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Impact of IPO Review Inquiry Intensity on Prospectus Information Disclosure Updates

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Abstract: The prospectus, as the primary vehicle for issuers to disclose information to the public, plays a crucial role in protecting investors' rights. Review inquiries serve as an important tool to ensure the quality of the prospectus, as the inquiry and feedback mechanism helps to identify potential risks and enhance the quality of information disclosure. This paper, based on the theory of responsive regulation and the attention-based view, takes companies applying for Initial Public Offering (IPO) on the Science and Technology Innovation Board (STAR) Market and ChiNext Board between 2019 and 2023 as the research samples. Using text analysis methods such as the Latent Dirichlet Allocation (LDA) topic model and dictionary-based methods, this study measures the intensity of review inquiries and the extent of information disclosure. It examines the impact of inquiry topics on the disclosure of corresponding information in the prospectus and explores the moderating effects of company ownership structure, sponsor reputation, and auditor reputation on these relationships. Empirical results indicate that: (1) an increase in the formality of review inquiries enhances the optimization of information disclosure in the prospectus; (2) the focus of review inquiries on specific topics has a significant positive impact on the update of relevant information disclosure in the prospectus; and (3) at the ownership structure level, state-owned enterprises dampen the positive influence of review inquiries on the textual features of the prospectus.

Keywords: Review inquiry; Inquiry intensity; Prospectus; Information disclosure; Topic model

JEL Classification: D81; G34; M41

1. Introduction

The prospectus is the main vehicle for information disclosure during the stock issuance phase under the registration-based system. It contains key information about the company's current and future business operations, financial condition, issuance details, and potential development prospects, showcasing the company's development trend. It serves as the basis for investors to make value judgments and investment decisions. However, during the pilot phase of the registration system reform, there have been issues such as low readability, insufficient relevance to investment decision-making, and lack of targeted information disclosure in the prospectus (Liu & Li, 2022; Zhou & Zhou, 2020).

Under the registration-based system, regulatory authorities promote the issuer to disclose specific company information that investors are concerned about through review and inquiry. This helps improve the quality of corporate information disclosure and ultimately reduces market risk. In studies on IPO review inquiries, scholars have mainly focused on their impact on pricing efficiency, IPO market performance, and other economic outcomes, but there has been little research on the mechanism through which they affect the update of information disclosure. Regarding the measurement of review inquiry intensity and information disclosure extent, scholars mostly approach this from the perspective of form or text characteristics (Hu & Wang, 2021), using an indicator system and manual scoring methods (Jiang & Zhang, 2021), which are difficult to replicate. Additionally, with regard to

the impact of review inquiries on information disclosure, most scholars in the Chinese context have focused on the STAR Market, lacking samples from the ChiNext Board, and have only explored the first round of inquiries without including the characteristics of subsequent inquiry rounds in the measurement. The mechanism of the impact of review inquiries on information disclosure behavior requires further examination.

Therefore, based on responsive regulation theory and the attention-based view theory, this paper attempts to extract review inquiry intensity and information disclosure characteristics, construct quantitative indicators, and explore the mechanism by which the intensity of IPO review inquiries affects the update of information disclosure in the prospectus, providing decision-making basis and references for exchanges to improve the IPO review inquiry system.

2. Related Research

2.1 Review Inquiries

Scholars have explored the economic consequences of review inquiries from the perspective of their impact on IPO outcomes, IPO pricing efficiency (IPO pricing, stock price synchronicity), and IPO market performance (initial day underpricing, liquidity, volatility, returns).

For example, Lowry et al. (2020) found that inquiries related to revenue recognition were more frequent, and companies with less information disclosure were more likely to suspend the issuance and listing review process. Regarding IPO pricing efficiency, Li & Liu (2017) investigated the mechanism through which Securities and Exchange Commission (SEC) review inquiries influence the formation of IPO prices, suggesting that the U.S. SEC's regulation reduced speculation, leading companies to be more cautious about pricing. Liu et al. (2024) pointed out that the SEC's review process reduced information asymmetry during mergers and acquisitions, with transactions receiving inquiries more likely to modify the transaction price and complete the deal. Yang (2023) found that more severe inquiries lead to a more negative market response and increased likelihood of management voluntarily canceling the transaction.

Regarding the impact of review inquiries on market performance, scholars suggest that as a non-punitive form of regulation, review inquiries are negatively correlated with market performance. Lowry et al. (2020) indicated that a stronger review inquiry, to some extent, reflects poorer compliance with the issuer's information disclosure, which is related to subsequent low liquidity, low returns, and other long-term market performance issues. Other scholars argue that review inquiries have a certain information effect and can reduce information asymmetry, leading to better market performance. For example, Hu & Wang (2021) believed that more rounds of inquiries lead to increased underpricing on the first day of listing and increased volatility in the first month. In addition, some scholars have examined the impact of IPO review inquiry responses on IPO pricing efficiency. Xue & Wang (2022) measured the quality of information disclosure in inquiry response letters from both "quality" and "quantity" perspectives, finding that the larger the volume of information, the higher the level of visualization, and the smaller the density of accounting terminology and reverse components, the lower the underpricing on the first issuance.

Compared to the U.S., China's implementation of the registration-based system came later. Lu et al. (2020) were the first to use the number of inquiry rounds and questions during the issuance and listing review process to represent the intensity of review inquiries. They examined the intensity of inquiries at different stages by distinguishing the inquiries from different review entities. Some scholars have counted the total number of specific types of questions in each round to represent the exchange's attention to those issues (Yu et al., 2022a), using registration duration and inquiry rounds to measure the intensity of review inquiries (Hu & Wang, 2021).

Additionally, some scholars have tried to analyze the content characteristics of inquiry letters using topic modeling methods, examining the text features of inquiry letters on the STAR Market and exploring the topics that exchanges focus on for IPO applicants, as well as the mechanism of review inquiries (Jiang & Zhang, 2021; Yu et al., 2022b). For instance, Tong & Li (2024) used the LDA topic model to refine the text features of review feedback letters and analyzed the impact of corporate bond issuance review on issuance pricing. They found that exchanges' review inquiries significantly increased the bond issuance price spread, but issuers' high-quality responses could effectively alleviate this impact.

2.2 Prospectus Information Disclosure

Scholars have used text analysis methods based on theories such as the winner's curse hypothesis, signaling theory, and book-building theory to extract text features (text length, comprehensibility, readability), information content (effective information content, technical information content, word count per sentence), and management tone (tone, viewpoints) in the prospectus, analyzing how these features impact IPO pricing, market performance, and other economic outcomes (Hu & Wang, 2021).

Regarding text features, Zhou & Zhou (2020) developed a readability index for financial texts and analyzed the mechanism by which prospectus readability affects IPO underpricing. They argue that improving the readability

of the prospectus and more accurately conveying company information helps create a better corporate image, reduces information asymmetry between investors and issuers, and thus reduces IPO underpricing. In terms of information content, Hanley & Hoberg (2010) divided the prospectus into two parts: standard and informational, and found that a higher content of information led to more accurate pricing and less underpricing. Building on this approach, Li et al. (2023) explored the relationship between review inquiries, IPO performance, and stock price behavior using Tibet Duo Rui Pharmaceutical as a case study. They found that review inquiries had a certain negative impact on the company's post-IPO performance and stock price behavior, suggesting that companies receiving more inquiries tended to perform worse in terms of profitability and growth after the IPO. Review inquiries might raise investor concerns about the company, thereby affecting stock price performance.

In terms of management tone, Ferris et al. (2013) used the proportion of negative tone words to measure the conservatism of the prospectus, finding that more conservative tones in the prospectus led to underpricing. Brau et al. (2016) argued that an overuse of positive words could also result in underpricing. Loughran & McDonald (2013) found that IPOs with highly uncertain tones in the text had higher first-day returns, larger absolute offer price revisions, and higher post-IPO volatility.

2.3 Impact of Review Inquiries on Prospectus Information Disclosure

Scholars have mainly studied the impact of IPO review inquiries on the quality of information disclosure from the perspectives of specific topic attention and improvements in the expression features of the prospectus. For example, Lowry et al. (2020) used the LDA topic model to extract the core topics of SEC review inquiries in the U.S. and applied Kullback-Leibler (KL) divergence to match these topics with the related content in the prospectus. They found that listed companies actively added relevant content in response to the topics raised by the SEC in the inquiry. Hu & Wang (2021) focused on the degree of information disclosure updates after a company has been subjected to review inquiries. Their empirical results showed that, after IPO review inquiries, companies tended to enrich the content of their prospectuses on specific topics, significantly increasing word count per sentence while reducing the proportion of technical jargon to improve readability and help investors better understand the information. Xue & Wang (2022) examined the quality of information disclosure in inquiry response letters from the perspectives of both "quality" and "quantity." They found that higher-quality responses led to increased word count, page numbers, and other measures of information "quantity," while also improving the "quality" of the information. Jiang & Zhang (2021) approached the issue from the perspective of key issues and established an indicator system to manually score the content of key issues in the prospectus. They found that the more the review inquiry focused on topics such as risk, innovation, foresight, and competition, the more likely it was to guide the issuer's management to supplement and improve the disclosure of key issues.

