This study investigates the determinants that drive the demand for voluntary audit of small companies in Germany. The research data is gathered from a postal questionnaire survey sent to small limited liability companies/partnerships. In line with previous research we expect that factors relating to the existence of external non-owner-managers, debt capital and firm size are drivers for a voluntary audit. In extension to existing literature we argue that factors relating to public authorities holding an interest in share capital, being part of a business group, the implementation of a supervisory board and outsourced accounting services will also have an impact on the decision to have a voluntary audit. Additionally we argue that firms that opt for a voluntary audit benefit from lower cost of capital. Our study contributes to the existing literature on voluntary audit in several ways. First, by testing the models applied in other European studies for Germany the study provides further insights into the factors that drive the demand for voluntary audit of small entities. Second, it extends previous research by testing new hypotheses. These include the impact of parent-subsidiary-relationships, shareholding of public authorities and the existence of supervisory boards. Third, we also analyze whether the decision of having a voluntary audit has an impact on the cost of capital. Thereby our research feed into the discussion of audit exemptions and should be of interest to both national and international legislators as well as to the auditing profession, contracting partners and managers of small companies.