be less applicable in this context. Instead, PE investment in accounting is likely to manifest itself through consolidation, shared infrastructure, technology adoption, and labor reorganization rather than traditional financial engineering.

Recent work provides early evidence consistent with this view. Doan et al. (2025) find that PE investments in the top-100 accounting firms between 2021 and 2023 are associated with higher non-audit revenue growth, greater geographic expansion, rapid growth in employment and increased M&A activity, with little change in audit quality. Mao et al. (2025) document for the sample of nearly 800 accounting firms that sponsors pursue roll-up strategies, accompanied by offshoring, technology integration, and flatter hierarchies. These descriptive findings suggest that PE investors view accounting as a scalable platform industry, where growth and efficiency derive from organizational restructuring. Our study builds on this emerging evidence by bringing a market-structure and industrial-organization perspective to how PE ownership reshapes the accounting profession.

2.2 Accounting Industry Structure and Regulation

A defining feature of the accounting industry is its unique ownership and governance structure, which was explicitly designed to preserve auditor independence. In most U.S. states, firms performing attest services must be majority-owned and controlled by licensed CPAs, with at least one CPA designated as the responsible or managing partner.³ For firms serving public clients, Public Company Accounting Oversight Board (PCAOB) registration adds an additional layer of quality control, including partner rotation, independence testing, and inspection. These institutional constraints are intended to maintain the integrity of audit opinions, a key mechanism that supports the credibility of financial reporting and capital market efficiency (Simunic, 1980; DeAngelo, 1981; Francis, 2011). In economic terms, ownership by professionals aligns residual control with reputational capital, thereby reducing moral hazard in the audit effort (Van Lent, 1999; Greenwood and Empson, 2003). Legal and organizational safeguards, CPA ownership, peer review, and PCAOB oversight, therefore, function as production constraints, limiting the ability of outside capital to influence audit judgment (Lennox et al., 2020; Gelter and Gurrea-Martínez, 2020).

Although this governance design protects independence, it also restricts access to external funding. The traditional partnership model relies on partner capital contributions and retained earnings to fund growth. This system reinforces professional autonomy but constrains investment in technology, compliance infrastructure, and geographic expansion, all areas where scale economies have become increasingly salient. Organizational research highlights that partnership governance, with its collegial decision-making and up-or-out promotion norms, often leads to underinvestment in fixed or intangible capital when internal liquidity is limited or partner risk tolerance diverges (Greenwood and Empson, 2003; Von Nordenflycht, 2010). These constraints have become more binding as audit firms face rising regulatory costs, digital transformation, and demographic turnover among senior partners, creating a

³State accountancy laws vary in detail, but generally require that CPAs hold at least 51% of the equity and voting rights in a licensed firm.

tension between independence and scalability.

To reconcile these constraints, many accounting networks have established non-CPA affiliates that provide tax, valuation, and advisory services. Because these entities do not issue audit opinions, they fall outside state ownership restrictions and can accept non-CPA equity investors, including PE. In practice, firms often adopt a dual-entity structure in which a CPA partnership (attest entity) operates alongside one or more non-CPA corporations or LLCs (advisory entities). These entities share common branding, personnel, and infrastructure through contractual cost-sharing or service agreements. This structure formally preserves the independence of the auditor while allowing external capital to fund expansion and modernization in unregulated practice areas.

This logic parallels ownership structures observed in other professionalized industries, such as healthcare and law, where management-service organizations control non-licensed assets and licensed practitioners retain nominal control over regulated decisions ([von Nordenflycht, 2010](#); [Allan et al., 2019](#)). More broadly, these arrangements reflect a recurring pattern in which private equity navigates regulatory definitions of “control” and reporting thresholds to achieve effective operational influence without triggering traditional oversight, consistent with evidence from antitrust enforcement and serial acquisitions in other markets ([Asil et al., 2023](#); [Barrios and Wollmann, 2024](#)). In accounting, this hybrid form effectively broadens the feasible set of organizational structures through which financial investors can exert economic influence without violating professional restrictions ([Gelter and Gurrea-Martínez, 2020](#)).

The structural distinctions of the accounting industry give rise to two segments within the broader ecosystem. First, CPA firms derive revenue primarily from attest services governed by independence and liability regimes, where pricing is based on reputation and margins are modest. Second, non-CPA firms specialize in advisory, valuation, and compliance work that scales more readily with technology and capital. The non-CPA segment can issue equity-based compensation, pursue M&A, and adopt centralized management models common in

private capital environments (von Nordenflycht, 2010; Cushen, 2013).

Together, state-level ownership restrictions and PCAOB regulations establish the boundary conditions for financial capital in accounting. The attest function remains insulated from direct external control, but adjacent segments provide a channel through which capital can reshape the broader organization of expertise. Dual-tier structures allow PE investors to capture scale economies in shared services, data analytics, and national branding while indirectly influencing the economics of the CPA core operations such as labor allocation, client acquisition, and pricing architecture. In this sense, the emergence of PE-backed accounting platforms reflects the broader financialization of professional services, in which the governance of expertise itself becomes a locus of capital-market innovation (Allan et al., 2019; Cushen, 2013; Greenwood and Empson, 2003).

3 Private Equity Investment in Accounting

3.1 The Sample of PE deals and Investor characteristics

We collect a comprehensive set of PE deals from the PitchBook and Preqin databases for the period January 1, 1999, to December 31, 2024. To identify transactions relevant to the accounting industry, we apply PitchBook’s and Preqin’s industry classifications Accounting, Audit, and Tax Services (B2B) and Accounting, Audit, and Tax Services (B2C). The sample is further restricted to deals with a status of completed or failed/canceled, located in the United States, and classified under one of the following deal types: Buyout/LBO, Debt – Acquisition, Debt – Merger, Later Stage VC, PE Growth/Expansion, or PIPE. PitchBook also provides detailed linkages between target firms and investors, which we use to merge target-level deal records with investor characteristics. It is important to note that both PitchBook and Preqin retroactively update certain deal information as new data become available; consequently, deal records for 2024 may change slightly over time, reflecting these ongoing revisions.

3.2 Time-series and Geographic Variation

We begin with several descriptive facts on PE entry into the accounting industry at the deal level. Figure 1, Panel A shows that PE investments in accounting firms have accelerated over our sample period, with a particularly sharp increase after 2020. Panel B maps PE investment across the U.S. states and highlights regional clustering. States are shaded by quantiles of each state’s share of all PE deals in the U.S. accounting-industry: lighter shades indicate a smaller share of national deals, and darker shades indicate a larger share. The highest concentration of PE deals is observed in California, Florida, Georgia, Illinois, Massachusetts, New Jersey, New York, Pennsylvania, Texas, and Virginia. Much of the Midwest and Mountain West shows limited PE involvement. Together, the panels show that private equity’s footprint in accounting has expanded sharply in both volume and regional spread—though investment remains clustered in key economic and professional-services hubs.

To better understand how PE ownership shapes growth and expansion in accounting, we examine add-on investments, acquisitions of smaller, complementary firms made by a portfolio firm (the platform company) already backed by PE. Add-ons are central to a “buy-and-build” strategy that creates value by consolidating fragmented markets, expanding capabilities, and generating synergies. Figure 2 plots the time-series trend in add-on activity within the accounting industry, showing how the share of add-on deals within total PE investments in the accounting industry has evolved over time. The series displays a pronounced and volatile increase since the mid-2000s, and the additions often comprise 30–60% of all PE investments in the sector in recent years. This pattern indicates that consolidation through add-ons has become a core feature of PE expansion in accounting, likely reflecting efforts to achieve economies of scale and integrate complementary service lines with the potential to compromise competition in fragmented markets (Asil et al., 2023).

3.3 Investors

Understanding which types of investors are the most active in accounting-related PE deals helps clarify the strategic motives and capital structures shaping consolidation in the industry. Different investor categories—such as traditional private equity funds, investment banks, or venture capital firms bring distinct objectives, investment horizons, and value-creation approaches. Figure 3 presents the distribution of PE investor categories involved in accounting-industry deals overall (blue bars) and in deals involving audit firms (red bars), as identified by the accounting firm’s presence in Audit Analytics. Investor classifications follow the primary investor type reported by each data provider. The figure shows that traditional private equity firms dominate, comprising roughly two-thirds of all PE transactions and an even larger share (over 80 %) of deals linked to Audit Analytics firms. In deals involving audit firms, investment banks, and asset managers make up a smaller but notable share of investors, while venture capital accounts for roughly one-fifth of all PE deals. Corporate and government participants, on the contrary, play only minor roles. These patterns indicate that consolidation in the accounting industry is driven primarily by dedicated PE sponsors.

We then focus on the PE firms in our sample. Figure 4 shows the top 15 private-equity firms and illustrates substantial heterogeneity in the composition of their portfolios with respect to the split between CPA and non-CPA investee firms.⁴ We classify firms as CPA or non-CPA using a two-stage procedure. First, we link firm records to Audit Analytics and classify any firm that appears in Audit Analytics as a CPA firm. Second, for the remaining unmatched firms, we use a structured web–LLM fact-checking process. We search “is firm in city a CPA?” using the Google Custom Search API and review the top results. An LLM then provides a concise rationale, citing the firm’s website or other authoritative sources, and classifies the firm as CPA or non-CPA based on this evidence. If no reliable evidence

⁴Only about one-fifth of our transactions report deal values, reflecting the well-known prevalence of missing price information in private-market M&A data. Following prior work that documents and addresses this issue, we focus on deal counts rather than deal values to avoid selection bias induced by non-random disclosure of transaction prices (Wollmann, 2023).

is found, we keep the “non-CPA” classification. This procedure yields a transparent and reproducible CPA classification with source documentation for each firm, prioritizing Audit Analytics matches, and applying evidence-cited web verification to the residual unmatched cases. Some PE firms specialize in only one type (e.g., Chicago Growth Partners specialize in non-CPA targets), while others diversify across both, ranging from portfolios dominated by CPA firms (e.g., New Mountain Capital) to those dominated by non-CPA firms (e.g., The Carlyle Group, Ares Management, and Goldman Sachs Asset Management). These distinct investment patterns between PE firms suggest varying preferences for different business models within the accounting sector.

3.4 Accounting Firms Attracting Private Equity

To analyze how PE investment patterns evolve across CPA and non-CPA targets over time, Figure 5 plots the CPA share among the PE deals in our sample. The light-blue bars represent non-CPA targets while the dark-blue bars represent CPA targets. The red line shows the share of deals involving CPA targets. We find that investments in non-CPA “platform” have long been the dominant form of PE investment. Although these entities cannot issue audit opinions, they form the infrastructure through which accounting expertise is developed, distributed, and monetized. By targeting these ancillary segments, PE investors can comply with ownership restrictions while capturing rents tied to brand reputation, client relationships, and specialized human capital. The contrast between these two regimes, regulated professionalism versus capital-intensive scalability, creates a natural sequencing for investors: entry typically occurs through non-CPA affiliates, followed by integration or coordination with CPA practices via shared infrastructure and cross-service platforms.

We also observe a sharp post-2020 increase in CPA-firm targets, indicating that PE firms have begun increasingly combining regulated and unregulated professional services. Sequential entry into CPA firms following non-CPA targets mirrors PE strategies in healthcare, where acquisitions of peripheral providers paved the way for consolidation among physician

groups (Wollmann, 2020; Asil et al., 2024). The recent acceleration in PE deals also coincides with increased technological adoption among accounting firms (AICPA, 2021; ACCA, 2023). Another factor likely contributing to the surge in PE activity is the labor-market disruption associated with the Great Resignation. In 2021, the U.S. economy experienced its highest employee exit rate in more than two decades, and the accounting profession was no exception—losing approximately 300,000 accountants and auditors between 2021 and 2022 (BLS, 2022). Subsequently, audit firms reported persistent difficulties in filling open positions and accelerated promotion timelines for junior auditors (Warren, 2024; Abramova et al., 2025). PE entry may have helped alleviate pressures from attrition at both both senior and junior levels during this period.

