

An Empirical Examination of Antecedents to Chinese Auditors’ Judgments of Professional Scepticism from Cultural and Personality Perspectives

A dissertation in fulfilment of the Requirement for the Degree of Doctor of Philosophy

by

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I would like to dedicate this dissertation to my beloved parents and dearest son for their unconditional love, support and encouragement in all my endeavours.

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List of Abbreviations

AICPA	American Institute of Certified Public Accountants
APB	Auditing Practices Board of United Kingdom
ASIC	Australian Securities and Investments Commission
AUASB	Australian Auditing and Assurance Standards Board
CICPA	Chinese Institute of Certified Public Accountants
CSRC	China Securities Regulatory Commission
FRC	Financial Reporting Council of the United Kingdom
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IES	International Education Standards for Professional Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JDM	judgment and decision making
MANOVA	multivariate analysis of variance
MOF	Ministry of Finance
PCAOB	Public Company Accounting Oversight Board of the United States
PS	Professional scepticism
SAS	Statement on Auditing Standards of the United States
SEC	Securities and Exchange Commission of the United States
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States of American
UK	United Kingdom of Great Britain

Abstract

Professional scepticism (PS) has been widely recognised as the cornerstone of audit quality and the foundation of the profession, and remains one of the most important and underexplored topics in auditing. This dissertation makes theoretical, methodological and empirical contributions to the literature on PS by examining various antecedents to auditors' sceptical judgments in the Chinese context. China is selected for examination because there have been calls for studies to provide richer and deeper understanding of auditors' judgment and decision making (JDM) beyond Anglo-American cultural settings. The Chinese core cultural values, which emphasise collectivism, interdependence and *harmony within hierarchy*, substantially differ from the individualist and independent cultural values dominant in Anglo-American countries. Specifically, the aim of this dissertation is to provide empirical evidence on various antecedents to Chinese auditors' sceptical judgments by taking into account relevant cultural values and within cultural differences in individual auditors' personality. This aim is attained by three papers comprising the dissertation, which empirically examine the influence of various antecedent factors on Chinese auditors' sceptical judgments, namely self-construal, partners' views, and peer pressure respectively.

The first paper provides empirical evidence on the influence of a relevant personality variable, namely, self-construal on sceptical judgments. Self-construal has been selected because this variable captures complex cognitive processes experienced by individuals and is fundamental in explaining individual differences at both cultural and personality levels. Self-construal is broadly classified into two categories: independent and interdependent self-construal. Independent self-construal emphasizes autonomy, uniqueness, assertiveness and independence from others, whereas interdependent self-construal emphasizes belonging, fitting in, conformity, connectedness and harmony with others. This study examines how Chinese accounting students in two distinctive learning and cultural environments, Australia and China, are likely to differ in their self-construal, and how these differences may influence their sceptical judgments. Final year undergraduate accounting students have been selected as proxies for entry-level auditors because they have not been socialised and influenced by organizational cultures of audit firms. The results show that Chinese students undertaking university accounting education in Australia scored higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China. Furthermore, this study examines the influence of self-construal on sceptical judgments through two conflicting and competing perspectives, namely, auditors' perceived relationship with client management, and auditors' perceived

relationship with their superiors. The results support the perspective based on auditors' perceived relationship with their superiors, and show that interdependents are more sceptical than independents. It is argued that interdependents are more concerned with pleasing and maintaining harmonious relationship with their superiors. Therefore, they are more cautious and more rigorous in carrying out their audit duties in order to ensure that they are not criticized by superiors. These findings suggest that possible competing and conflicting perspectives need to be taken into account when examining sceptical judgments.

The second paper further empirically examines the influence of partners' views on Chinese auditors' sceptical judgments. The hypotheses development based on the Chinese cultural values which emphasize the importance of submission, subordination, obedience, and loyalty towards superiors, together with social contingency theory, suggests that auditors are likely to be under intense pressure to align their judgments with partners' views. A between-subjects experiment was conducted with practicing auditors in two local and two Big 4 audit firms operating in China. This study contributes to the literature by providing evidence that both a high partner emphasis on PS and unknown views of partners, lead to higher levels of auditors' scepticism, and that a low partner emphasis on PS leads to lower levels of scepticism. Furthermore, this study measures the intensity of auditors' perceived pressure, and examine the influence of such pressure on auditors' sceptical judgments. The results show that a high (low) intensity of perceived pressure strengthens (weakens) the influence of partners' known views on their sceptical judgments of auditors.