In research related to IPO review inquiries, scholars have mainly focused on their impact on pricing efficiency, IPO market performance, and other economic consequences, with relatively little research on the mechanisms by which they affect information disclosure. Most studies have been based on formal characteristics or text content features, using topic models to measure review inquiry intensity and updates in prospectus information disclosure. However, these methods tend to be relatively crude, making it difficult to precisely identify the key topics raised in review inquiries. Alternatively, using manual scoring systems to evaluate these indicators is difficult to replicate (Jiang & Zhang, 2021). Moreover, most research has focused on the STAR Market, with fewer samples from the ChiNext Board. Additionally, research has primarily explored the first round of inquiries, without considering the characteristics of subsequent rounds of inquiry letters. When interpreting the economic implications of extracted inquiry topics, many studies rely on expert experience, which can introduce subjectivity.

To address these shortcomings, this study includes samples from both the STAR Market and ChiNext Board and uses text analysis methods such as the LDA topic model and dictionary method to measure the intensity of review inquiries and the level of information disclosure updates in the prospectus. It aims to explore the incentives behind how review inquiry intensity affects information disclosure updates.

3. Theoretical Foundation and Research Hypotheses

3.1 Theoretical Foundation

3.1.1 Responsive regulation theory

Responsive regulation theory aims to select appropriate and targeted regulatory strategies or measures based on the specific context of the regulated entities. It emphasizes integrating regulatory resources, closely interacting with the regulated entities, and fostering their self-regulatory awareness to achieve optimal regulatory outcomes. Its core includes four aspects: response, shaping, collaboration, and relationality (Ayres & Braithwaite, 1995).

Responsive regulation theory provides the theoretical foundation for the registration-based system. Under the registration system, review inquiries are key to ensuring information quality, reflecting the four main elements of responsive regulation theory: response, shaping, collaboration, and relationality. The inquiry requires regulatory authorities to raise targeted questions based on the issuer's situation, guiding them to improve disclosure

compliance while emphasizing cooperation and building close relationships with the issuer and intermediary institutions. After receiving an inquiry letter, the issuer is required to understand and analyze the concerns raised by the exchange and respond to them one by one. Through this approach, regulatory effectiveness and market efficiency are enhanced.

3.1.2 Attention-based view

The attention-based view proposed by Ocasio (1997) regards enterprises as attention allocation systems. It emphasizes that corporate behavior is essentially a reflection of how decision-makers manage and allocate their attention, indicating that the allocation of attention is constrained by the personal traits of decision-makers and is also influenced by external environmental factors (Ocasio, 1997). To fully understand how a company allocates attention, it is necessary to consider not only the individual factors of decision-makers but also their internal and external environments and how they interpret these environments.

Ocasio (1997) defined attention as the process in which decision-makers allocate time and energy to specific issues and their solutions and take related actions. The allocation of attention is a dynamic process that involves three core principles: focusing, contextualizing, and structuring allocation. These principles together reveal six key factors that influence corporate attention allocation: decision-making environment, issues and answers, procedures and communication channels, attention structures, decision-makers, and corporate behavior.

Under the registration-based system, when a company is conducting an IPO, the regulatory bodies responsible for reviewing the issuer and raising questions set the tone for the regulatory environment. In this environment, the issuer's application team will notice the intensity of the inquiry on specific issues raised by the regulatory authorities. This attention will, in turn, affect how they allocate attention to different disclosure contents, leading to corresponding adjustments in their information disclosure. This suggests that the regulatory environment the issuer faces is key to shaping how management allocates attention and provides theoretical support for the "review inquiry → management attention allocation → information disclosure behavior adjustment" mechanism proposed in this paper.

3.2 Research Hypotheses

Based on responsive regulation theory, attention-based view, and other theories, scholars have found that IPO review inquiries strengthen the role of exchanges as non-governmental institutions in regulating the capital market. Exchanges and other review bodies apply professional knowledge to inquire into the issuer's information disclosure from the perspectives of regulators and investors, prompting the issuer to supplement and improve their disclosures (Yu et al., 2022a). Secondly, the issuance of an audit inquiry letter has a certain deterrent effect. This regulatory measure forces issuers to focus on the integrity and accuracy of their disclosures to avoid facing stricter regulatory reviews and potential market losses. Finally, review inquiries have a market governance effect. The public disclosure of the inquiry and response content allows the issuer's information disclosure to be monitored by the market, increasing transparency (Benveniste & Spindt, 1989).

In 2023, the China Securities Regulatory Commission issued guidelines that state "the prospectus should be easy for investors to read, clear, concise, and as simple as possible, using charts, images, or other intuitive disclosure methods to enhance readability and comprehensibility." Based on this requirement, this study hypothesizes that as the intensity of review inquiries increases, the readability and comprehensibility of the prospectus improve, with more visual and quantitative information, and the language becoming clearer. Furthermore, if a large portion of the inquiry concerns a specific disclosure issue or wording, it will draw the issuer's attention to that issue, causing the issuer to actively revise and improve the relevant disclosures and expressions. Therefore, the following hypothesis is proposed:

H1: Other things being equal, the greater the intensity of the exchange's review inquiries to the company, the higher the level of updates in the company's prospectus information disclosure.

Empirical studies have shown that political connections between companies and the government can influence the effectiveness of punitive regulation. Companies with close government ties face lighter penalties for violations, and these penalties may be difficult to enforce effectively (Anderson, 1999). There is a time lag effect in the regulatory authorities' handling of violations by politically connected companies, and political connections weaken the enforcement efficiency of legal protection for small and medium-sized investors (Xu et al., 2013). In the case of non-punitive regulation, review inquiries are less effective for state-owned enterprises. Non-state-owned enterprises are more closely watched by future investors during the IPO process, and their inquiry letters are more likely to influence investor confidence, increasing their financing challenges and leading to economic losses. Therefore, these companies may be forced to disclose more high-quality information to alleviate investors' concerns (Chen et al., 2019). However, existing literature has seldom explored whether the mechanism of review inquiries and their regulatory effectiveness in updating prospectus information disclosure differs depending on the nature of the company's ownership. Based on this, this study uses the proportion of state-owned shares to measure the company's ownership nature and examines the moderating effect of ownership nature, proposing the following hypothesis:

H2: Other things being equal, the higher the proportion of state-owned shares in the company, the weaker the positive impact of review inquiry intensity on the level of updates in the prospectus information disclosure.

Intermediaries are the first gatekeepers of the prospectus, undertaking substantive review work. To enhance or maintain their reputation rankings, intermediaries are motivated to encourage listed companies to improve their information disclosure quality (Mao et al., 2022). According to the law of diminishing marginal returns, accounting firms with lower reputation rankings have a stronger governance effect with financial report inquiry letters (Fu & Zeng, 2022). Furthermore, because high-reputation intermediaries provide higher quality information disclosures, while low-reputation intermediaries offer lower quality disclosures, review inquiries tend to have a more significant governance effect for companies hiring low-reputation intermediaries than for those hiring high-reputation ones. Since law firms are less involved in writing the prospectus, this study mainly focuses on the moderating role of the reputation of the sponsor and accounting firms in the IPO process.

Thus, the following hypotheses are proposed:

H3: Other things being equal, for companies hiring low-reputation sponsor firms, the positive impact of review inquiry intensity on the level of updates in the prospectus information disclosure is stronger.

H4: Other things being equal, for companies hiring low-reputation accounting firms, the positive impact of review inquiry intensity on the level of updates in the prospectus information disclosure is stronger.

4. Research Design

4.1 Sample Selection and Data Sources

The study selects companies that applied for issuance and listing on the STAR Market and the ChiNext Board between June 2019 and October 2023 as the research subjects. IPO company reply documents for each round of review inquiries were crawled from the official information disclosure websites of the Shenzhen Stock Exchange and Shanghai Stock Exchange, resulting in a total of 7,380 review inquiry reply documents. The study checks whether these correspond to the draft and registration versions of the prospectus, and after excluding those, 5,165 review inquiry reply documents remain. In these documents, there are instances where a company submits multiple replies to a single round of inquiry letters, so only the first response is retained for each inquiry letter. After cross-referencing with the IPO database samples, 2,658 review inquiry reply documents remain, corresponding to 1,094 companies. After excluding companies with missing control variable data, the study finally includes 964 companies as valid samples, corresponding to 2,353 review inquiry letters, 964 prospectus drafts, and 964 prospectus registration versions. The financial data of the companies involved in the study comes from Guotai An (CSAMR), and the ranking of sponsor institutions comes from the China Securities Regulatory Commission, manually organized.

4.2 Text Acquisition and Preprocessing

(1) Text acquisition

Review inquiry letters: The questions in the review inquiry letters were collected from the IPO database and split. These were merged at the “company-round” dimension to form a textual corpus for each company’s review inquiry letters by round.