To further examine how PE capital reshapes the core of the accounting profession, we turn to the audit market, where richer firm-level data allow a detailed analysis of which firms attract PE investment. Using an audit firm-year sample, in Figure 6, we explore the types of audit firms that attract PE investments. We leverage data from Audit Analytics and PCAOB registrations to compare the likelihood of PE investment across different types of audit firms. Panel A shows that PE firms invest predominantly in audit firms registered with the PCAOB: PCAOB-registered firms have an average PE-investment probability of just above four percentage points, while this probability is around 0.3 percentage points for non-registered firms. Panel B shows a similar pattern when comparing the likelihood of PE investment across audit firms with versus without public clients. Audit firms with public clients receive PE investment with a likelihood of about 0.47 percentage points on average, compared with about 0.03 percentage points for firms without public clients.

Figure 7 examines the relationship between audit-firm size and PE investment in an annual sample of firms that serve public clients. Both panels show a clear difference: the probability of PE investment increases with firm size, with more pronounced shifts in the ninth and tenth deciles. Panel A, which ranks firms by the number of public clients, shows a noticeable rise in PE involvement once firms reach the upper end of the size distribution.

Panel B, which sorts firms by total audit fees, displays a similar pattern. In both cases, PE investment is concentrated in firms that are large by regional or national standards, but still well below the scale of the very largest audit networks.

This pattern is consistent with PE investors targeting firms that have already achieved some organizational scale but remain amenable to further expansion. These mid-large regional and national firms typically maintain PCAOB registration, serve public-company clients, and operate with established governance and quality-control systems. Such characteristics reduce due-diligence frictions and make firms suitable platforms for integrating technology, expanding service lines, and pursuing acquisitions. At the same time, they are not the Big Four, where ownership rules and global partnership structures limit investor influence, nor are they the smallest local practices, where growth opportunities are more limited. Practitioner commentary repeatedly highlights these same attributes, recurring revenue, market fragmentation, and buy-and-build potential, as the main reasons why PE is pursuing accounting firms (Kenney, 2023; Vidal and Gupta, 2024).

To assess which factors most strongly explain variation in PE investment across U.S. states, we use a Shapley value decomposition. This approach partitions the model’s explanatory power (R^2) across variable groups, providing a measure of the marginal contribution of each factor after accounting for the inter-dependencies between the regressors. Figure 8 presents the Shapley decomposition results for four model specifications, using a state-year sample that spans 2000–2023.

The *Economic* column in Figure 8 includes state-level macroeconomic and demographic variables—GDP, total employment, and income per capita—along with year fixed effects. We obtain these indicators from the U.S. Bureau of Economic Analysis (BEA) Regional Economic Accounts. The *Accounting* column includes state-level characteristics of accounting industry—market concentration, number of audit firms, and accounting and bookkeeping employment—in addition to year fixed effects.⁵ We obtain occupation-level employment

⁵For states with multiple MSAs, we use the maximum HHI Overall value within the state in a given year.

data for Accountants and Auditors and for Bookkeeping, Accounting, and Auditing Clerks from the U.S. Bureau of Labor Statistics (BLS) Occupational Employment Statistics (OES) program. To measure industry structure, we use County Business Patterns (CBP) data from the U.S. Census Bureau to identify the number of CPA firms (NAICS 541211), applying the appropriate NAICS vintage to ensure consistent classification over time. The *All* column combines both variable groups, and the final column *All (No FE)* excludes year fixed effects to isolate the explanatory power of observable factors only.

Across specifications, adjusted R^2 values range from approximately 17.7 to 21.9% with year fixed effects and fall to 10.1% without them, indicating that time variation explains a substantial portion of PE entry dynamics. Focusing on the *All* specification, which combines economic and accounting factors with year fixed effects—the Shapley decomposition shows that year effects account for nearly half of the explained variation in PE investment. After accounting for year effects, the largest contributions come from accounting-market concentration and income per capita, followed by state GDP and total employment, while accounting employment, the number of audit firms, and bookkeeper employment contribute smaller shares. Taken together, this indicates that time shocks are important, but conditional on them, state economic factors, and the depth of the accounting labor market are important determinants of PE investment.

3.5 Audit Firm Changes around PE Investment

Having established which types of accounting firms attract PE investment, we next examine how their structure and service mix change around PE investment, using a panel from Accounting Today’s Top 100 Firms. We use the annual Top 100 reports to extract data on the number of offices, professionals, total employees, revenues from different services, and their year-over-year changes. The sample comprises 1,627 audit firm-year observations from 2004 to 2024, covering 178 distinct audit firms. Specifically, we estimate event-time

specifications and a firm–year panel regression of the form:

$$Y_{i,t+1} = \beta \text{PostPE}_{i,t} + \theta_1 \ln(\text{Revenue}_{i,t}) + \theta_2 \ln(\text{Employment}_{i,t}) + \theta_3 \ln(\text{Offices}_{i,t}) + \alpha_i + \tau_t + \varepsilon_{i,t}. \quad (1)$$

where $Y_{i,t+1}$ denotes the forward-year outcome for firm i in year $t + 1$, measured as the percentage change in total revenue, the shares of non-audit, tax-services, management-services, and other-services shares, as well as percentage changes in employment and in the number of professional staff. $\text{PostPE}_{i,t}$ equals 1 beginning in the year of the first PE investment in firm i . The vector of controls includes lagged log-transformed revenue, employment, and office count, and the model includes audit firm fixed effects α_i and year fixed effects τ_t . Panel A of Table 1 reports summary statistics for all variables used in this analysis, and Table A2 in the Appendix provides variable definitions. Equation (1) allows us to isolate the shift in service mix and internal organization following PE entry, holding constant firm scale and time-invariant firm characteristics.

Figure 9 reports event-time coefficients of this design, measured relative to the baseline in year 0, for four outcomes: revenue growth, non-audit revenue share, employee growth, and growth in the number of professionals. The shaded bands display 95% confidence intervals around the event-time estimates. Within two years of PE entry, Top 100 accounting firms exhibit economically large and statistically meaningful increases in growth: while the increase of roughly 25 percentage points in revenue growth is not statistically significant (Panel A), non-audit revenue share increases by 15 percentage points (Panel B), employee headcount growth increases by about 40 percentage points (Panel C), and growth in the number of professionals increases by just over 40 percentage points.⁶ The absence of sig-

⁶This post-PE rise in employment may reflect both elevated M&A activity following PE investment, which we document later in the paper and corroborated by Doan et al. (2025) for 2021–2023 and in Mao et al. (2025), as well as the organic growth, reflected in some evidence of short-term increases in job postings following PE investment reported by Doan et al. (2025). In addition, our difference-in-differences estimates of revenue changes capture the relative evolution of treated and control firms and therefore reflect both post-treatment expansion of treated firms and any contemporaneous contraction of control firms arising from the zero-sum nature of competition in the industry.

nificant pre-trends across all four outcomes indicates that growth accelerates only after PE investment. Together, these patterns show that PE-backed firms prioritize non-audit services and scale employment, consistent with cross-selling, technology-enabled expansion, and sponsor playbooks emphasizing higher-margin advisory lines.

To further decompose these changes, Table 2 reports estimates from equation (1) linking PE investment to next-year revenue growth and to the shares of revenue across core service categories. Controls include lagged log-transformed revenues, employment, and office counts, along with audit-firm and year fixed effects. Column (1) shows that total revenue growth increases by approximately 22 percentage points in the year following PE investment. Columns (2)–(5) indicate that the strongest effects arise in non-audit services, which increase by about 13 percentage points, while tax services exhibit a more modest increase (around 7 percentage points). Management and other service lines do not show statistically significant changes. These regression results align closely with the event-study patterns, reinforcing the interpretation that PE ownership shifts accounting firms toward scalable, higher-margin advisory and non-attest service lines.

Overall, these results show that, following PE investment, audit firms shift their business model: employment expands, and the income mix tilts toward non-audit lines. The expansion of consulting and technology-enabled services plausibly reflects both the infusion of external capital and the push to build scalable, recurring revenue beyond the limits of attestation work. Collectively, the pattern is consistent with PE ownership enabling firms to transition from local, human-capital-centered partnerships to integrated, multi-line service providers.

4 Competition Under Private Equity Ownership

Having documented how PE ownership transforms the internal organization of firms, we now examine how it alters the structure of the markets in which these firms operate. We adopt an Industrial Organization perspective and study changes in consolidation patterns, labor

markets, and pricing behavior after PE entry.

4.1 M&A Activity after PE Investment

A natural mechanism behind PE ownership of accounting firms is mergers and acquisitions. Roll-up strategies and cross-state combinations can create scale economies, standardize operations, and expand service offerings; however, they also reduce the number of independent competitors. To analyze how competition changes when PE enters the accounting sector, we begin by examining the connection between PE ownership and M&A.

We construct a comprehensive M&A dataset by merging Audit Analytics' record of audit firm transactions with investor-level M&A data. Audit Analytics identifies the acquiring and acquired firms, while investor-level data provide details on PE sponsors. We merge events when firm and investor names match and transaction dates fall within a 21-day window. The resulting panel contains 393,285 audit firm-year observations, covering 18,753 distinct firms and 3,648 M&A events from 1999–2024.

Figure 10 presents the geographic distribution of M&A events by firms' exposure to PE investment. For each state, the reported share equals the number of M&A events in that state divided by the total number of M&A events across all states, multiplied by 100. Panel A maps M&A events for firms that have never received PE investment, while Panel B shows M&A activity for firms that have ever received PE backing. Comparing the two panels reveals notable differences in the spatial distribution of M&A activity across U.S. states. M&A events involving non-PE-affiliated firms are more widespread nationwide, with particularly high concentrations in California, Florida, Texas, Minnesota, Michigan, Illinois, Ohio, Pennsylvania, New York, and New Jersey. In contrast, PE-affiliated M&A activity is more geographically concentrated, with the highest M&A numbers in Michigan, Illinois, Alabama, North Carolina, California, and New York.

Although PE-backed firms engaged in M&A are concentrated in relatively few states, they tend to pursue broader expansion strategies through cross-state acquisitions. Figure 11

shows M&A activity by audit firms as a function of their PE exposure: audit firms that never received PE investment ("Without PE Investment") and those that received PE investment ("With PE Investment"). For each group, stacked bars report the percentage of deals completed within the same U.S. state as the acquirer versus across different states. The figure shows that the proportion of M&A deals with targets located outside the acquirer's state is substantially higher for PE-sponsored accounting firms. This pattern suggests that PE-backed acquirers might expand their reach by building multi-office platforms that span multiple states.

To examine whether firms are more likely to engage in M&A following PE investment, we use an audit firm–year panel of 25,533 observations covering 1,372 audit firms with public clients and 1,177 deals over 1999–2024. We estimate the following panel regression:

$$\text{M\&A}_{i,t+h} = \beta \text{PostPE}_{i,t} + \theta \ln(\text{CPA Establishments}_{i,t}) + \alpha_i + \tau_t + \varepsilon_{i,t}, \quad (2)$$

where $\text{M\&A}_{i,t+h}$ equals one if firm i completes an acquisition within $h \in \{1, 3\}$ years of t . $\text{PostPE}_{i,t}$ equals one beginning in the year of the first PE investment in firm i . We control for the natural logarithm of the number of CPA establishments in the state where firm i is located in year t (*CPA Establishments*). Firm fixed effects α_i absorb time-invariant differences in acquisition propensity, and year fixed effects τ_t capture national M&A conditions. Panel B of Table 1 reports summary statistics for all variables used in this analysis, and Table A2 in the Appendix provides variable definitions. This specification isolates within-firm changes in acquisition likelihood before versus after PE entry.

Table 3 reports the estimates from equation (2). Across all specifications, including models with state fixed effects, year fixed effects, and firm fixed effects, *Post PE* is strongly associated with increased M&A activity. In the one-year window, coefficients range from 0.478 (baseline) to 0.337 (most saturated model), implying a 34–48 percentage-point increase in acquisition probability. In the three-year window, the effect ranges from 0.551 to 0.309,

corresponding to a 31–55 percentage-point increase. These magnitudes indicate that PE capital is a major driver of consolidation.

We next examine the dynamics of consolidation around PE entry by estimating an event-study specification that traces the M&A activity relative to the timing of investment:

$$\text{M\&A}_{i,t} = \sum_{k=-10}^3 \beta_k \mathbf{1}\{t - T_i = k\} + \alpha_i + \tau_t + \varepsilon_{i,t}, \quad (3)$$

where T_i is the first year in which firm i receives PE investment. The coefficients β_k measure how the probability of an acquisition evolves before and after PE entry. Flat pre-treatment coefficients indicate parallel trends; post-treatment deviations show how consolidation evolves once PE capital arrives. As in the panel regression, firm fixed effects absorb time-invariant differences in acquisition behavior, and year fixed effects capture the national M&A conditions.