The third paper empirically examines the importance of *peer pressure* relative to *trait scepticism* in influencing Chinese auditors' judgments of professional scepticism. Prior studies predominantly from individualist and independent cultural contexts of Anglo-American countries provide strong evidence on the influence of trait scepticism on sceptical judgments but inconclusive evidence on the influence of peer pressure. This study extends the literature by providing evidence that peer pressure is of greater importance than trait scepticism in influencing Chinese auditors' sceptical judgments. The findings from a between-subjects experiment suggest that in the Chinese cultural context, the influence of peer pressure overrides the influence of trait scepticism on auditors' sceptical judgments. Additionally, prior research shows that auditors' judgments are influenced by peer pressure in Indonesia, but not in the US, which provides contradictory evidence on the influence of peer pressure on auditors' judgments between individualist and collectivist cultural settings. This study further contributes to the literature by showing that peer pressure influences auditors' sceptical judgments in China, a collectivist cultural setting.

The findings of this dissertation have implications for cross-cultural audit research, both international and national standard setters, as well as audit firms either operating in China or employing auditors with Chinese cultural background. Particularly, the findings of this dissertation suggest that attention needs to be given to cultural and personality factors and their dynamic interrelations in influencing auditors' JDM and PS. Importantly, this dissertation suggests that contextual factors cannot be ignored in examining auditors' JDM and caution needs to be exercised when generalising findings from individualist to collectivist cultures. While it has been recognised that PS may be influenced by various factors at the firm level, engagement level and individual level, very little attention has been paid to cultural contexts associated with PS. As such, there is a need to stress the importance of understanding PS in its cultural context. Overall, the findings of this dissertation suggest that greater insights into auditors' PS and JDM from both cultural and personality perspectives may assist in enhancing quality and consistency in audit practices within and across countries, particularly in response to the international convergence of auditing standards as well as the growing cultural diversity in audit firms.

Statement of Candidate

The work presented in this dissertation has not been submitted for a higher degree to any other university or institution. The source of information used and the extent to which the work of others has been utilized is acknowledged in the dissertation. Ethics Committee approval has been obtained (Reference Number: 5201300215 and 5201400838).

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Chapter 1: Overview of the Dissertation

1.1 Introduction

This dissertation provides empirical evidence on various antecedents to Chinese auditors' judgments of professional scepticism (hereafter PS). For the purpose of this dissertation, PS is defined as "an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence" (International Auditing and Assurance Standards Board (IAASB), 2012a, p. 30). PS has been widely recognised as the cornerstone of audit quality and the foundation of the profession (Bell, Peecher, & Solomon, 2005; Hurtt, 2010; Kang, Trotman, & Trotman, 2015; Nelson, 2009; Shaub & Lawrence, 1996; Trotman, 2011). Auditors' lack of appropriate levels of PS has been identified as one of the major causes of audit deficiencies and audit failures (Australian Securities and Investments Commission (ASIC), 2012; Public Company Accounting Oversight Board (PCAOB), 2012a). The fundamental importance of PS has also been reinforced by auditing regulators worldwide (Auditing Practices Board (APB), 2010, 2012; Australian Auditing and Assurance Standards Board (AUASB), 2012).¹

Despite its widely recognised importance, PS remains an underexplored topic (Bell et al., 2005; Hurtt, Brown-Liburd, Earley, & Krishnamoorthy, 2013; Nelson, 2009; Trotman, 2011). Researchers have called for better understanding of issues related to PS (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009; Trotman, 2011). For example, Bell et al. (2005) and Trotman (2011) suggest that audit judgment researchers need to draw attention to continuing research opportunities on PS, as one of the core issues of auditing. Responding to these calls, a growing