Prospectus: Prospectus documents in PDF format were downloaded from the official websites. Python was used to extract text from the PDFs and save it in .txt files.

(2) Text preprocessing

The company names, geographic names, and common but economically meaningless professional terms were added to the stopword list. At the same time, the company names, geographic names, accounting and financial terms, professional terms, etc., were de-duplicated and compiled into a retained word list. The Jieba library in Python was used to perform Chinese word segmentation on both types of text corpora. Following the approach of Dyer et al. (2017), word frequencies for the review inquiry letters and prospectuses were calculated after segmentation, and the top 100 (1,000) most frequent words were manually reviewed. Words deemed meaningless were added to the stopword list and the texts were re-segmented.

(3) LDA topic model training

The LDA topic model aims to fit a topic distribution for the given text data, and the results depend heavily on the training corpus used (Omar et al., 2015). Referring to Lowry et al. (2020), the topics of the inquiry letters and the prospectuses were used to train the LDA model separately. A lower perplexity range for the number of topics was found to be between 10-13, and after comparing the consistency of models with different numbers of topics, 12 topics were determined for the review inquiry letters, based on which the LDA topic model for the inquiry letters was trained. Similarly, the number of topics for the prospectus was set to 30, and the LDA topic model for the prospectus was trained.

(4) Matching topics between review inquiry letters and prospectus

KL divergence was used to match the topics between the prospectus and the inquiry letters (Lowry et al., 2020).

First, the intersection of the topic word distributions of the inquiry letters and the prospectus was calculated to form a topic vector. Then, the topic vectors for the prospectus and the inquiry letters were reconstructed. Finally, for each of the 12 review inquiry letter topics, the KL distance with the 30 prospectus topics was calculated. The prospectus topic closest to each inquiry letter topic *i* was chosen as its corresponding topic.

(5) Economic meaning of topics

The study selected project titles that appeared in at least 300 different letters for research purposes. The previously trained LDA topic model was applied to the question paragraphs corresponding to these project titles to identify the topic most closely matched with each paragraph. The topic most representative of the text for each project title was then used to label that project title. Among all the question paragraph samples, 413 paragraphs belonged to risk disclosure, with 323 paragraphs (78.2%) classified as Topic 1. Thus, Topic 1 was labeled as the "Risk Disclosure" topic. In the end, the 12 topics were labeled as follows: "Risk Disclosure," "Production and Business," "Profit and Loss Situation," "Core Technology," "Customers and Suppliers," "Stock-based Payments," "Gross Profit Margin," "Revenue Recognition," "Sales," "Board of Directors/Supervisors/Executives," and "Assets and Liabilities."

4.3 Variable Definitions

4.3.1 Review inquiry intensity

Based on existing studies, this paper measures the intensity of review inquiries using three parameters: the number of inquiry rounds (LNum), the number of questions in the first round of inquiry (FQNum), and the total number of questions in the inquiry (AQNum). Additionally, the intensity of review inquiries on a specific topic is measured using the LDA topic model (LTopici) (Omar et al., 2015; Yu et al., 2022b). The calculation formula is as follows:

$$LTopic_i = ln\ (\text{Probability of Topic } i\ \% \times \text{Total character count of review inquiry letter}) \quad (1)$$

4.3.2 Prospectus information disclosure

Drawing from existing literature, the following six aspects are used to construct textual feature indicators for the prospectus:

(1) Text length: The total number of characters in the prospectus is used to represent the text length, which measures the overall information content of the prospectus.

(2) Text readability: The readability of the text is measured by dividing the total number of words in the prospectus by the number of sentence-ending and pause marks. A higher word count per punctuation mark indicates higher text complexity and lower readability.

(3) Text understandability: The percentage of accounting terms in the text is used to measure text understandability. The greater the density of financial and accounting terminology in the annual report, the higher the complexity and the lower the understandability of the text (Wang et al., 2018).

(4) Text quantitative information: Referring to Huang et al. (2018), quantitative information in the text is measured by counting the occurrences of symbols like "%", "￥", "$", and other numeric characters.

(5) Text visual information: According to Xue & Wang (2022), the degree of visualization in the prospectus is measured by the number of lines occupied by images and tables in the document.

(6) Text ambiguity: Based on the Chinese financial sentiment dictionary developed by Zhang & Zhou (2020), uncertainty and negative terms are used to measure the level of ambiguity in the prospectus. Furthermore, from the issuer's response perspective, textual indicators for information disclosure on specific topics in the prospectus are constructed (Yu et al., 2022a), measured by the following formula:

$$PTopic_i = ln\left(\frac{\text{Probability of Topic } i\ \% \times \text{Prospectus registration draft total character count}}{\text{Probability of Topic } i\ \% \times \text{Prospectus draft total character count}}\right) \quad (2)$$

4.3.3 Moderating variables

State-owned property: Referring to previous studies, the percentage of shares held by state-owned shareholders in the listed company is used to measure state-owned property.

Auditor reputation: Auditor reputation is evaluated using business income rankings. The top ten accounting firms in terms of business income for the year are classified as high-reputation firms, while the remaining firms are classified as low-reputation firms.

Sponsor reputation: According to the China Securities Regulatory Commission's classification supervision regulations, the rating results of brokers each year are used to assign a reputation score to underwriters. When the broker's rating is AA or higher, the underwriter is classified as high-reputation, while others are classified as low-reputation.

4.3.4 Control variables

Based on literature (Hu & Wang, 2021; Jiang & Zhang, 2021; Lowry et al., 2020; Yu et al., 2022a), the following variables are selected as control variables: Ownership Concentration (*OC*), Return on Equity (*ROE*), Debt-to-Asset Ratio (*Lev*), Company Size (*CSize*), Company Age (*LnAge*), Venture Capital (*PEVC*), R&D Investment Ratio (*R&D*), Issuance Size (*Offer_size*), Draft Text Length (*V1_length*). To control for industry and year effects on the regression results, industry effects (*Ind*), year effects (*Year*), and board segment types (*Seg*) are included as dummy variables in the regression. The variable definitions are shown in Table 1.

Table 1. Variable definitions

Variable Type	Variable Name	Variable Symbol	Variable Description
Prospectus Information Disclosure Update Indicators	Text Length Update	*LenUp*	*ln*(Character count of the registration draft/Character count of the filing draft)
	Text Readability Update	*SenUP*	Ratio of sentence-readability word count in the registered draft to that in the draft
	Text Understandability Update	*UnderstandUp*	Ratio of accounting professional vocabulary in the registered draft to that in the draft
	Text Quantitative Information Update	*QuantityUP*	Ratio of numeric characters and units in the registered draft to those in the draft
	Text Visualization Information Update	*VisualUP*	Ratio of image and table rows in the registered draft to those in the draft
	Text Ambiguity Update	*FuzzyUP*	Ratio of uncertain and negative words in the registered draft to those in the draft
	Topic *i* Information Disclosure Update	$PTopic_i$	Derived from formula (2), the higher the value, the higher the information disclosure update for Topic *i* in the prospectus
Review Inquiry Intensity Indicators	Review Inquiry Rounds	*LNum*	Total number of review inquiries from IPO pre-disclosure to meeting stage
	First Round Inquiry Questions	*FQNum*	Number of questions in the first round of review inquiry
	Total Number of Questions	*AQNum*	Total number of questions in all review inquiries received during IPO
	Topic *i* Inquiry Intensity	$LTopic_i$	Derived from formula (1), the higher the value, the greater the inquiry intensity on Topic *i*
Moderating Variables	State-Owned Property	*Nature*	Sum of shares held by state-owned shareholders
	Auditor Reputation	*Account_repu*	Set to 1 if business income is in the top ten, otherwise 0
	Sponsor Reputation	*Sponsor_repu*	Set to 1 if the rating is AA or higher, otherwise 0
Control Variables	Ownership Concentration	*OC*	Proportion of shares held by the largest shareholder
	Return on Equity	*ROE*	Ratio of net profit to net assets
	Debt-to-Asset Ratio	*Lev*	Ratio of total debt to total assets
	Company Size	*CSize*	Natural logarithm of total assets
	Venture Capital	*PEVC*	Set to 1 if venture capital is present, otherwise 0
	Company Age	*LnAge*	Natural logarithm of the company's age
	R&D Investment Ratio	*R&D*	Ratio of R&D investment to operating income
	Issuance Size	*Offer_size*	Natural logarithm of the raised funds from the IPO
	Draft Text Length	*V1_length*	Natural logarithm of the character count of the main text in the prospectus draft
	Segment Type	*Seg*	Set to 1 for the STAR Market, 0 for the ChiNext Board
	Year Effect	*Year*	Year of the company's IPO application
	Industry Effect	*Ind*	Industry of the company

4.4 Model Construction

To test H1, the following regression Models 1 and 2 are established:

$$InfoUp = \beta_0 + \beta_1 Letters + \beta_2 Controls + \varepsilon \quad (3)$$

$$PTopic_i = \beta_0 + \beta_1 LTopic_i + \beta_2 Controls + \varepsilon \quad (4)$$

In Formula (3), *InfoUp* refers to the update indicators for six prospectus text features: *LenUp*, *SenUP*, *UnderstandUp*, *QuantityUP*, *VisualUP*, and *FuzzyUP*. These indicators are individually regressed in Model 1 as the dependent variables.