Figure 12, panel A plots the estimated event-time coefficients for forward-year M&A activity. The pre-period is flat: firms that ultimately receive PE backing do not exhibit elevated acquisition activity in the ten years prior to investment. This pattern strengthens the interpretation of equation (2) by showing that post-investment increases are not driven by anticipation of deal flow or secular differences in trend.

After PE entry, M&A activity rises sharply. In year $t+2$, the probability of an acquisition is roughly 30 percentage points higher than in the year of the first PE investment; by year $t+3$, the gap increases to just under 40 percentage points. Panel B, which examines acquisition indicators three years ahead, shows a similar pattern. The increase in M&A activity is immediate, persistent, and concentrated in the years after PE investment.

Both the panel regression and the event-study results tell a consistent story. The regressions quantify large average effects, and the event study confirms clean pre-trends and sharp post-investment increases in consolidation. PE capital does not flow to firms already engaged in acquisitions; rather, it triggers a substantial acceleration in roll-up activity. This

dynamic response is exactly what one would expect if PE sponsors are building multi-office platforms and integrating local practices into coordinated networks.

These findings complement recent work documenting increased M&A activity among PE-backed accounting firms (Doan et al., 2025; Mao et al., 2025). Whereas traditional, non-PE consolidation is broad and locally anchored, PE-backed acquisitions are more geographically concentrated, reflecting the specific markets where PE platforms have taken root, and are substantially more likely to cross state lines. The pattern is consistent with a deliberate platform-building strategy: integrating local practices into multi-office networks that share technology, recruiting pipelines, and quality-control systems. One interpretation is that PE capital relaxes financing constraints, enabling firms to pursue acquisitions that the partnership model cannot easily support. Another is that PE sponsors deploy an expansion strategy that prioritizes footprint, scalability, and coordinated client portfolios. In section 4.3, we examine a highly standardized audit segment, ERISA plan audits, to assess whether this consolidation translates into shifts in pricing power rather than merely reflecting improved access to capital.

4.2 Labor-Market Concentration after PE Entry

Having shown that PE entry accelerates consolidation through M&A, we now examine whether these changes extend to input markets, specifically, local labor markets for accounting professionals. Labor is the main input in accounting, and the capacity of the firm depends on the availability and allocation of skilled professionals (Barrios, 2022). If PE ownership consolidates firm boundaries or reorganizes production, it can concentrate employment within fewer firms, tighten control over local talent pools, and shift bargaining power away from individual workers.

We use Revelio job-position data to construct Herfindahl–Hirschman Index (HHI) measures at the MSA–year–occupation level for four occupational segments: accountants and auditors (ONET 13-2011.00, 11-9199.02), financial analysts (13-2051.00), management pro-

fessionals (13-1111.00), and tax preparers (13-2082.00). The sample contains 9,370 MSA-year observations from 1999 to 2024, covering 364 MSAs. HHI is calculated as the sum of squared firm employment shares within each MSA-year-occupation cell, where employment counts unique Revelio users with at least 91 days of tenure.

Figure 13 reports event-study estimates that trace how local concentration evolves around the first PE investment in each MSA. All models include MSA and year fixed effects. The horizontal axis measures event time, with two years of pre-treatment data and five years of post-treatment outcomes, normalized to $t = 0$. The vertical axis reports the probability that an MSA is in the top decile of concentration for the relevant occupation. Standard errors are clustered at the MSA level, and the shaded bands show 95% confidence intervals.

Following PE entry, concentration increases significantly in accounting-related occupations. The likelihood that an MSA is in the top decile of concentration increases by roughly 8 percentage points for financial analysts and 12 percentage points for tax professionals within five years of PE entry. For accountants and auditors, the increase is insignificant and reaches about 6 percentage points. These changes point to an increase in concentration in labor markets linked to high-margin services. Management roles show no comparable increase, suggesting that the effects are not merely the by-product of general consolidation in local professional labor markets. Instead, the concentration appears targeted toward the occupations most directly involved in tax and financial analysis—segments most responsive to platform-building and roll-up strategies.

Taken together, the labor results indicate that PE investment shapes not only the internal organization of firms, but also the competitive structure of the markets in which they are hired. By injecting capital and centralizing ownership, PE sponsors can scale operations and tighten control over key talent pools, increasing labor-market concentration, and potentially shifting bargaining power. These findings do not imply that PE ownership is inherently harmful; they highlight a tradeoff. Consolidation can deliver scale efficiencies, but it can also facilitate rent extraction in markets where concentrated employers face a less elastic

supply of skilled labor.

4.3 ERISA Audits and the Pricing Effects of PE Ownership

Next, we turn to pricing, the final link between consolidation and market power. If PE-backed platforms expand through M&A and concentrate local labor markets, the natural next question is whether these structural changes translate into higher prices to consumers. In markets where product differentiation is limited and production is based on standardized processes, pricing provides a direct measure of firms' ability to exercise market power.

ERISA plan audits offer a particularly clean test. Sponsors of employee benefit plans file Form 5500 annually with the DOL, and plans above a size threshold are required to obtain an independent audit. The scope of the audit is set by GAAS and DOL rules, testing procedures are standardized, and the complexity of the engagement is largely determined by observable plan characteristics.⁷ These features leave little discretion over audit effort. Thus, conditional on plan attributes, auditor identity, and client effects, audit costs should move slowly. Sustained fee increases are therefore hard to attribute to changes in effort or complexity and are most naturally interpreted as higher markups. ERISA audits thus provide a direct test of whether PE ownership increases pricing power in a standardized and tightly regulated audit market.

To perform our analysis, we merge our audit firm-year sample with DOL Form 5500 data, which include information on plan auditors, sponsors, and characteristics. We restrict the sample to plans with positive professional fees, assets, and participant counts that are audited by regional audit firms with public clients, and to observations in which auditors, sponsors, and years each appear at least twice in the sample. The resulting plan-year panel contains 164,207 observations spanning 1999–2022 and includes 878 audit firms, 23,710 sponsors, and

⁷The AICPA's *Audit and Accounting Guide for Employee Benefit Plans* sets out ERISA-specific audit planning, risk assessment, internal control evaluation, and testing procedures (AICPA, 2024). Audit scope and testing intensity are mechanically linked to participant counts and plan assets. Recent changes in auditing standards (SAS 136) affected employee benefit plan audits beginning with plan years ending after December 15, 2021; these changes apply uniformly to PE-backed and non-PE-backed firms in our final sample year and are absorbed by the year fixed effects.

30,833 plans.

To formalize this test, we estimate:

$$\ln(\text{Fees}_{i,p,t+1}) = \beta \text{PostPE}_{i,t} + \theta_{i,p,t} + \alpha_i + \tau_t + \varepsilon_{i,p,t}, \quad (4)$$

where $\ln(\text{Fees}_{i,p,t+1})$ is the logarithm of the professional fees paid by the sponsor of plan p audited by firm i in year $t + 1$. $\text{PostPE}_{i,t}$ equals one beginning in the year of the first PE investment in auditor i . The vector $\theta_{i,p,t}$ reflects plan-level controls such as log-transformed total assets and log-transformed participant count. Auditor fixed effects, α_i , absorb time-invariant pricing differences across firms; year fixed effects, τ_t , capture aggregate fee trends. Panel C of Table 1 reports summary statistics for all variables used in this analysis, and Table A2 in the Appendix provides variable definitions. This model isolates changes in the fee within the auditor before versus after PE entry, keeping the complexity of the plan constant. In some specifications we further saturate the model with client fixed effects with the most demanding specification including both client and auditor fixed effects.

Table 4 reports estimates from these models. Across specifications, the coefficient on $\text{PostPE}_{i,t}$ is positive and economically large. In Column (2), which conditions on plan characteristics and includes auditor and year fixed effects, ERISA fees rise by about 0.11 log points in the year after PE investment. This corresponds to roughly a 12 percent increase in fees for plans audited by the same firm.⁸ In Column (1), where we instead absorb client fixed effects (and allow level differences across auditors and years to be picked up by the intercept), the point estimate increases to 0.20 log points (about a 22% fee increase). Adding year fixed effects in Column (3) yields an estimate of 0.08 log points (about an 8% fee increase). In the most saturated specification in Column (4), which includes both auditor and client fixed effects plus controls and year fixed effects, the coefficient remains positive (0.07 log points, about a 7% fee increase) and statistically significant at conventional levels.

⁸Because the dependent variable is in logs, a coefficient of β can be interpreted as an approximate $(\exp(\beta) - 1) \times 100$ percent change in fees.

Two features are worth emphasizing. First, the sign and magnitude of the coefficient $\text{PostPE}_{i,t}$ are stable across alternative fixed-effect structures: whether we absorb unobserved heterogeneity at the auditor level, the client level, or both, PE entry is followed by a 7–22% increase in ERISA audit fees for otherwise comparable plans. Second, the somewhat muted estimate in the fully saturated model reflects the limited residual variation available once both auditor and client identities are differenced out. As in other audit markets, ERISA plan audits are typically multi-year engagements, and auditor–plan relationships often persist for extended periods.⁹ Importantly, the coefficient remains positive and statistically significant even under this demanding specification. This persistence across designs indicates that the pricing response is unlikely to be driven by unobserved client mix or auditor characteristics. In economic terms, the results in Table 4 are consistent with PE ownership raising markups on a standardized, slow-moving audit service where effort and complexity are largely fixed by regulation.

We provide a sharper counterfactual by complementing our panel regressions with a Synthetic Difference-in-Differences (SDID) estimator (Arkhangelsky et al., 2021). SDID combines two ideas. First, it constructs weights on untreated auditors so that their pre-investment fee paths closely match those of treated auditors, as in synthetic control. Second, it applies a difference-in-differences contrast to the post-treatment period, preserving a transparent causal interpretation. This approach relaxes the strict parallel-trends requirement of conventional DiD by allowing for latent time-varying factors that differentially affect treated and untreated units, while still anchoring identification in pre-treatment fit.

Figure 14 illustrates the SDID results. Panel A plots average ERISA fees for treated auditors and their synthetic counterparts. Before PE investment, the two series track each other closely, indicating that the weighting procedure successfully reproduces the pre-treatment fee dynamics. After PE entry, the series diverge. Fees at PE-backed auditors rise faster than

⁹Investor demand for auditor tenure disclosures and data products that track benefit-plan auditor histories over decades underscore the fact that tenure in this setting is generally long rather than short-lived (Public Company Accounting Oversight Board (PCAOB), 2017).

those of their synthetic controls, and the gap widens over time. Panel B plots the estimated treatment effects. The pre-treatment coefficients fluctuate around zero and display no systematic trend, while post-treatment effects become positive and grow in magnitude, with confidence intervals that exclude zero.

Table 5 quantifies these dynamics. Three years after PE entry, ERISA fees at treated auditors diverge notably from their synthetic comparison paths, with estimated fee increases on the order of 30 percent. The point estimates remain economically large in years four and five, although the final-period coefficient is less precisely estimated, reflecting the smaller number of treated units with long post-investment histories. Nevertheless, the pattern is clear: once PE enters, treated auditors shift into a higher fee trajectory relative to closely matched counterfactuals. Because SDID aligns pre-treatment outcomes in an average sense and accounts for latent time-varying confounders, this divergence is difficult to attribute to changes in client composition or underlying cost structures.¹⁰

In a setting where audit effort and engagement complexity are largely fixed by regulation and evolve only slowly, sustained fee increases are not easily explained by “harder audits” or richer plan characteristics. A more natural interpretation is that PE ownership raises markups or strengthens bargaining leverage. This pricing response aligns closely with the consolidation dynamics and increases in labor-market concentration documented earlier: as PE-backed platforms scale and markets become less fragmented, pricing adjusts accordingly.

