

Audit of statutory financial statements is mandatory for major part of big companies. Auditor ascertains the validity and reliability of information in the financial statements. Since stakeholders use financial statements for their decisions, quality of audit services is important for all users of financial statements. This thesis concerns about the quality of audit services in the Czech Republic. We focus on suppliers concentration on audit market using market concentration measures and based on these data we outline structure of audit market. Our findings suggest significant heterogeneity of supply side of audit market. We also examine the relationship between audit quality and cost of capital of audited companies when we expect that higher quality audit may decrease cost of capital of audited companies. For this purposes we build up unique data set of non-financial companies and design a model respecting the specifics of Czech financial market. Surprisingly, results are not consistent with those of existing research based on US and Chinese data when they suggest that there is no significant relationship between audit quality and cost of capital.