Letters refers to the three inquiry intensity indicators: *LNum*, *FQNum*, and *AQNum*. These indicators are regressed one at a time as independent variables in Model 1.

In Formula (4), $PTopic_i$ refers to the disclosure update of topic i in the registration draft and formal draft of the prospectus, while $Ltopic_i$ refers to the inquiry intensity of topic i in the inquiry letter. *Controls* represent control variables.

To test H2, the following regression models 3 and 4 are established:

$$InfoUp = \beta_0 + \beta_1 Letters + \beta_2 Nature + \beta_3 Letters \times Nature + \beta_4 Controls + \varepsilon \quad (5)$$

$$PTopic_i = \beta_0 + \beta_1 LTopic_i + \beta_2 Nature + \beta_3 LTopic_i \times Nature + \beta_2 Controls + \varepsilon \quad (6)$$

Here, *Letters* × *Nature* and $LTopic_i$ × *Nature* represent the moderating effect of state-owned property.

To test H3 and H4, using Formulas (3) and (4), group regression can be conducted based on the reputation level of the intermediary organizations (high reputation vs. low reputation), the significance and magnitude of the regression coefficients can be observed, and a test of the difference in regression coefficients can be conducted accordingly.

5. Empirical Analysis

5.1 Descriptive Statistics

Table 2. Descriptive statistics of key variables

Variable	Sample Size	Minimum	Maximum	Mean	Standard Deviation	Median
LNum	964	1	6	2.441	0.765	2
FQNum	964	5	91	27.998	11.042	27
AQNum	964	5	116	42.5	17.466	40
LenUp	964	-0.304	0.928	0.295	0.235	0.244
SenUP	964	-0.098	0.132	0.012	0.028	0.01
UnderstandUp	964	-0.275	0.135	-0.075	0.065	-0.067
QuantityUP	964	-0.219	2.317	0.468	0.446	0.351
VisualUP	964	-0.341	2.231	0.348	0.374	0.243
FuzzyUP	964	-0.194	0.286	-0.002	0.064	-0.006
$LTopic_1$	964	-0.87	9.007	4.137	2.626	4.663
$LTopic_2$	964	-0.866	9.117	4.963	2.519	5.403
$LTopic_3$	964	-0.854	9.02	4.464	2.18	4.749
$LTopic_4$	964	-0.852	9.411	4.901	2.458	5.116
$LTopic_5$	964	-0.866	8.98	3.995	2.583	4.142
$LTopic_6$	964	-0.862	9.485	3.24	2.773	3.324
$LTopic_7$	964	-0.886	9.001	4.405	2.435	4.555
$LTopic_8$	964	-0.831	9.443	5.627	2.21	5.64
$LTopic_9$	964	-0.875	9.311	5.266	2.332	5.477
$LTopic_{10}$	964	-0.813	9.359	5.729	1.979	5.942
$LTopic_{11}$	964	1.482	9.364	7.591	1.304	7.908
$LTopic_{12}$	964	-0.875	9.047	3.792	2.564	3.99
$PTopic_1$	964	-0.553	1.375	0.301	0.335	0.278
$PTopic_2$	964	-0.546	0.969	0.17	0.276	0.158
$PTopic_3$	964	-0.546	0.918	0.11	0.256	0.102
$PTopic_4$	964	-0.678	0.999	0.185	0.262	0.185
$PTopic_5$	964	-0.724	0.891	0.079	0.272	0.069
$PTopic_6$	964	-0.604	1.02	0.105	0.284	0.097
$PTopic_7$	964	-0.44	2.435	0.745	0.554	0.674
$PTopic_8$	964	-0.897	1.614	0.173	0.38	0.128
$PTopic_9$	964	-0.649	1.542	0.317	0.394	0.275
$PTopic_{10}$	964	-0.809	1.068	0.094	0.319	0.089
$PTopic_{11}$	964	-0.679	1.454	0.307	0.362	0.285
$PTopic_{12}$	964	-0.462	1.192	0.287	0.291	0.256
Nature	964	0	0.778	0.068	0.157	0.01
OC	964	0.12	0.982	0.433	0.188	0.41
ROE	964	-0.602	0.667	0.129	0.128	0.124
Lev	964	0.055	0.95	0.38	0.177	0.362
CSize	964	9.622	14.92	11.307	0.866	11.179
LnAge	964	1.792	3.62	2.835	0.343	2.89
R&D	964	0.001	75.256	0.518	5.36	0.058
Offer_size	964	0.89	4.684	1.911	0.659	1.791
V1_length	964	12.143	13.327	12.607	0.191	12.596

Descriptive statistics for the variables in the sample are presented in Table 2.

5.2 Correlation Analysis

The Pearson correlation coefficients between the key variables are calculated and presented in Table 3 and Table 4. In Table 3, the correlation coefficients in Model 1 show that *LNum* is positively correlated with *LenUp*, *QuantityUP*, and *VisualUP*. It is negatively correlated with *UnderstandUp*, which is consistent with expectations. That is, as the number of review rounds, first-round questions, and total number of questions increase, the text length increases, the proportion of accounting terminology decreases, and the text becomes easier to understand, with more quantitative and visual information.

In Table 4, except for Topic 1 and Topic 12, the correlation coefficients between $LTopic_i$ and $PTopic_i$ are positive, which is also in line with expectations. This suggests that the greater the inquiry intensity from the review agency on a particular topic, the greater the update in the disclosure of the corresponding topic in the prospectus. The Pearson correlation coefficients between the key variables are all below 0.8, indicating that the variables selected in this study are reasonable and do not cause multicollinearity, which would affect the signs of the regression coefficients.

Table 3. Pearson correlation coefficients for Model 1 variables

	LNum	***FQNum***	***AQNum***	***LenUp***	***SenUP***	***UnderstandUp***
LNum	1					
FQNum	0.439	1				
AQNum	0.671	0.911	1			
LenUp	0.304	0.265	0.387	1		
SenUP	0.151	0.178	0.226	0.44	1	
UnderstandUp	-0.156	-0.03	-0.118	-0.372	-0.252	1
QuantityUP	0.262	0.195	0.311	0.931	0.39	-0.287
VisualUP	0.243	0.183	0.307	0.853	0.436	-0.358
FuzzyUP	0.031	0.196	0.164	-0.048	-0.22	0.363
OC	-0.087	-0.125	-0.098	0.082	0.009	0.032
ROE	0.044	-0.061	-0.019	0.136	0.091	-0.107
Lev	-0.027	-0.007	-0.006	-0.013	0.007	0.068
CSize	-0.035	0.087	0.047	-0.1	-0.157	0.172
LnAge	0.004	0.072	0.066	0.092	-0.008	0.065
R&D	-0.022	-0.009	-0.032	-0.051	0.011	0.012
Offer_size	-0.09	0.037	-0.035	-0.199	-0.131	0.105
V1_length	-0.145	-0.108	-0.133	-0.326	-0.198	0.158
	QuantityUP	***VisualUP***	***FuzzyUP***	***OC***	***ROE***	***Lev***
uantityUP	1					
VisualUP	0.854	1				
FuzzyUP	-0.076	-0.16	1			
OC	0.107	0.106	-0.029	1		
ROE	0.15	0.144	-0.153	0.131	1	
Lev	-0.026	-0.004	0.052	0.083	-0.229	1
CSize	-0.108	-0.099	0.202	0.117	-0.422	0.416
LnAge	0.094	0.083	0.039	0.093	0.096	0.006
R&D	-0.059	-0.036	0.058	-0.055	-0.357	-0.061
Offer_size	-0.199	-0.167	0.109	0.048	-0.234	0.168
V1_length	-0.322	-0.27	0.136	0.04	-0.28	0.202
	CSize	***LnAge***	***R&D***	***Offer_Size***	***V1_Length***	
CSize	1					
LnAge	-0.027	1				
R&D	0.03	-0.067	1			
Offer_size	0.668	-0.206	0.147	1		
V1_length	0.491	-0.014	0.069	0.382	1	

5.3 Multivariate Regression Analysis

5.3.1 The mechanism of inquiry intensity impacting the update of prospectus information disclosure

To test H1, regression analysis was conducted based on Models 1 and 2 using the sample data. After controlling for year, industry, board type, and other control variables, the study examines the impact of inquiry intensity on six textual features of the prospectus and the effect of review inquiry intensity on the information disclosure of the corresponding topics in the prospectus. The regression results are presented in Table 5, Table 6, Table 7, Table 8, and Table 9.