Our analysis provides some of the first evidence on ERISA audit fees under PE ownership and extends emerging work on private equity in accounting firms (Doan et al., 2025; Mao et al., 2025). Previous work has emphasized advisory expansion and organizational restructuring; our results show that pricing effects reach the audit function itself. Even in a highly

¹⁰The synthetic difference-in-differences estimator aligns pre-treatment outcomes on average by minimizing discrepancies over the full pre-period rather than imposing pointwise equality at each event time. In finite samples, isolated significant pre-period coefficients can therefore arise even when pre-treatment paths are well matched. In our data, the pre-event coefficients show no monotonic pattern and are jointly insignificant. Re-normalizing the event study to alternative pre-period baselines or excluding the earliest pre-treatment year leaves the post-PE estimates essentially unchanged. By contrast, the post-investment effects are large, persistent, and economically meaningful, supporting a causal interpretation of the SDID results.

standardized audit segment, PE-affiliated firms charge materially higher fees. ERISA plans cover roughly 153 million workers, retirees, and dependents. Pricing effects in this market therefore reflect changes with broad economic incidence, not narrow reallocation among a small set of firms.

5 Conclusion

The accounting industry has long been organized around the partnership model: ownership restricted to licensed professionals, control tied to reputational capital, and growth financed through partner contributions. In recent years, this model has come under pressure from rising regulatory costs, growing technological investment needs, and demographic turnover among senior partners. Private equity has increasingly filled this gap. This paper provides systematic evidence on how PE capital reshapes the structure, conduct, and competition of the accounting industry.

Using a comprehensive dataset that links PE transactions, audit-firm characteristics, M&As, labor-market information, and ERISA plan filings, we document three central patterns. First, PE activity in accounting accelerates sharply after 2020 and targets both CPA and non-CPA firms, while concentrating in larger firms with public clients. These firms offer the scale, governance infrastructure, and recurring revenues needed to support roll-up strategies, allowing financial investors to blur the boundary between regulated and unregulated professional services.

Second, PE investment is followed by rapid organizational expansion. Revenue mixes tilt toward non-audit services and employment grows substantially. At the same time, consolidation intensifies. PE-backed firms engage in aggressive cross-state M&A, and local labor markets become more concentrated in occupations central to accounting production. These patterns reflect a reallocation of activity toward larger platforms and tighter control over key input markets.

Third, consolidation translates into pricing power. In ERISA plan audits, a highly stan-

dardized and regulated segment where effort is effectively fixed, PE-backed firms charge higher fees. Simple OLS specifications show positive fee effects and a synthetic difference-in-differences estimator reveals significant post-PE fee increases. In a setting where changes in cost or quality are unlikely to explain such movements, these fee increases most likely reflect higher markups.

Overall, our evidence points to a familiar tradeoff. PE capital enables scale by providing organizational technology—capital, centralized systems, and acquisition capacity that the traditional partnership model struggles to supply. But scale comes with concentration. As PE-backed platforms expand, labor markets concentrate, independent providers shrink, and pricing power rises even in standardized service segments. From an industrial-organization perspective, accounting exhibits a classic transition: efficiency gains from integration appear alongside reduced competition and greater market power.

More broadly, our findings contribute to a growing literature on financial ownership and market structure in human-capital-intensive industries. They show how external capital can reshape equilibrium outcomes even in professions designed to limit outside control, with implications for labor markets, pricing, and competition in large, standardized segments of the economy.

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PE Investment Count

Panel B: PE Investment across the U.S.

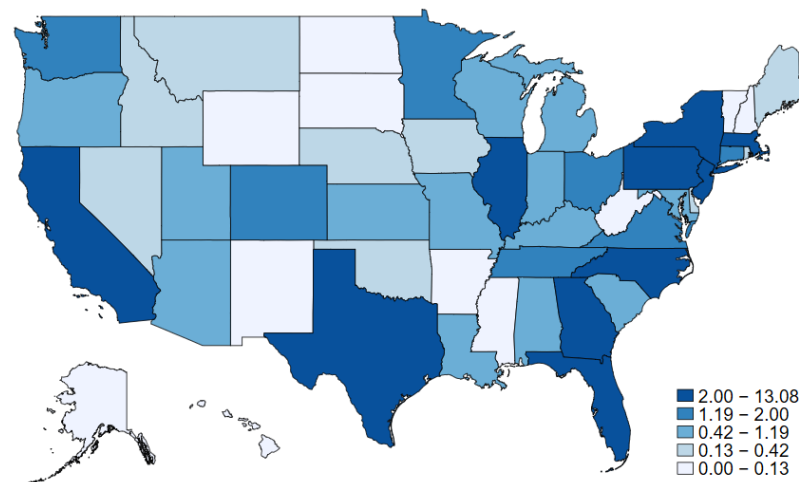


Figure 2: **Add-on Investments in Accounting Industry**

This figure depicts the time-series trend in add-on investments—acquisitions of smaller, complementary firms made by an existing PE-backed portfolio company—using data from PitchBook and Preqin. It shows how the share of PE deals in the accounting industry represented by add-on investments has evolved over time.

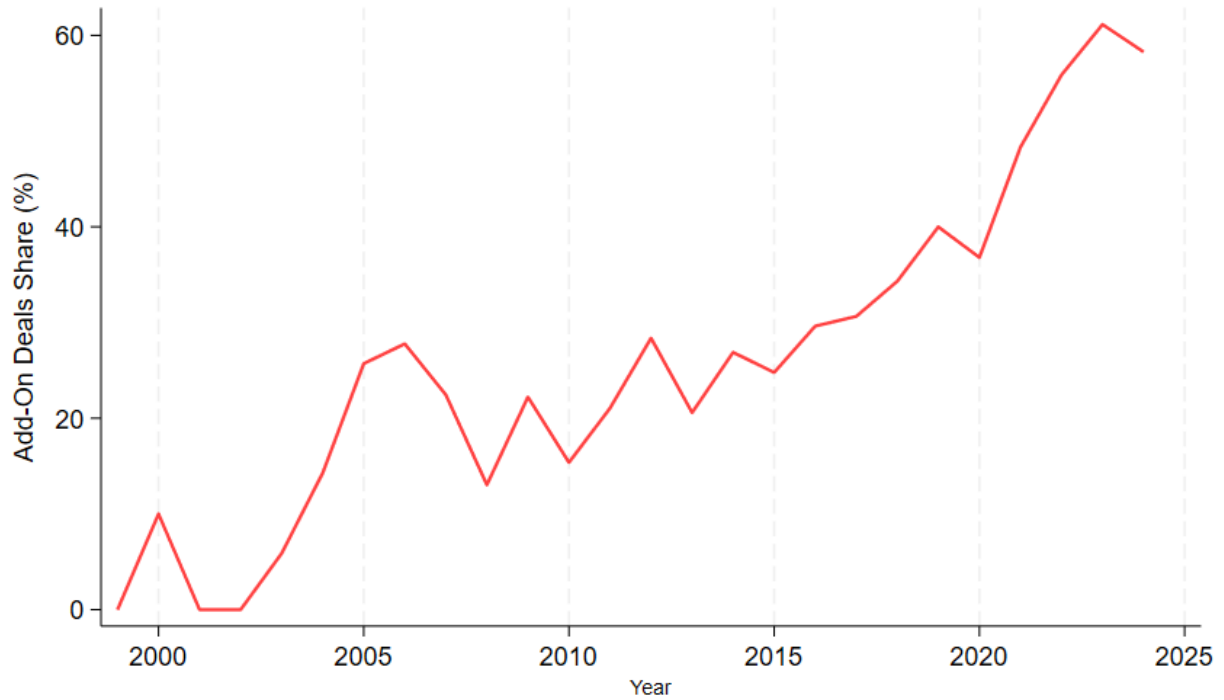


Figure 3: **Investor Categories of PE Investment in Accounting Industry**

This figure shows the distribution of private equity investor categories involved in PE deals within the accounting industry. Blue bars show investor categories for all accounting-industry PE deals, and red bars show the same categories for deals involving audit firms (identified via Audit Analytics). Investor types follow PitchBook's primary-investor classification. The pattern indicates that traditional PE firms dominate investor participation in both sets of deals. Detailed classification criteria are provided in the Appendix.

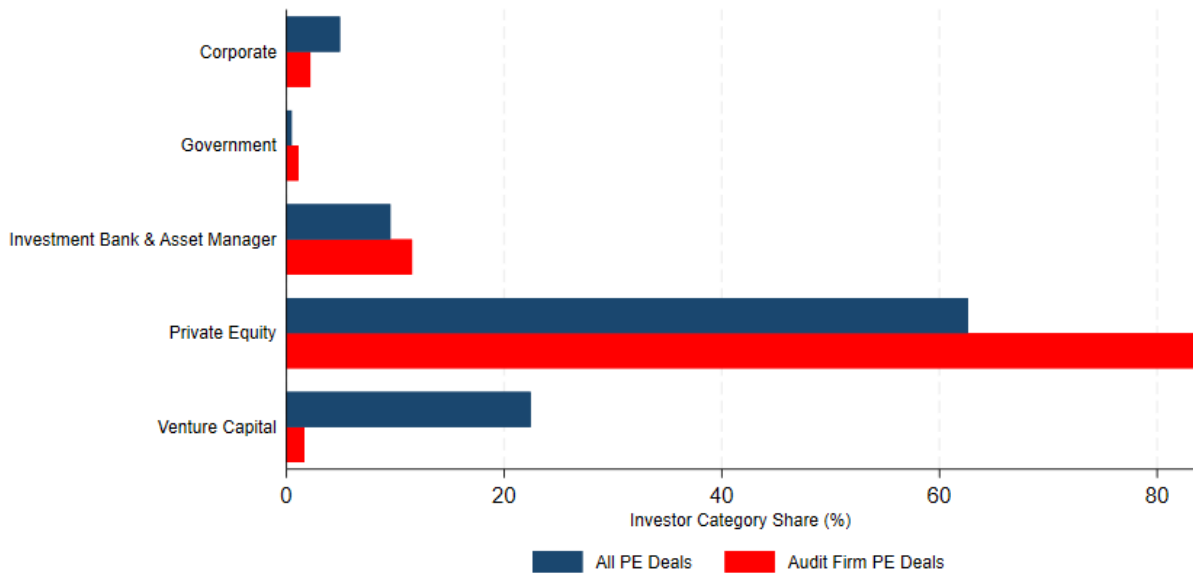


Figure 4: **Top Private Equity Investors in Accounting Industry**

This figure shows the top 15 PE sponsors and the composition of their portfolios in the accounting industry: CPA-licensed vs. non-CPA firms. It indicates differing business-model preferences of PE firms within accounting: some PE investors specialize (e.g., Chicago Growth Partners in non-CPA), while others diversify—ranging from CPA-heavy (e.g., New Mountain Capital) to non-CPA-heavy portfolios (e.g., Carlyle, Ares, Goldman Sachs Asset Management).

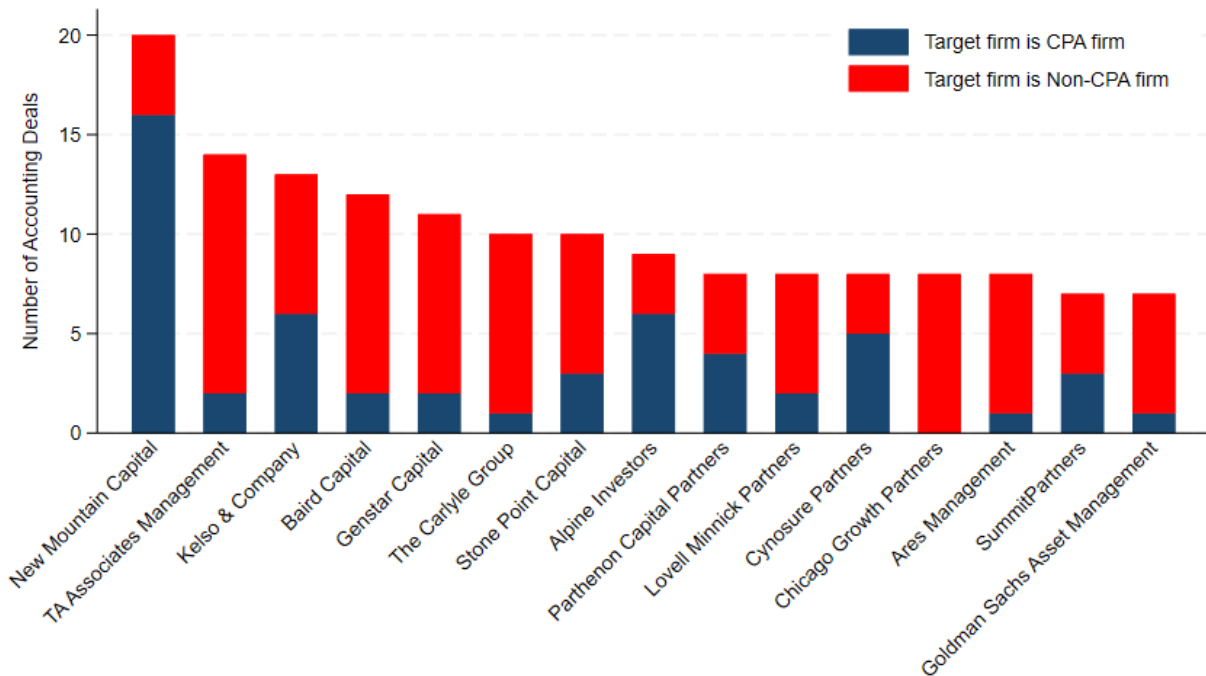


Figure 5: **Private Equity Investment in CPA Firms**

This figure illustrates the distribution of private equity investments between CPA-licensed and non-CPA firms in the accounting industry. The analysis reveals that PE activity has long centered on non-CPA platform firms, but a sharp post-2020 rise in CPA acquisitions shows that sponsors are increasingly integrating regulated and unregulated services.