Table 4. Pearson correlation coefficients for Model 2 variables

	***LTopic*$_1$**	***LTopic*$_2$**	***LTopic*$_3$**	***LTopic*$_4$**	***LTopic*$_5$**	***LTopic*$_6$**	***LTopic*$_7$**	***LTopic*$_8$**
LTopic$_1$	1							
LTopic$_2$	0.208	1						
LTopic$_3$	0.409	0.086	1					
LTopic$_4$	0.414	0.41	0.367	1				
LTopic$_5$	0.085	0.384	-0.209	0.158	1			
LTopic$_6$	0.453	-0.274	0.213	-0.012	-0.102	1		
LTopic$_7$	-0.108	0.43	-0.202	0.163	0.456	-0.308	1	
LTopic$_8$	0.212	-0.117	0.537	0.148	-0.423	0.149	-0.354	1
LTopic$_9$	0.111	0.005	-0.068	0.085	0.059	0.096	0.192	-0.163
LTopic$_{10}$	0.351	0.018	0.237	0.272	0.201	0.356	-0.008	0.057
LTopic$_{11}$	-0.157	0.077	0.033	-0.1	0.173	-0.038	0.264	0.04
LTopic$_{12}$	0.169	0.395	0.203	0.13	0.297	-0.045	0.233	0.023
PTopic$_1$	-0.138	-0.106	-0.04	-0.177	-0.044	-0.031	0.068	0.058
PTopic$_2$	-0.002	0.102	0.11	0.102	-0.021	-0.027	0.06	0.064
PTopic$_3$	-0.025	-0.001	0.058	-0.032	-0.084	-0.017	0.007	0.075
PTopic$_4$	-0.047	0.108	0.019	0.132	-0.009	-0.108	0.132	-0.04
PTopic$_5$	-0.026	-0.109	-0.031	-0.156	0.084	0.083	0.079	-0.018
PTopic$_6$	-0.039	-0.258	-0.022	-0.213	-0.105	0.177	-0.087	0.021
PTopic$_7$	-0.158	-0.085	-0.033	-0.155	-0.015	-0.055	0.083	0.065
PTopic$_8$	-0.158	-0.201	0.069	-0.238	-0.168	-0.007	-0.115	0.279
PTopic$_9$	-0.181	-0.172	-0.021	-0.213	-0.124	-0.049	0.056	0.068
PTopic$_{10}$	-0.053	-0.047	0.028	-0.074	-0.009	0	0.084	0.001
PTopic$_{11}$	-0.162	-0.027	-0.033	-0.122	0.01	-0.092	0.122	0.013
PTopic$_{12}$	-0.197	-0.048	-0.138	-0.091	0.115	-0.089	0.133	-0.066
	***LTopic*$_9$**	***LTopic*$_{10}$**	***LTopic*$_{11}$**	***LTopic*$_{12}$**	***PTopic*$_1$**	***PTopic*$_2$**	***PTopic*$_3$**	***PTopic*$_4$**
LTopic$_9$	1							
LTopic$_{10}$	0.05	1						
LTopic$_{11}$	0.173	0.284	1					
LTopic$_{12}$	-0.256	0.237	0.239	1				
PTopic$_1$	0.169	0.074	0.33	-0.063	1			
PTopic$_2$	0.027	0.077	0.147	0.053	0.383	1		
PTopic$_3$	0.12	0.065	0.129	0	0.343	0.261	1	
PTopic$_4$	0.094	0.051	0.151	-0.013	0.374	0.374	0.26	1
PTopic$_5$	0.013	0.161	0.223	0.084	0.415	0.256	0.231	0.254
PTopic$_6$	0.123	0.051	0.155	-0.157	0.436	0.146	0.207	0.162
PTopic$_7$	0.169	0.05	0.322	-0.033	0.702	0.453	0.399	0.42
PTopic$_8$	-0.14	0.019	0.24	-0.014	0.529	0.308	0.291	0.207
PTopic$_9$	0.229	-0.013	0.283	-0.134	0.671	0.385	0.361	0.38
	***LTopic*$_9$**	***LTopic*$_{10}$**	***LTopic*$_{11}$**	***LTopic*$_{12}$**	***PTopic*$_1$**	***PTopic*$_2$**	***PTopic*$_3$**	***PTopic*$_4$**
PTopic$_{10}$	0.138	0.121	0.176	0.03	0.444	0.358	0.33	0.252
PTopic$_{11}$	0.113	0.044	0.29	-0.013	0.653	0.459	0.373	0.443
PTopic$_{12}$	0.087	0.069	0.285	-0.032	0.54	0.342	0.303	0.373
	***PTopic*$_5$**	***PTopic*$_6$**	***PTopic*$_7$**	***PTopic*$_8$**	***PTopic*$_9$**	***PTopic*$_{10}$**	***PTopic*$_{11}$**	***PTopic*$_{12}$**
PTopic$_5$	1							
PTopic$_6$	0.317	1						
PTopic$_7$	0.392	0.317	1					
PTopic$_8$	0.397	0.36	0.518	1				
PTopic$_9$	0.391	0.399	0.708	0.524	1			
PTopic$_{10}$	0.337	0.27	0.465	0.366	0.498	1		
PTopic$_{11}$	0.385	0.286	0.747	0.495	0.656	0.5	1	
PTopic$_{12}$	0.382	0.294	0.62	0.397	0.537	0.381	0.579	1

As shown in Table 5, the number of review inquiry rounds is significantly positively correlated with the changes in the length of the prospectus text, text readability, the extent of changes in quantitative information, and the extent of changes in visualization information. Text comprehensibility, which is measured by the proportion of accounting terminology, has a negative regression coefficient, indicating that the more review rounds there are, the lower the proportion of accounting terminology in the revised prospectus, and consequently, the higher the text's comprehensibility. The expected regression coefficient for text readability was negative; however, the result is positive, suggesting that as the number of inquiry rounds increases, sentence length increases, and the amount of information per sentence increases, but relative readability decreases.

Table 5. Effect of the number of audit enquiry rounds on the textual features of the prospectus

Variable	Dependent Variable: Changes in Prospectus Textual Features					
	(1)	(2)	(3)	(4)	(5)	(6)
	Text Length	Text Readability	Text Comprehensibility	Text Quantitative Information	Text Visualization Information	Text Information Ambiguity
Audit Enquiry Rounds	0.059*** (6.668)	0.004*** (2.636)	-0.016*** (-5.080)	0.115*** (5.852)	0.091*** (5.062)	-0.004 (-1.324)
Intercept	3.922*** (8.116)	0.084*** (4.156)	-0.171*** (-3.944)	0.739*** (3.441)	0.638*** (3.243)	-0.121** (-2.287)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Board Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.507	0.135	0.097	0.391	0.333	0.121

Note: ***, ** and * indicate significant at the 1%, 5% and 10% levels, respectively.

Table 6. The effect of the number of first-round questions on the textual features of the prospectus

Variable	Dependent Variable: Changes in Prospectus Textual Features					
	(1)	(2)	(3)	(4)	(5)	(6)
	Text Length	Text Readability	Text Comprehensibility	Text Quantitative Information	Text Visualization Information	Text Information Ambiguity
First-Round Questions	0.007*** (8.888)	0.001*** (5.149)	-0.001*** (-3.737)	0.009*** (5.688)	0.010*** (7.449)	0.00004 (0.119)
Intercept	3.894*** (8.824)	0.252*** (3.155)	-0.661*** (-4.001)	7.413*** (8.857)	5.347*** (7.219)	-0.665*** (-3.997)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Board Effects	Control	Control	Control	Control	Control	控制
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.527	0.162	0.120	0.425	0.375	0.132

Note: ***, ** and * indicate significant at the 1%, 5% and 10% levels, respectively.

Table 7. The effect of the total number of questions on the textual features of the prospectus

Variable	Dependent Variable: Changes in Prospectus Textual Features					
	(1)	(2)	(3)	(4)	(5)	(6)
	Text Length	Text Readability	Text Comprehensibility	Text Quantitative Information	Text Visualization Information	Text Information Ambiguity
Total Number of Questions	0.005*** (12.336)	0.0004*** (5.891)	-0.0009*** (-5.623)	0.008*** (8.920)	0.008*** (10.498)	0.00005 (0.268)
Intercept	3.752*** (8.001)	0.236*** (2.955)	-0.607*** (-3.683)	0.610*** (2.910)	4.904*** (6.761)	-0.670*** (-3.993)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Board Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.550	0.169	0.136	0.412	0.407	0.132

Note: ***, ** and * indicate significant at the 1%, 5% and 10% levels, respectively.

Table 6 and Table 7 show similar results for the impact of the number of first-round questions and total questions on the updates in the textual features of the prospectus. This indicates that review inquiries exert governance effects by increasing the number of inquiry rounds and the quantity of questions, thus improving the content of the prospectus, reducing the proportion of accounting terminology, enhancing comprehensibility, and disclosing more quantitative and visual information. However, the relationship between inquiry rounds and text ambiguity is not significant. This suggests that the issuer may still choose to use relatively cautious and conservative language to describe its business model and development prospects in order to avoid potential legal risks.

Table 8 and Table 9 show the regression results for Model 2, which examine the relationship between the focus on specific topics in the inquiry letter and the corresponding updates in the information disclosure for those topics in the prospectus. The results indicate a significant positive correlation between the intensity of inquiry on a particular topic and the corresponding update in information disclosure.

Table 8. The effect of audit inquiry intensity on the disclosure update of corresponding prospectus topics

Variable	Dependent Variable: Changes in Corresponding Prospectus Topic Disclosure					
	(1)	(2)	(3)	(4)	(5)	(6)
	Risk Disclosure	Production Business	Profit and Loss Situation	Core Technology	Customers and Suppliers	Share-based Payment
Topic *i* Audit Inquiry	0.015***	0.022***	0.014***	0.031***	0.015***	0.020***
	(2.603)	(5.471)	(3.268)	(7.311)	(3.947)	(5.581)
Intercept	2.234***	2.039***	1.026	2.099***	0.771	-0.223
	(2.911)	(3.262)	(1.633)	(3.356)	(1.204)	(-0.333)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Board Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.280	0.132	0.077	0.121	0.125	0.157

Note: ***, ** and * indicate significant at the 1%, 5% and 10% levels, respectively.

Table 9. Impact of subject-specific questioning intensity on prospectus disclosure updates

Variable	Dependent Variable: Degree of Change in Disclosure of Prospectus Topics for Matched Matches					
	(7)	(8)	(9)	(10)	(11)	(12)
	Gross Profit Margin	Revenue Recognition	Sales	Board of Directors/ Supervisors/Executives	Assets and Liabilities	Template Language
Topic *i* Audit Inquiry	0.019**	0.056***	0.032***	0.018***	0.040***	0.001
	(2.564)	(9.191)	(5.705)	(3.132)	(4.748)	(0.362)
Intercept	8.124***	2.807***	3.156***	0.766	2.740***	2.265***
	(6.920)	(3.338)	(3.566)	(0.969)	(3.596)	(3.300)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Board Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.352	0.325	0.355	0.120	0.267	0.186

Note: ***, ** and * indicate significant at the 1%, 5% and 10% levels, respectively.

Table 10. Nature of ownership, number of audit enquiry rounds and prospectus text features

Variable	Dependent Variable: Degree of Change in Prospectus Text Features				
	(1)	(2)	(3)	(4)	(5)
	Text Length	Text Readability	Text Understandability	Text Quantitative Information	Text Visualization Information
Audit Enquiry Rounds	0.057***	0.004***	-0.013***	0.096***	0.091***
	(7.134)	(2.636)	(-4.335)	(5.785)	(5.062)
State-Owned Equity Proportion	0.020	-0.003	-0.008	-0.046	-0.002
	(0.501)	(-0.438)	(-0.557)	(-0.565)	(-0.023)
Audit Enquiry Rounds * State-Owned Equity Proportion	-0.146***	-0.012	0.0001	-0.355***	-0.250**
	(-2.624)	(-1.367)	(0.005)	(-3.082)	(-2.453)
Intercept	3.873***	0.226***	-0.597***	5.578***	4.542***
	(9.624)	(4.292)	(-4.740)	(8.014)	(7.372)
Control Variables, Time, Industry, and Board Effects	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964
Adjusted R^2	0.520	0.143	0.121	0.429	0.365

Note: The numbers in parentheses are t-values. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 11. Nature of ownership, first round question count, and prospectus text features

Variable	Dependent Variable: Degree of Change in Prospectus Text Features				
	(1)	(2)	(3)	(4)	(5)
	Text Length	Text Readability	Text Understandability	Text Quantitative Information	Text Visualization Information
First Round Question Count	0.007***	0.001***	-0.001***	0.008***	0.009***
	(8.718)	(5.285)	(-3.928)	(5.449)	(6.980)
State-Owned Equity Proportion	0.048	-0.001	-0.005	0.022	0.022
	(1.333)	(-0.222)	(-0.369)	(0.286)	(0.342)
First Round Question Count * State-Owned Equity Proportion	-0.008**	-0.001**	0.001	-0.017**	-0.018***
	(-2.324)	(-2.578)	(0.829)	(-2.429)	(-2.998)
Intercept	4.037***	0.215***	-0.615***	7.463***	5.511***
	(10.200)	(4.163)	(-4.900)	(9.031)	(7.643)
Control Variables, Time, Industry, and Board Effects	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964
Adjusted R^2	0.529	0.167	0.118	0.427	0.382

Note: The numbers in parentheses are t-values. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 12. Nature of property rights, subject-specific audit queries and prospectus disclosure updates

Variable	Dependent Variable: Degree of Change in Corresponding Prospectus Topic Disclosure					
	(1)	(2)	(3)	(4)	(5)	(6)
	Risk Disclosure	Production Business	Profit and Loss Situation	Core Technology	Customers and Suppliers	Share-based Payments
Audit Enquiry of Topic *i*	0.014***	0.020***	0.014***	0.032***	0.016***	0.020***
	(2.803)	(5.071)	(3.183)	(7.723)	(4.374)	(5.468)
State-Owned Equity Proportion	0.040	-0.057	0.031	0.022	0.053	0.022
	(0.608)	(-0.947)	(0.534)	(0.388)	(0.899)	(0.363)
Audit Enquiry* State-Owned Equity Proportion	-0.054**	-0.021	0.048*	-0.062***	-0.003	-0.036
	(-2.156)	(-0.942)	(1.831)	(-2.916)	(-0.159)	(-1.561)
Intercept	2.156***	2.079***	1.165*	2.205***	-0.015	-0.051
	(3.709)	(3.294)	(1.946)	(3.694)	(-0.087)	(-0.279)
Control Variables, Time, Industry, and Board Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.281	0.131	0.078	0.130	0.125	0.161

Variable	Dependent Variable: Degree of Change in Corresponding Prospectus Topic Disclosure				
	(7)	(8)	(9)	(10)	(11)
	Gross Margin	Revenue Recognition	Sales	Directors and Supervisors	Assets and Liabilities
Audit Enquiry of Topic *i*	0.024***	0.052***	0.031***	0.017***	0.042***
	(3.148)	(8.558)	(6.110)	(2.964)	(4.560)
State-Owned Equity Proportion	0.181*	0.058	0.082	0.124*	-0.018
	(1.679)	(0.753)	(1.010)	(1.719)	(-0.250)
Audit Enquiry* State-Owned Equity Proportion	0.025	-0.026	-0.009	-0.008	0.056
	(0.652)	(-0.739)	(-0.308)	(-0.242)	(0.881)
Intercept	1.041***	-0.100	0.320	0.931	3.101***
	(3.248)	(-0.447)	(1.429)	(1.279)	(4.100)
Control Variables, Time, Industry, and Board Effects	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964
Adjusted R^2	0.317	0.311	0.344	0.125	0.268

Note: The numbers in parentheses are t-values. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

This suggests that review agencies guide issuers to disclose more relevant information through inquiries. As

shown in Table 8, for every 1% increase in the focus on “risk disclosure” in the inquiry letter, the related “risk disclosure” content in the prospectus increases by 1.5%. The "template language" topic serves as a good control. Its regression coefficient is not significant, and an increase in the use of template language in the inquiry letter does not lead to a significant increase in template language in the prospectus. This supports the robustness of the study’s regression results.

Table 13. Sponsor reputation, number of audit enquiry rounds and prospectus text features

Grouping: Sponsor Reputation	**Dependent Variable: Degree of Change in Prospectus Text Features**					
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	Text Length		**Text Readability**		**Text Understandability**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry	0.093***	0.049***	0.006***	0.003	-0.022***	-0.008**
Rounds	-6.937	-4.611	-2.909	-1.559	(-4.502)	(-2.192)
Coefficient	0.044***		0.004		-0.014**	
Difference	-3.081		-1.48		(-2.570)	
Control Variable	Control	Control	Control	Control	Control	Control
Sample Size	366	598	366	598	366	598
Adjusted R^2	0.483	0.488	0.129	0.133	0.121	0.106

	Dependent Variable: Degree of Change in Prospectus Text Features			
	(7)	**(8)**	**(9)**	**(10)**
	Text Quantitative Information		**Text Visualization Information**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry	0.171***	0.079***	0.132***	0.060***
Rounds	-6.225	-3.651	-5.761	-3.088
Coefficient	0.092***	0.092***	0.072***	0.072***
Difference	-3.134	-3.134	-2.783	-2.783
Control Variable	Control	Control	Control	Control
Sample Size	366	598	366	598
Adjusted R^2	0.392	0.4	0.355	0.342

Note: The t-values are in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 14. Accounting firm reputation, number of audit enquiry rounds and prospectus text features

Grouping: Accounting Firm Reputation	**Dependent Variable: Degree of Change in Prospectus Text Features**					
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
	Text Length		**Text Readability**		**Text Understandability**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry	0.084***	0.043***	0.006***	0.002	-0.023***	-0.007*
Rounds	-6.503	-4.155	-3.028	-1.248	(-4.695)	(-1.859)
Coefficient	0.041***		0.004*		-0.016***	
Difference	-2.973		-1.951		(-3.200)	
Control Variable	Control	Control	Control	Control	Control	Control
Sample Size	399	565	399	565	399	565
Adjusted R^2	0.522	0.515	0.154	0.139	0.155	0.098

	Dependent Variable: Degree of Change in Prospectus Text Features			
	(7)	**(8)**	**(9)**	**(10)**
	Text Quantitative Information		**Text Visualization Information**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry	0.149***	0.074***	0.126***	0.055***
Rounds	-5.524	-3.537	-5.438	-2.892
Coefficient	0.075***		0.072***	
Difference	-2.672		-2.862	
Control Variable	Control	Control	Control	Control
Sample Size	399	565	399	565
Adjusted R^2	0.449	0.427	0.393	0.356

Note: The t-values are in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

5.3.2 The moderating effect of ownership structure

Based on Models 3 and 4, after controlling for year, industry, board, and other control variables, the moderating effect of ownership structure on the impact of inquiry intensity on the textual and thematic features of the prospectus is examined. The regression results are shown in Table 10, Table 11, and Table 12.