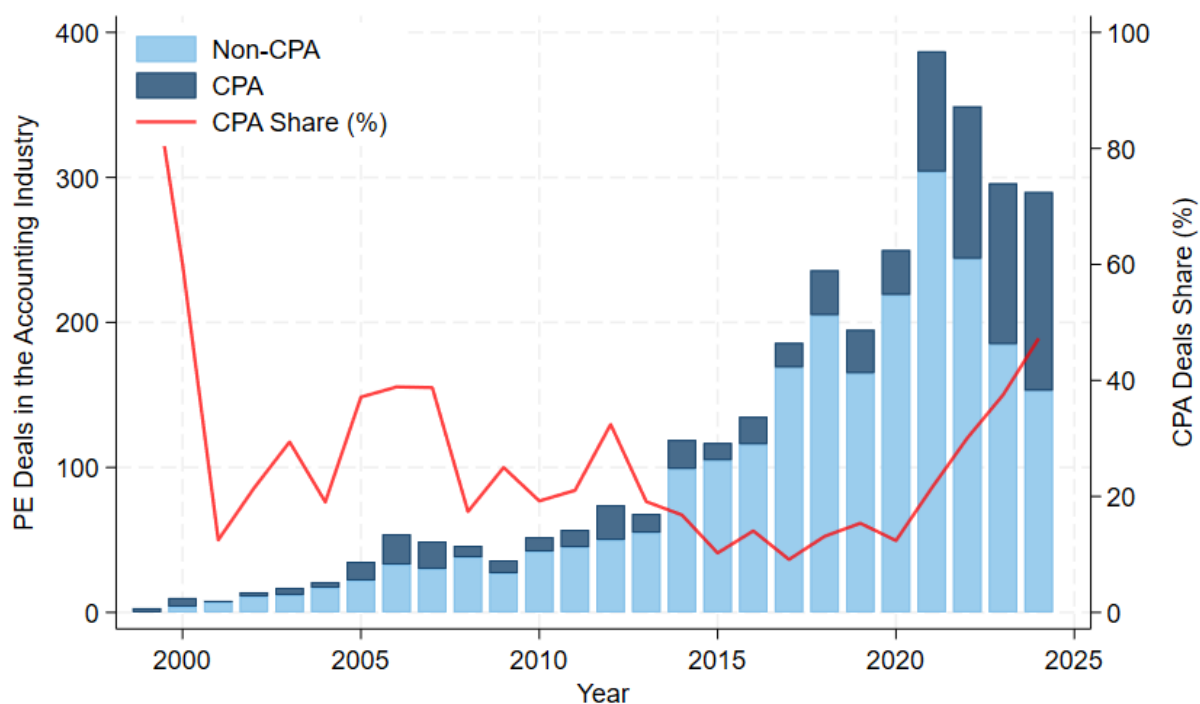
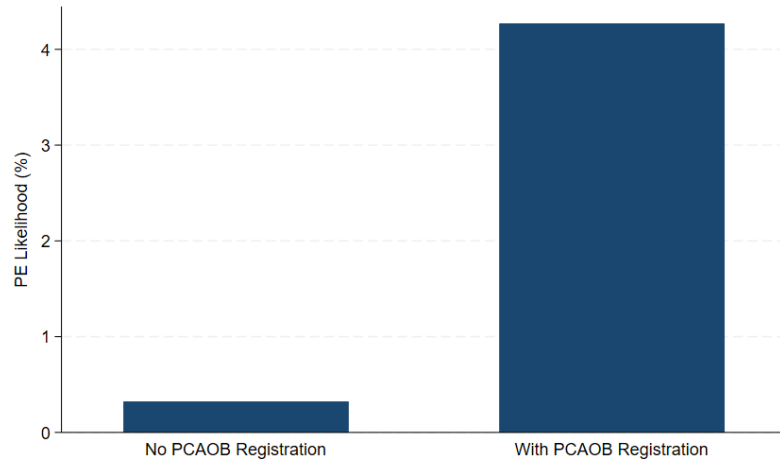


Figure 6: **PE Activity as a Function of Audit Firm Characteristics**

This figure compares the likelihood of PE investment across (i) PCAOB-registered versus non-registered firms and (ii) firms with versus without public clients. PCAOB-registered firms show much higher average PE investment probabilities—about four percentage points—versus roughly 0.3 percentage points for non-registered firms. Similarly, firms with public clients have a much larger PE-investment probability (0.47 percentage points on average), compared with about 0.03 percentage points for firms without public clients.

Panel A: PCAOB Registration



Panel B: Public Clients

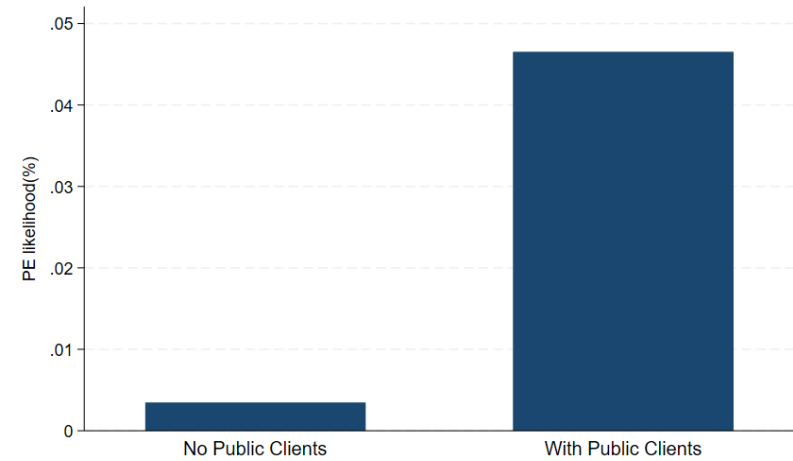
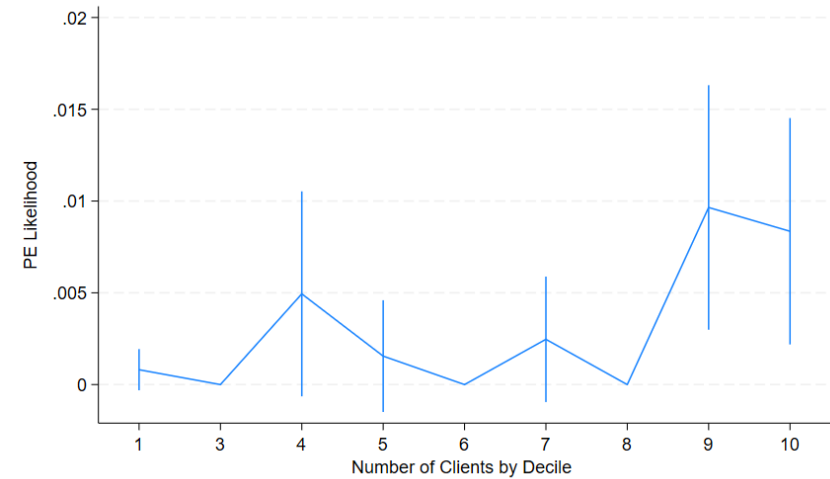


Figure 7: PE Activity and Audit Firm Size

This figure examines how audit firm size relates to the likelihood of PE activity in a sample of audit firms with public clients. Panel A uses deciles of the number of clients and shows a notable shift around the ninth and tenth deciles. Panel B uses deciles of annual total audit fees and shows a pronounced increase in PE investments for the ninth and tenth deciles. In both cases, higher deciles indicate larger audit firms.

Panel A: Number of Clients by Decile



Panel B: Audit Fees by Decile

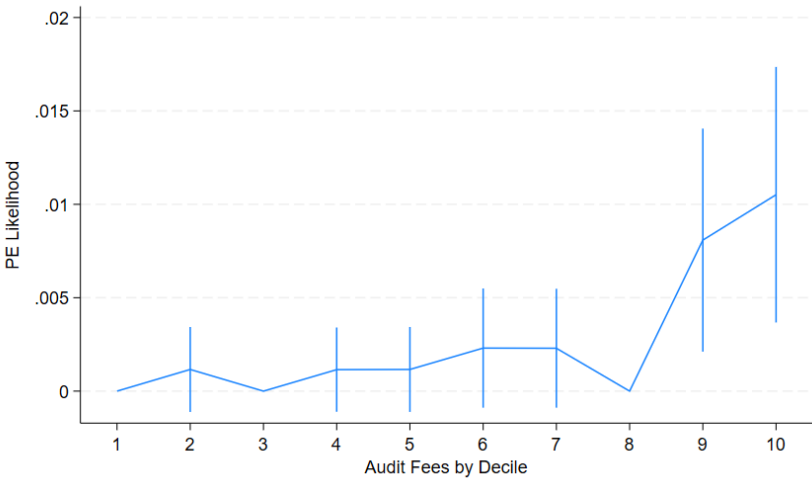


Figure 8: **Determinants of Private Equity Investment in Audit Firms**

This figure presents the determinants of private equity investment in audit firms using a state-year sample that spans 2000–2023. The dependent variable is an indicator for a PE investment that occurs in a state in a given year. The *Economic* column reports the Shapley value decomposition for economic and demographic variables together with year fixed effects. The *Accounting* column shows the contribution of state-level factors related to the accounting industry, also including year fixed effects. The *All* column combines all variable groups, while the final column excludes the year fixed effects to illustrate the explanatory power of observable factors alone.

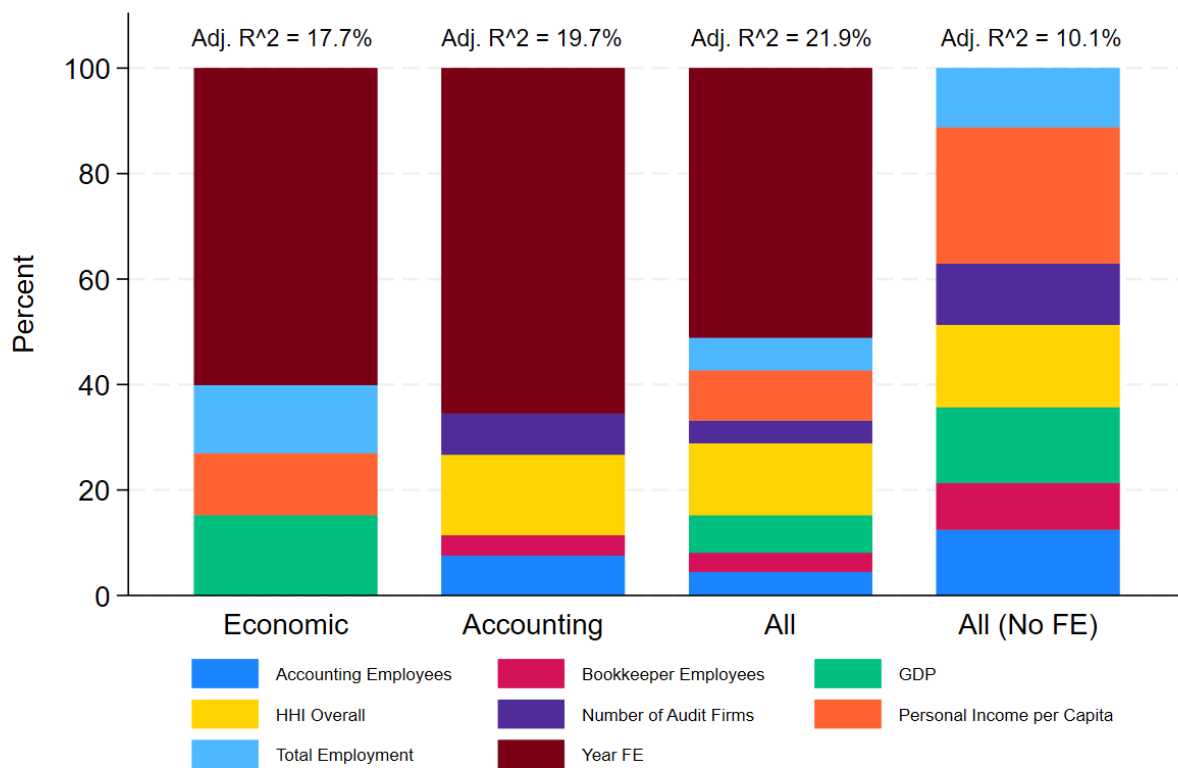


Figure 9: **Top 100 Accounting Firms Revenue and Employment Growth after Private Equity Investment**

This figure presents event-study estimates for four outcomes among the Accounting Today Top 100 firms: percentage changes in total revenue, the non-audit services share, employment, and the number of professionals. The sample comprises 1,627 audit firm-year observations from 2004 to 2024, covering 178 distinct audit firms. The model includes audit-firm and year fixed effects, and event-time effects are estimated over a window of five years before and two years after the PE investment. Standard errors are clustered at the audit-firm level. The figure reports the dynamic effects relative to the baseline period at year 0, with 95% confidence intervals around the event-time coefficients.