As shown in Table 10 and Table 11, when the dependent variables are *LenUp*, *SenUP*, *QuantityUP*, and *VisualUP*, the interaction terms between *LNum* and *Nature*, as well as *FQNum* and *Nature*, are negative. This indicates that, compared to enterprises with a higher proportion of state-owned equity, for enterprises with a lower proportion of state-owned equity, the impact of strengthening audit inquiry intensity on the changes in the prospectus textual features is more significant. At the textual level, H2 is supported.

Table 15. Sponsor reputation, subject-specific audit queries and prospectus disclosure updates

Grouping: Sponsor Reputation	Dependent Variable: Degree of Change in Corresponding Prospectus Topic Disclosure							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Risk Disclosure		Production Business		Profit and Loss		Core Technology	
	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group
Number of Inquiry Rounds of Topic *i*	0.016*	0.013**	0.025***	0.018***	0.013*	0.013**	0.030***	0.033***
	(1.860)	(2.100)	(3.872)	(3.551)	(1.887)	(2.291)	(4.746)	(5.919)
Coefficient Difference	0.003		0.007		0.001		-0.003	
	(0.333)		(1.125)		(0.073)		(-0.421)	
Control Variable	Control	Control	Control	Control	Control	Control	Control	Control
Sample Size	366	598	366	598	366	598	366	598
Adjusted R^2	0.288	0.262	0.146	0.116	0.071	0.070	0.115	0.120
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	Clients and Suppliers		Share-Based Payments		Gross Margin		Revenue Recognition	
	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group
Number of Inquiry Rounds	0.022***	0.009**	0.022***	0.019***	0.025*	0.010	0.065***	0.053***
	(3.514)	(2.013)	(3.696)	(4.419)	(1.884)	(1.040)	(6.822)	(6.682)
Coefficient Difference	0.013**		0.003		0.015		0.013	
	(1.979)		(0.482)		(1.242)		(1.398)	
Control Variable	Control	Control	Control	Control	Control	Control	Control	Control
Sample Size	366	598	366	598	366	598	366	598
Adjusted R^2	0.149	0.093	0.143	0.156	0.329	0.341	0.368	0.292
	(17)	(18)	(19)	(20)	(21)	(22)		
	Sales		Board of Directors/Supervisors/Executives		Assets and Liabilities			
	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group	Low Reputation Group	High Reputation Group		
Number of Inquiry Rounds	0.031***	0.031***	0.016*	0.025***	0.050***	0.036***		
	(3.772)	(4.887)	(1.818)	(3.339)	(3.551)	(3.002)		
Coefficient Difference	0.000		-0.008		0.014			
	(0.029)		(-0.859)		(0.877)			
Control Variable	Control	Control	Control	Control	Control	Control		
Sample Size	366	598	366	598	366	598		
Adjusted R^2	0.358	0.335	0.112	0.112	0.309	0.239		

Note: The t-values are in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

As shown in Table 12, for the topics of "Risk Disclosure," "Profit and Loss Situation," and "Core Technology," the interaction terms between *Nature* and $LTopic_i$ are significant. For other topics, there is no significant difference in the response to audit inquiries between enterprises with different ownership structures. Specifically, when controlling for the same inquiry intensity, for the topics of "Risk Disclosure" and "Core Technology," enterprises with a lower proportion of state-owned equity show higher levels of disclosure update, while for the topic of "Profit

and Loss Situation," enterprises with a higher proportion of state-owned equity show higher levels of disclosure update. The regression results for the topics of "Risk Disclosure" and "Core Technology" are consistent with the assumptions of H2.

5.3.3 Moderating effect of intermediary reputation

Regression analysis is conducted separately for high and low-reputation accounting firms and sponsor institutions (see Table 13, Table 14, Table 15 and Table 16).

As shown in Table 13, the absolute values of the regression coefficients in the low-reputation sponsor group are higher than those in the high-reputation group, and the difference is significant. This indicates that the governance effect of audit inquiries is stronger in the low-reputation sponsor group. In terms of text improvement, H3 is supported.

Table 16. Accounting firm reputation, subject-specific audit queries and prospectus disclosure updates

Grouping: Sponsor Reputation	**Dependent Variable: Degree of Change in Corresponding Prospectus Topic Disclosure**							
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
	Risk Disclosure		**Production Business**		**Profit and Loss**		**Core Technology**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry Rounds of Topic *i*	0.030***	0.006	0.024***	0.019***	0.014*	0.014**	0.026***	0.033***
	(3.687)	(0.882)	(3.581)	(3.611)	(1.869)	(2.573)	(4.140)	(6.035)
Coefficient Difference	0.024***		0.005		-0.001		-0.007	
	(3.435)		(0.748)		(-0.108)		(-1.135)	
Control Variable	Control	Control	Control	Control	Control	Control	Control	Control
Sample Size	399	565	399	565	399	565	399	565
Adjusted R^2	0.309	0.258	0.107	0.138	0.073	0.086	0.111	0.149
	(9)	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**
	Clients and Suppliers		**Share-Based Payments**		**Gross Margin**		**Revenue Recognition**	
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**
Number of Inquiry Rounds of Topic *i*	0.020***	0.013***	0.025***	0.015***	0.016	0.018*	0.051***	0.058***
	(3.371)	(2.601)	(4.534)	(3.203)	(1.266)	(1.925)	(5.055)	(7.793)
Coefficient Difference	0.006		0.010*		-0.003		0.007	
	(1.011)		(1.645)		(-0.219)		(-0.794)	
Control Variable	Control	Control	Control	Control	Control	Control	Control	Control
Sample Size	399	565	399	565	399	565	399	565
Adjusted R^2	0.128	0.115	0.188	0.145	0.349	0.345	0.307	0.340
	(17)	**(18)**	**(19)**	**(20)**	**(21)**	**(22)**		
	Sales		**Board of Directors/Supervisors/ Executives**		**Assets and Liabilities**			
	Low Reputation Group	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**	**Low Reputation Group**	**High Reputation Group**		
Number of Inquiry Rounds of Topic *i*	0.037***	0.029***	0.015	0.017**	0.046***	0.037***		
	(4.558)	(4.402)	(1.597)	(2.287)	(2.939)	(3.224)		
Coefficient Difference	0.008		-0.002		0.010			
	(0.897)		(-0.243)		(0.603)			
Control Variable	Control	Control	Control	Control	Control	Control		
Sample Size	399	565	399	565	399	565		
Adjusted R^2	0.377	0.343	0.109	0.130	0.252	0.275		

Note: The t-values are in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

As shown in Table 14, the absolute values of the regression coefficients in the low-reputation accounting firm group are higher than those in the high-reputation group, and the difference is significant. This suggests that the governance effect of audit inquiries is stronger in the low-reputation accounting firm group. In terms of text improvement, H4 is supported.

As shown in Table 15, except for the "Board of Directors/Supervisors/Executives" and "Core Technology" topics, the absolute values of the regression coefficients in the low-reputation sponsor group are higher than those in the high-reputation group, but the coefficient is only significant in the "Customers and Suppliers" topic. In the "Gross Margin" topic, the regression coefficient in the low-reputation group is significant, while in the high-reputation group, it is not. Therefore, under the "Customers and Suppliers" and "Gross Margin" topics, the low-reputation sponsor group exhibits greater improvements in the content of the corresponding topics in the prospectus, which is consistent with H3.