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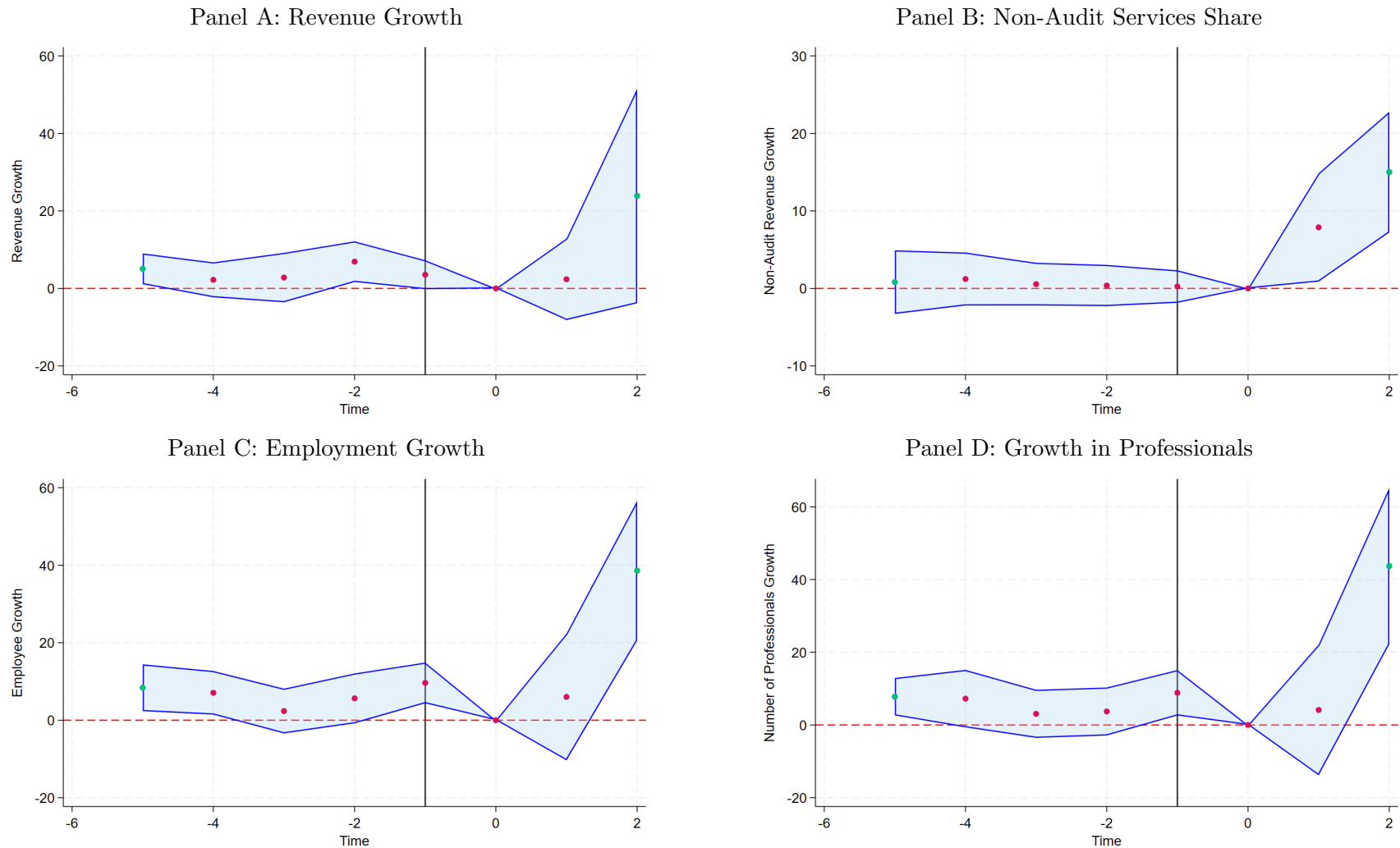
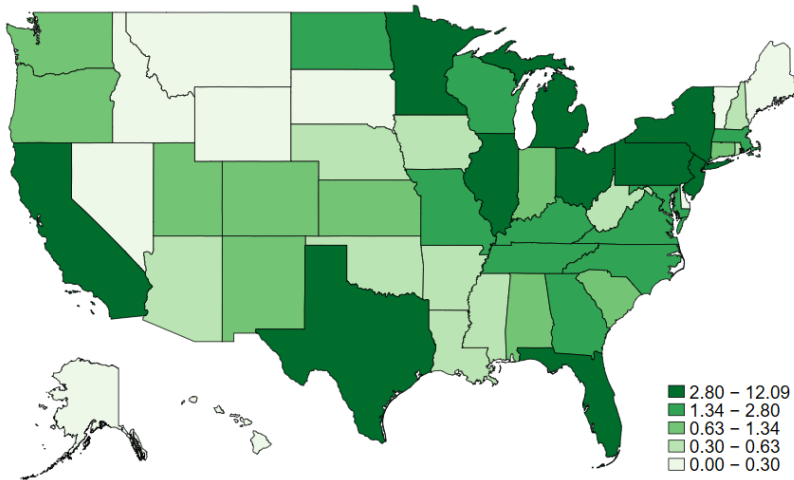


Figure 10: **Geographic Distribution of M&A Events by PE Exposure**

This figure maps the distribution of M&A events among U.S. audit firms by their exposure to private equity. Panel A shows firms that never received PE investment, and Panel B shows firms that did. For each state, the reported share equals the number of M&A events in that state divided by the total number of M&A events across all states, multiplied by 100.

Panel A: Never Received PE Investment



Panel B: Ever Received PE Investment

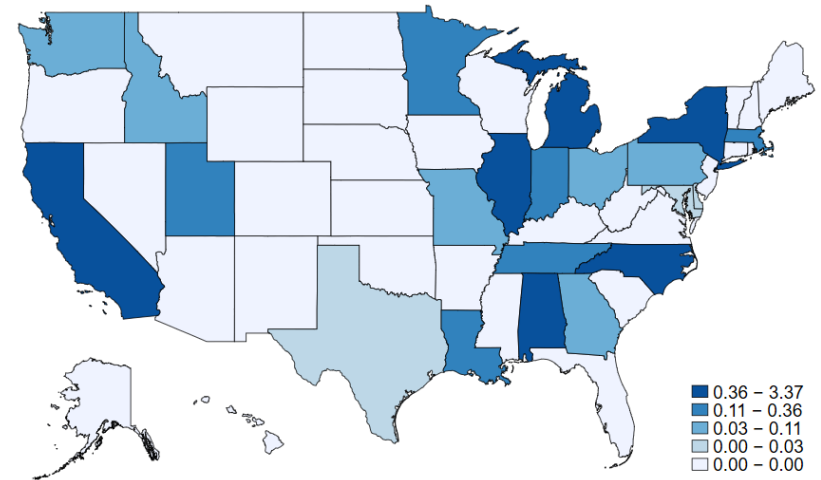


Figure 11: **Across-state M&A Expansion by PE Exposure**

The figure shows the composition of M&A activity for audit firms that never received PE investment (“Without PE investment”) versus those that received PE investment (“With PE investment”). For each group, stacked bars report the percentage of deals completed within the same U.S. state as the acquirer versus across different states. We use a sample of 393,285 audit firm-year observations, covering 18,753 distinct audit firms and 3,648 M&A deals from 1999-2024.

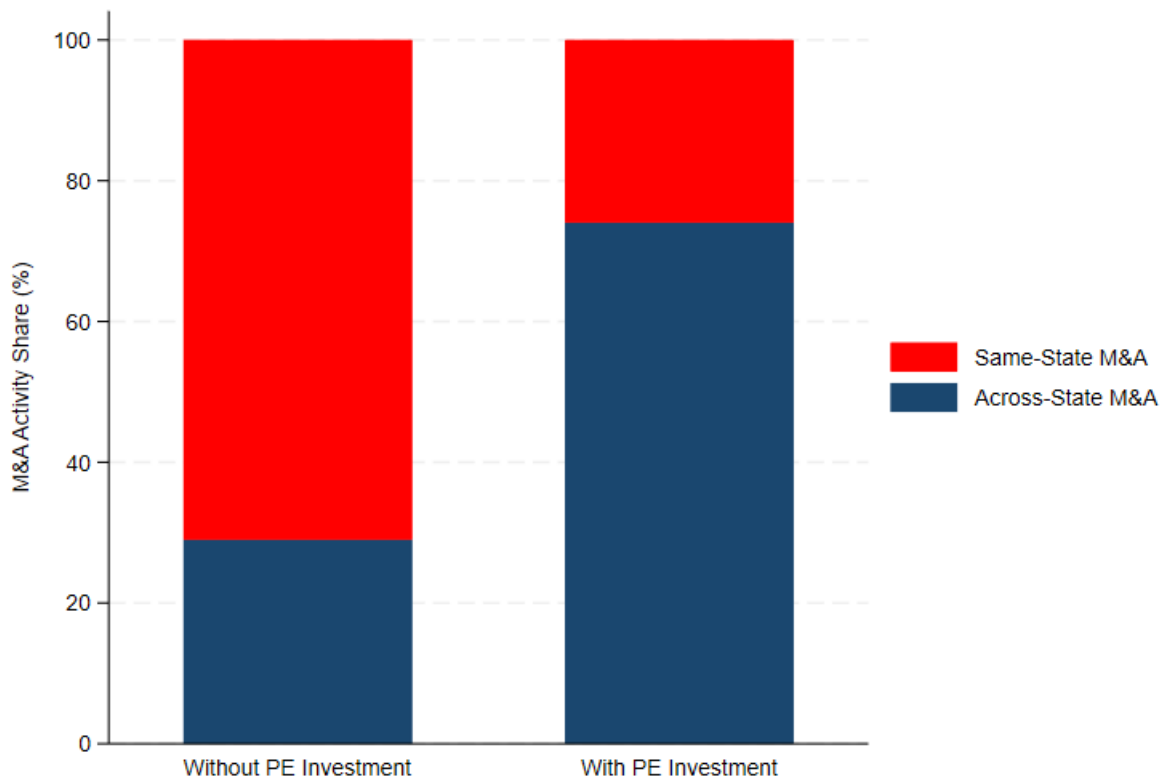


Figure 12: **Dynamic relation between M&A and PE Investment**

This figure shows the estimated coefficients from an event-study examining how private-equity investment relates to firms' M&A activity. The outcome variable measures whether a firm engages in an M&A transaction in a given year. The sample includes audit firms with at least one public client or PCAOB registration, resulting in 28,093 observations covering 1,390 distinct firms from 1999 to 2024 and 1,889 M&A deals. The analysis controls for audit firm and year fixed effects, and standard errors are clustered at the firm level. The shaded area represents 95 percent confidence intervals.