Table 17. Impact of registration duration on prospectus text features

Variable	Dependent Variable: Degree of Change in Prospectus Text Features					
	(1)	(2)	(3)	(4)	(5)	(6)
	Text Length	Text Readability	Text Understandability	Text Quantitative Information	Text Visual Information	Text Information Ambiguity
Registration Duration	0.118*** (7.967)	0.013*** (5.533)	-0.032*** (-5.737)	0.153*** (4.927)	0.162*** (5.991)	-0.001 (-0.222)
Intercept	3.476*** (7.737)	0.201** (2.445)	-0.505*** (-3.047)	6.883*** (7.955)	4.827*** (6.317)	-0.655*** (-3.843)
Control Variables	Control	Control	Control	Control	Control	Control
Industry Effects	Control	Control	Control	Control	Control	Control
Time Effects	Control	Control	Control	Control	Control	Control
Sector Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.522	0.165	0.139	0.422	0.366	0.132

Note: t-values are in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Table 18. The Impact of audit inquiry intensity (mean) on the corresponding topic's prospectus disclosure update

Variable	Dependent Variable: Extent of Change in Prospectus Disclosure Corresponding to Topic					
	(1)	(2)	(3)	(4)	(5)	(6)
	Risk Disclosure	Production Business	Profit and Loss Situation	Core Technology	Clients and Suppliers	Share-Based Payments
Audit Inquiry (Mean) of Topic *i*	0.014** (2.468)	0.022*** (5.447)	0.013*** (3.107)	0.030*** (7.142)	0.015*** (3.977)	0.022*** (6.072)
Intercept	2.255*** (2.937)	2.041*** (3.268)	1.043* (1.662)	2.141*** (3.420)	0.789 (1.230)	-0.284 (-0.427)
Control Variables, Time, Industry, Sector Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.279	0.132	0.076	0.119	0.125	0.162
	(7)	(8)	(9)	(10)	(11)	(12)
Variable	Gross Profit	Revenue Recognition	Sales	Board of Directors/ Supervisors/Executives	Assets and Liabilities	Template Language
Audit Inquiry (Mean) of Topic *i*	0.020*** (2.665)	0.055*** (9.027)	0.031*** (5.716)	0.017*** (2.985)	0.035*** (3.904)	0.001 (0.355)
Intercept	8.119*** (6.911)	2.786*** (3.306)	3.164*** (3.574)	0.792 (1.001)	2.839*** (3.720)	2.267*** (3.303)
Control Variables, Time, Industry, Sector Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.353	0.323	0.354	0.119	0.264	0.186

Note: The values in parentheses represent t-values, with ***, **, and * denoting significance at the 1%, 5%, and 10% levels, respectively.

As shown in Table 16, in the "Risk Disclosure" and "Share-Based Payment" topics, the regression coefficients in the low-reputation accounting firm group are significantly higher than those in the high-reputation group, indicating that in these topics, the low-reputation accounting firm group is more sensitive to audit inquiries, which aligns with H4.

In Table 16, for the "Gross Margin" and "Board of Directors/Supervisors/Executives" topics, the regression coefficients in the high-reputation accounting firm group are significant, while those in the low-reputation group are not significant. This suggests that for the low-reputation accounting firm group, the governance effect of audit inquiries is not obvious in these topics.

5.4 Robustness Test

5.4.1 Alternative variable for audit enquiry intensity

Drawing on the literature (Hu & Wang, 2021), the natural logarithm of the registration duration (LnTime) is used as an alternative measure for the intensity of audit enquiries. A regression test for H1 was conducted again using this alternative variable. The results, presented in Table 17, show that the sign of the coefficients remains consistent with those in Table 9, confirming the robustness of the research conclusions.

5.4.2 Changing the weighting method for each round of audit inquiries

This study used the proportion of the text length of each round of review inquiry letters relative to the total length of review inquiry letters as weights to perform a weighted aggregation of the inquiry intensity for each round. In the robustness test, the mean and the sum of the inquiry intensity for each round were used as explanatory variables, and regression analysis was conducted. The regression results are shown in Table 18 and Table 19. The results are consistent with the previous ones, confirming the robustness of the research conclusions.

Table 19. The impact of audit inquiry intensity (sum) on the corresponding topic's prospectus disclosure update

Variable	Dependent Variable: Extent of Change in Prospectus Disclosure Corresponding to Topic					
	(1)	(2)	(3)	(4)	(5)	(6)
	Risk Disclosure	Production Business	Profit and Loss Situation	Core Technology	Clients and Suppliers	Share-Based Payments
Audit Inquiry (Sum) of Topic *i*	0.017*** (3.090)	0.023*** (5.615)	0.014*** (3.249)	0.031*** (7.527)	0.016*** (4.302)	0.022*** (6.072)
Intercept	2.163*** (2.831)	1.934*** (3.082)	0.989 (1.568)	2.003*** (3.190)	0.696 (1.082)	-0.284 (-0.427)
Control Variables, Time, Industry, Sector Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.283	0.134	0.077	0.124	0.127	0.162
	(7)	(8)	(9)	(10)	(11)	(12)
Variable	Gross Profit	Revenue Recognition	Sales	Board of Directors/Supervisors/Executives	Assets and Liabilities	Template Language
Audit Inquiry (Sum) of Topic *i*	0.026*** (3.596)	0.056*** (9.467)	0.034*** (6.273)	0.017*** (3.112)	0.041*** (4.808)	0.004 (0.925)
Intercept	7.905*** (6.744)	2.581*** (3.059)	3.042*** (3.460)	0.728 (0.921)	2.621*** (3.442)	2.217*** (3.237)
Control Variables, Time, Industry, Sector Effects	Control	Control	Control	Control	Control	Control
Sample Size	964	964	964	964	964	964
Adjusted R^2	0.356	0.329	0.360	0.120	0.269	0.186

Note: The values in parentheses represent t-values, with ***, **, and * denoting significance at the 1%, 5%, and 10% levels, respectively.

5.4.3 Changing the matching method of inquiry letter topics and prospectus topics

Using Jensen–Shannon Divergence (JS Divergence), the topics of audit inquiry letters and prospectuses were re-matched, and regression analysis was conducted. The results are shown in Table 20, and they remain consistent with the previous findings, confirming the robustness of the research conclusions.

Table 20. The impact of audit inquiry intensity on prospectus disclosure updates for topic 8

Variable	Change in Prospectus Disclosure for Topic 30 (8)
	Revenue Recognition
Topic 8 Audit Inquiry	0.041***
	(7.858)
Intercept	3.133***
	(4.779)
Control Variables	Control
Sample Size	964
Adjusted R^2	0.264

Note: The values in parentheses represent t-values, with ***, **, and * denoting significance at the 1%, 5%, and 10% levels, respectively.

6. Conclusion

The comprehensive registration-based IPO system reform has significantly improved the efficiency of capital markets by simplifying the listing process, strengthening information disclosure, stimulating market vitality, and optimizing regulatory methods. Among these, information disclosure plays a key role in the market-oriented principles of the registration system. It is the cornerstone for balancing interactions between market participants and ensuring the effective operation of the market-based pricing mechanism. As a regulatory tool under the registration-based system, the core purpose of audit inquiries is to continuously drive issuers and intermediaries to provide the market with truthful, accurate, and comprehensive information. Based on responsive regulation theory and the attention-based view, this study explores how audit inquiries affect the updates of information disclosure during the IPO process under the registration system. The following conclusions are drawn:

(1) The increase in the number of audit inquiry rounds, the number of questions in the first round, and the total number of questions significantly increases the information content in the later versions of the prospectus compared to earlier versions, improving text understandability, quantitative information, and visual information in the prospectus.

(2) When audit inquiries focus on a specific topic, it prompts an increase in the information disclosure content of the corresponding topic in the prospectus.

(3) At the level of ownership proportion, state-owned enterprises suppress the positive impact of audit inquiries on prospectus text features. The regulatory effect of audit inquiries is weaker for enterprises with a higher proportion of state-owned assets. For topics such as “Risk Disclosure” and “Core Technology,” enterprises with a lower proportion of state-owned assets show more active responses, but for the “Profit and Loss” topic, driven by earnings management motives, the responses from enterprises with a lower proportion of state-owned assets are relatively passive.

(4) At the level of intermediary institutions, the improvement in the prospectus text features is more significant for the group with lower reputation intermediaries. For the “Clients and Suppliers” and “Gross Profit Margin” topics, issuers with lower-reputation sponsoring institutions respond more actively to audit inquiries. For the “Risk Disclosure” and “Share-based Payment” topics, issuers with lower-reputation accounting firms are more sensitive to audit inquiries. This result suggests that for samples with lower-reputation intermediaries, the governance role of audit inquiries is more prominent. As a key tool for information disclosure regulation, audit inquiries can effectively fulfill their complementary governance function. However, for topics related to key financial indicators and corporate governance structures, such as “Gross Profit Margin” and “Board of Directors/Supervisors/Executives,” the effectiveness of audit inquiries is weaker for the group with lower-reputation accounting firms. The reason may be that compared to high-reputation accounting firms, which are more cautious about information disclosure and value professional reputation, low-reputation accounting firms have weaker independence and are more likely to allow clients to conceal earnings manipulation through lax disclosure.

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Data Availability

The data used to support the research findings are available from the corresponding author upon request.

Conflicts of Interest

The authors declare no conflict of interest.

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