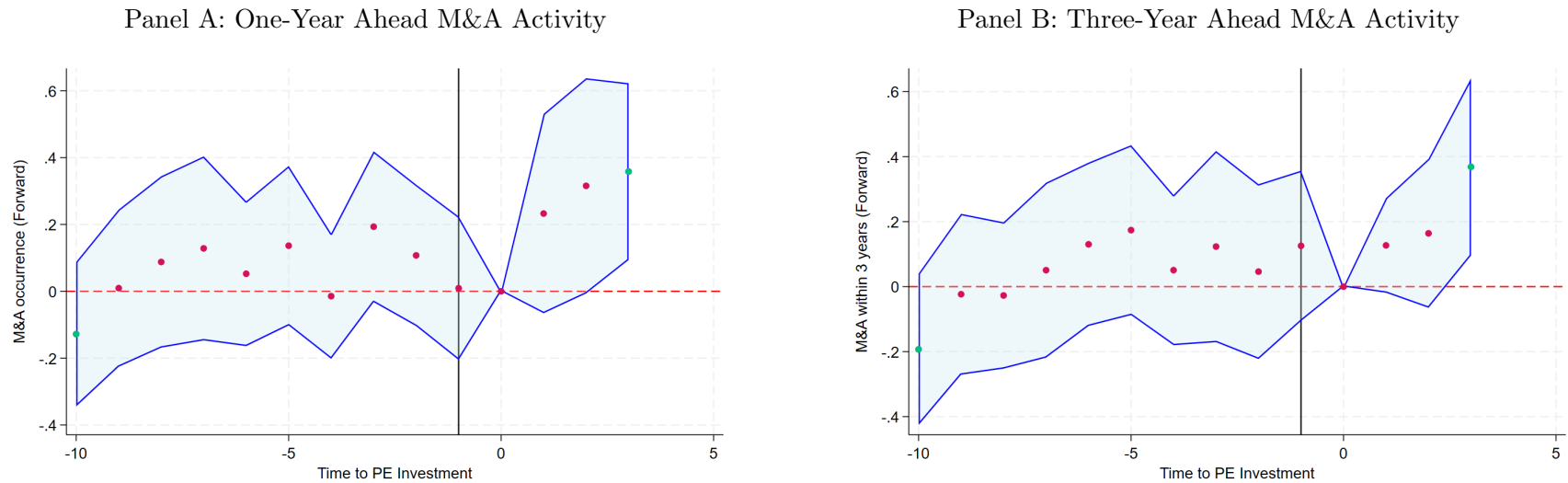
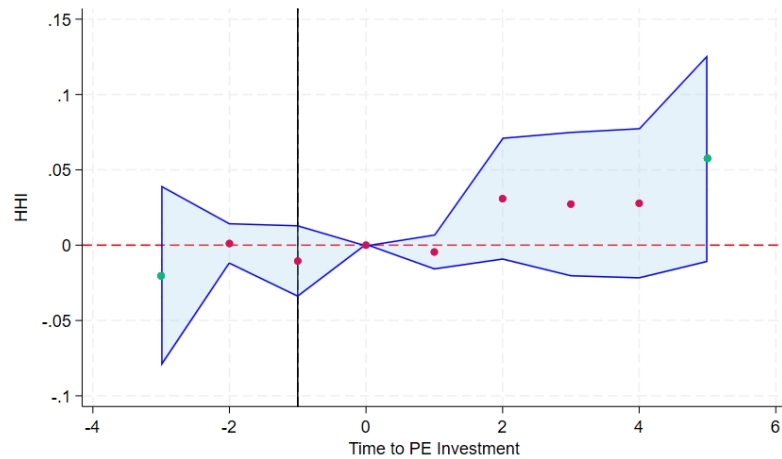


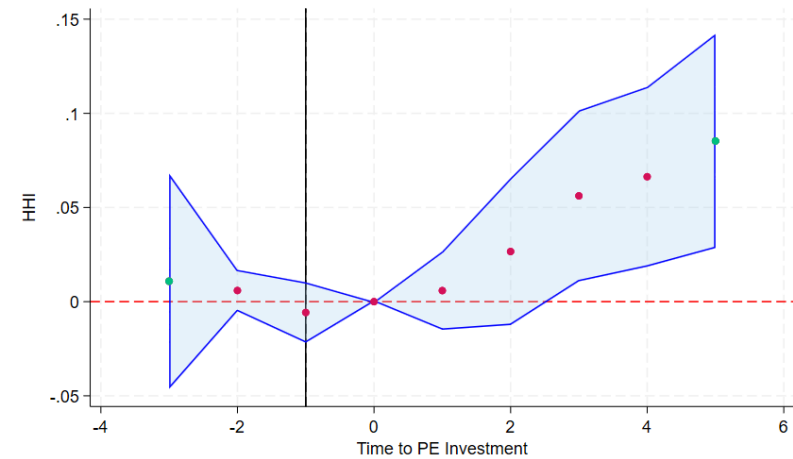
Figure 13: **Local Labor-Market Concentration and PE Investments**

This figure shows event-study estimates linking PE investment to employment concentration (HHI) at the MSA-year-occupation level for four segments: accountants and auditors (ONET 13-2011.00, 11-9199.02), financial analysts (13-2051.00), management professionals (13-1111.00), and tax preparers (13-2082.00). The sample contains 9,370 MSA-year observations from 1999 to 2024, covering 364 MSAs. HHI is the sum of squared firm employment shares in each cell; employment counts unique Revelio users with at least 91 days of employment. The model includes MSA and year fixed effects. The pre-treatment lags and post-treatment leads are defined relative to the first PE investment in the MSA, with effects reported relative to $t = 0$. The y-axis reports the likelihood that an MSA is in the top decile of concentration. Standard errors are clustered by MSA; shaded bands denote 95% confidence intervals.

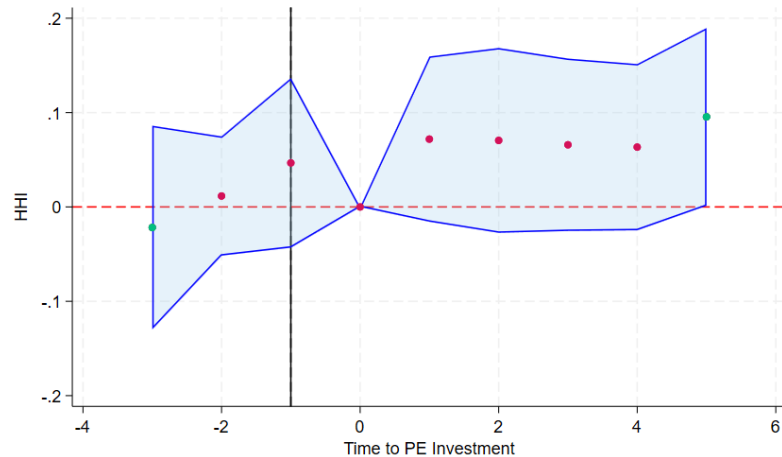
Panel A: Accountants and Auditors



Panel B: Financial Analysts



Panel C: Management Professionals



Panel D: Tax Professionals

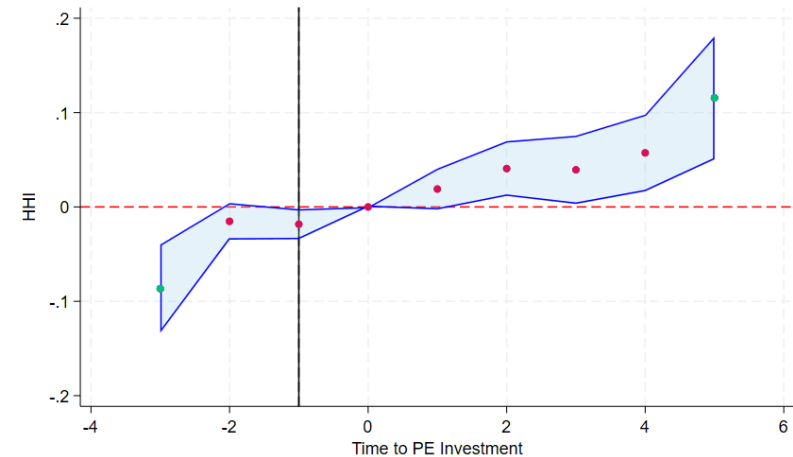
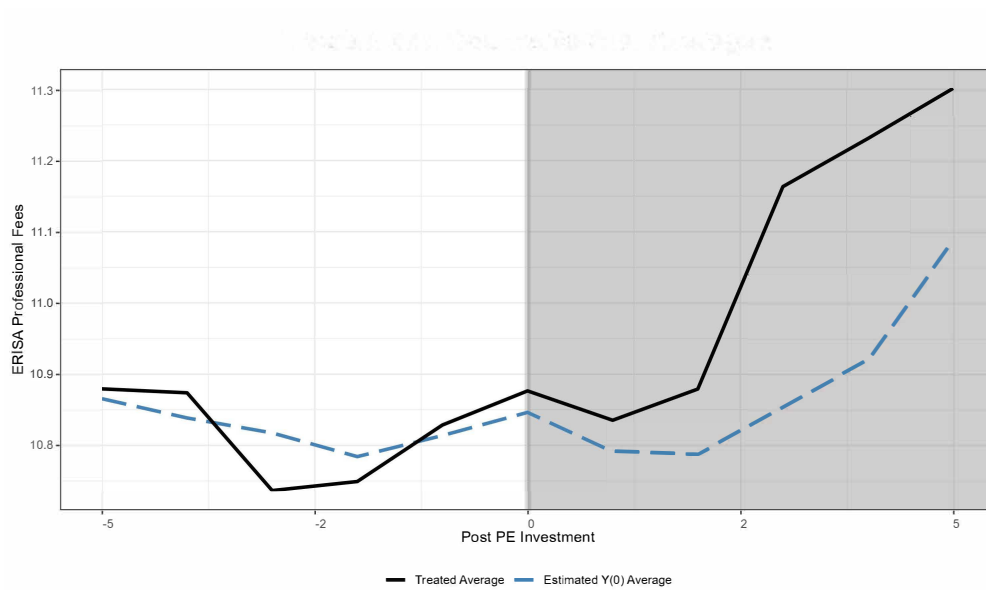


Figure 14: **Counterfactual Analysis of PE Investment and ERISA Audit Fees**

This figure presents a synthetic control analysis examining the effect of private equity investment on ERISA professional fees. Panel A shows the counterfactual analysis comparing treated firms to their synthetic controls, while Panel B displays the treatment effect gap. The sample is restricted to audit firms with at least one public client or PCAOB registration and with available ERISA data. The analysis provides robust evidence on the role of PE investment in professional fees for employee benefit plans.

Panel A: Treated and Counterfactual Averages



Panel B: Estimated ATT

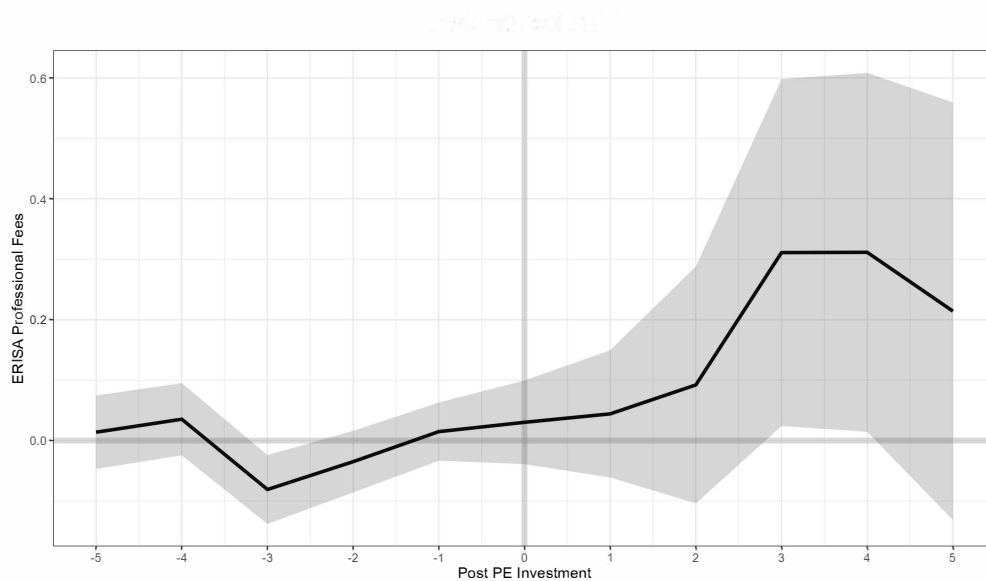


Table 1: **Descriptive Statistics**

This table reports descriptive statistics for the samples used in the analysis. Panel A summarizes characteristics of the Top 100 accounting firms, the main sample for studying the effects of PE investment on firm growth and service-line composition. Panel B presents statistics for the broader sample of public accounting firms used in the M&A analyses. Panel C reports statistics for the ERISA sample, which provides fee and market-structure information based on pension-plan filings. Table A2 in the Appendix provides variable definitions.

Panel A: Top 100 Accounting Firms Sample					
	N	mean	sd	min	max
Revenue Change	1,627	10.424	10.468	-44.150	99.660
Non-audit Services	1,627	61.129	12.978	21.000	100.000
Tax Services	1,627	34.371	10.902	7.000	79.000
Management Services	1,627	17.797	14.192	0.000	79.000
Other Services Share	1,627	8.961	12.656	0.000	89.000
Post PE	1,627	0.021	0.143	0.000	1.000
Revenue	1,627	4.686	1.408	2.916	10.238
Employment	1,627	6.377	1.321	4.554	11.960
Offices	1,627	2.278	1.029	0.693	5.198
Panel B: M&A Sample					
	N	mean	sd	min	max
M&A in 1 Year	25,533	0.046	0.210	0.000	1.000
M&A in 3 Years	25,533	0.094	0.292	0.000	1.000
Post PE	25,533	0.002	0.040	0.000	1.000
CPA Establishments	25,533	8.351	0.881	5.075	9.626
Panel C: ERISA Sample					
	N	mean	sd	min	max
ERISA Professional Fees	164,207	10.138	1.806	5.017	14.396
Post PE	164,207	0.049	0.215	0.000	1.000
Total Asset	164,207	16.613	1.960	11.479	21.593
Total Participants	164,207	6.540	1.410	4.654	10.642

Table 2: **Private Equity Investment and Business Composition**

This table examines which service lines drive the post-PE increase in non-audit revenue using the sample of Top 100 accounting firms, comprising 1,627 audit firm–year observations from 2004 to 2023 and covering 178 firms. We estimate regressions that relate PE investment to next-year percentage changes in revenue and revenue shares across core service categories. Column (1) reports effects on total revenue growth; columns (2)–(5) report effects on the non-audit services share, tax services, management services, and other services share, respectively. Table A2 in the Appendix provides variable definitions. Standard errors are clustered at the audit firm level and reported in parentheses. *, **, and *** indicate significance levels of 10%, 5%, and 1%.

	Revenue Change	Non-audit Services	Tax Services	Management Services	Other Services Share
Post PE	21.572 (13.146)	13.199*** (3.161)	7.092** (3.478)	8.607 (5.448)	-2.500 (5.684)
Observations	1,627	1,627	1,627	1,627	1,627
R-squared	0.429	0.865	0.882	0.844	0.876
Controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Auditor FE	Yes	Yes	Yes	Yes	Yes

Table 3: **Private Equity Investment and Subsequent M&A Activity**

This table examines the relationship between private equity investment and subsequent M&A activity in an audit firm–year panel of 25,533 observations covering 1,372 audit firms with public clients and 1,177 deals over 1999–2024. The dependent variables are indicators for whether the firm has M&A activity in the following year or three years following PE investment. *Post PE* is an indicator variable equal to one after a firm gets PE investment. Table A2 in the Appendix provides variable definitions. Standard errors are clustered at the audit firm level and reported in parentheses. *, **, and *** indicate significance levels of 10%, 5%, and 1%.

Panel A: M&A One Year After PE Investment

	M&A in 1 Year			
Post PE	0.478*** (0.075)	0.476*** (0.076)	0.455*** (0.068)	0.337*** (0.102)
Observations	25,533	25,533	25,533	25,533
R-squared	0.008	0.009	0.036	0.279
Controls	No	Yes	Yes	Yes
State FE	No	No	Yes	No
Auditor FE	No	No	No	Yes
Year FE	No	No	Yes	Yes

Panel B: M&A Three Years After PE Investment

	M&A in 3 Years			
Post PE	0.551*** (0.109)	0.548*** (0.111)	0.501*** (0.098)	0.309*** (0.106)
Observations	25,533	25,533	25,533	25,533
R-squared	0.005	0.007	0.048	0.407
Controls	No	Yes	Yes	Yes
FE	No	No	Yes	No
Auditor FE	No	No	No	Yes
Year FE	No	No	Yes	Yes

Table 4: **Private Equity Investment and ERISA Plan Fees**

This table examines the relationship between PE investment and ERISA plan fees using a plan-year panel of regional audit firms with public clients, restricted to observations in which auditors, sponsors, and years each appear at least twice in the sample. The panel contains 164,207 observations spanning 1999–2022 and includes 878 audit firms, 23,710 sponsors, and 30,833 plans. The dependent variable is the log of one plus professional fees for ERISA plan audits in the following year. *Post PE* is an indicator equal to one in years after a PE investment. Table A2 in the Appendix provides variable definitions. Standard errors are clustered at the audit firm level and reported in parentheses. *, **, and *** indicate significance levels of 10%, 5%, and 1%.

	ERISA Professional Fees			
Post PE	0.201*** (0.042)	0.111* (0.066)	0.078** (0.037)	0.067* (0.039)
Observations	164,207	164,207	164,207	164,207
R-squared	0.759	0.368	0.761	0.766
Controls	Yes	Yes	Yes	Yes
Year FE	No	Yes	Yes	Yes
Auditor FE	No	Yes	No	Yes
Client FE	Yes	No	Yes	Yes

Table 5: Synthetic Difference-in-Differences Estimates of the Effect of PE Investment on ERISA Plan Fees

This table estimates the effect of treatment on professional fees using a generalized synthetic control model with interactive fixed effects. The outcome is the logarithm of one plus professional fees for ERISA plan audits in the following year, and treatment is an indicator for groups that become treated; assets and participant count are included as controls. The model is fit on a panel indexed by group and year, with two-way fixed effects and data-driven latent factors chosen by cross-validation to align pre-event trends. The effect reported is the average treatment effect on the treated, shown over time and as a post-event average; because the outcome is in logs, effects can be read as approximate percentage changes in professional fees for treated groups relative to their synthetic comparison path. The sample is restricted to public firms only. *, **, and *** indicate significance levels of 10%, 5%, and 1%.

Time	ATT	S.E.	CI.lower	CI.upper	p.value	n.Treated
-10	0.034	0.048	-0.059	0.128	0.473	0
-9	0.063	0.039	-0.014	0.139	0.109	0
-8	-0.002	0.040	-0.080	0.076	0.962	0
-7	-0.051	0.037	-0.124	0.023	0.176	0
-6	-0.038	0.034	-0.105	0.029	0.263	0
-5	0.014	0.031	-0.047	0.075	0.656	0
-4	0.035	0.030	-0.024	0.095	0.246	0
-3	-0.081	0.029	-0.138	-0.024	0.005***	0
-2	-0.035	0.026	-0.086	0.016	0.178	0
-1	0.015	0.025	-0.033	0.063	0.546	0
0	0.030	0.035	-0.039	0.099	0.392	0
1	0.044	0.054	-0.061	0.149	0.411	528
2	0.092	0.100	-0.104	0.288	0.357	143
3	0.311	0.146	0.024	0.598	0.034**	55
4	0.311	0.151	0.014	0.608	0.040**	53
5	0.214	0.176	-0.131	0.559	0.224	43

Appendix

Table A1: **Private Equity Investor Categories**

This table provides the categories of private equity investors in the accounting industry based on the primary investor type in PitchBook. Column “All” reports the number of investors in all accounting firms, while column “Audit Analytics” reports investors in audit firms.

Investor Category	Primary Investor Type (Pitchbook)	Number of Investors (All)	Number of Investors (Audit Analytics)
Corporate	Corporation	60	1
	Holding Company	8	3
	Infrastructure	2	0
	RealEstate	2	0
Government	Government	1	1
	Sovereign Wealth Fund	6	1
Investment Bank & Asset Manager	Asset Manager	66	8
	Family Office	42	10
	Hedge Fund	10	2
	Impact Investing	1	0
	Investment Bank	7	0
	Lender/Debt Provider	9	0
	Merchant Banking Firm	5	1
Private Equity	Business Development Company	5	1
	Fund of Funds	1	0
	Fundless Sponsor	3	1
	Growth/Expansion	69	7
	Limited Partner	13	7
	Mezzanine	15	4
	Other Private Equity	1	0
	PE-Backed Company	265	55
	PE/Buyout	546	77
Venture Capital	Accelerator/Incubator	7	0
	Angel (individual)	45	0
	Angel Group	3	0
	Corporate Venture Capital	14	0
	Not-For-Profit Venture Capital	1	0
	VC-Backed Company	4	0
	Venture Capital	255	3

Table A2: **Variable Definitions**

Source	Variable Label	Definition
Accounting Today	Revenue Change	Year-over-year percentage change in revenue.
	Non-audit Services	Percentage of revenue from non-audit services.
	Management Services	Percentage of revenue from management services.
	Other Services	Percentage of revenue from other services.
	Tax Services	Percentage of revenue from tax services.
	Offices	The natural logarithm of one plus the number of offices.
	Employment	The natural logarithm of the number of employees.
	Revenue	The natural logarithm of revenue.
Pitchbook, Preqin	Post PE	Indicator variable equal to one for firm-year observations after PE investment, and zero otherwise. In ERISA analyses, Post PE equals one for plan-year observations after PE investment in the auditor, and zero otherwise.
Audit Analytics	M&A in 1 Year	An indicator equal to one if a firm engages in an M&A transaction one year after the current period, and zero otherwise.
	M&A in 3 Years	An indicator equal to one if a firm engages in an M&A transaction three years after the current period, and zero otherwise.
State Census	CPA Establishments	The total number of physical establishments operating under the industry classification “Offices of Certified Public Accountants” (NAICS 541211) within a given state and year. Data are sourced from the U.S. Census Bureau’s County Business Patterns.
Revelio	HHI Overall	Herfindahl–Hirschman Index (HHI) constructed for the set of occupations: Accountants and Auditors (O*NET 13-2011.00, including mapped audit roles), Financial Analysts (13-2051.00), Tax Preparers (13-2082.00), Management Analysts (13-1111.00), and Business Operations Specialists, All Other (13-1199.00). The index is calculated as the sum of squared firm market shares within each Census MSA or non-metropolitan area. We calculate occupation-specific HHIs for the analyses in Figure 13 and aggregate the combined HHI to the state-year level for the analysis in Figure 8.

Table A2: **Variable Definitions** (Cont.)

Source	Variable Label	Definition
BLS	Accounting Employees	The natural logarithm of the number of accountants and auditors in a state. This measure represents the aggregate employment of professional-level accounting personnel within a given state and year and is sourced from the Bureau of Labor Statistics, based on total employment estimates for the occupational title "Accountants and Auditors".
	Bookkeeper Employees	The natural logarithm of the number of bookkeeping employees in a state. This measure represents the aggregate employment of bookkeeping personnel within a given state and year and is sourced from the Bureau of Labor Statistics, based on total employment estimates for the occupational title "Bookkeeping, Accounting, and Auditing Clerks".
BEA	Total Employment	The natural logarithm of the total employment within a given state and year sourced from the Bureau of Economic Analysis.
	GDP	The natural logarithm of real state GDP in a given year sourced from the Bureau of Economic Analysis.
	Personal Income per Capita	The natural logarithm of personal income per capita in a given state-year sourced from the Bureau of Economic Analysis.
Audit Analytics	Number of Audit Firms	The natural logarithm of the number of audit firms in a state-year based on Audit Analytics data.
ERISA	Professional Fees	The natural logarithm of one plus employee benefit plan professional fees reported on Form 5500 for a given plan-year, winsorized at the 1% level.
	Total Assets	The natural logarithm of one plus total plan assets reported on Form 5500 for a given plan-year, winsorized at the 1% level.
	Total Participants	The natural logarithm of one plus the number of plan participants reported on Form 5500 for a given plan-year, winsorized at the 1% level.