¹ Internationally, the IAASB issued a Questions and Answers document: *Professional Skepticism in an Audit of Financial Statements* in February 2012 (IAASB, 2012b). In the US, the Public Company Accounting Oversight Board (PCAOB) published *Staff Audit Practice Alert on Maintaining and Applying Professional Skepticism in Audits* in December 2012 (PCAOB, 2012a). In the UK, the Financial Reporting Council (FRC) issued a discussion paper *Auditor Scepticism: Raising the Bar* in August 2010 (APB, 2010) and *Professional Scepticism: Establishing a Common Understanding and Reaffirming its Central Role in Delivering Audit Quality* in March 2012 (APB, 2012). In Australia, the Australian Auditing and Assurance Standards Board (AUASB) issued a bulletin document: *Professional Scepticism in an Audit of a Financial Report* in August 2012 (AUASB, 2012).

number of studies have examined PS in Anglo-American countries, particularly the US (Carpenter & Reimers, 2013; Hurtt, 2010; Kim & Trotman, 2015; Payne & Ramsay, 2005; Quadackers, Groot, & Wright, 2014; Shaub & Lawrence, 1996). However, very little is known about auditors' PS in other national contexts. According to a comprehensive review of the literature on PS by Hurtt et al. (2013), prior studies predominantly from Anglo-American countries have examined various antecedents to auditors' PS judgments, namely auditors' characteristics (Hurtt, 2010; Quadackers et al., 2014), clients' characteristics (Payne & Ramsay, 2005; Shaub & Lawrence, 1996), evidential characteristics (Fukukawa & Mock, 2011; Trompeter & Wright, 2010), and environmental influences (Carpenter & Reimers, 2013; Hammersley, Bamber, & Carpenter, 2010; Kim & Trotman, 2015; Piercey, 2011). Given the widely recognised cultural differences across countries and its important influences on auditors' judgment and decision making (JDM) (Cohen, Pant, & Sharp, 1995; Fleming, Chow, & Su, 2010; Lin & Fraser, 2008; Patel, Harrison, & McKinnon, 2002), whether the findings on antecedents to PS judgments from prior studies predominantly conducted in Anglo-American countries will be equally applicable to other cultural contexts is questionable.

This dissertation contributes to the literature by examining auditors' PS in China, a country that is often examined in contrast to Anglo-American cluster in terms of national cultures.² Understanding auditors' PS beyond Anglo-American cultural contexts is important, particularly in light of the worldwide thrust towards international convergence of auditing standards. Given the current focus on global convergence, the International Standards on Auditing (ISA) issued by IAASB have been adopted by 126 jurisdictions.³ Accordingly, key auditing concepts in the

² While research has identified varying cultural clusters, China is often examined in contrast to the US and other Anglo-American countries. Earlier cross-cultural studies have largely focused on comparison between Eastern and Western cultures, in which China is classified into the Eastern cluster whereas the Anglo-American countries are classified into the Western cluster (Child, 1981; Markus & Kitayama, 1991). Given the appealing appearance of substantive differences between Eastern and Western cultures, cross-cultural studies in accounting have predominantly focused on comparisons between a variety of Asian nations (China, Singapore, Hong Kong) and the Anglo-American nations (US, UK and Australia) (Harrison & McKinnon, 1999; Nolder & Riley, 2014; Patel, 2004).

³ IFAC established the IAASB to develop ISAs (IFAC 2011). The International Federation of Accountants (IFAC) is a global organization for the accountancy profession comprised of 179 members and associates in 130 countries

professional standards, such as PS, conceived in a predominantly Anglo-American context, have been diffused worldwide. However, research shows that accounting is a social and institutional practice deeply embedded in the contextual environment in which it operates, rather than a neutral, objective, and value-free technical practice (Harrison & McKinnon, 1999; Heidhues & Patel, 2011; Hopwood, 1983; Wu & Patel, 2015). It is also increasingly recognised that audit practice is a social construction, rather than merely a series of technical steps (Hudaib & Haniffa, 2009; Power, 1995, 2003). Consequently, even if a set of uniform technical standards is used, how these standards are applied in a particular country is largely influenced by the contextual factors embedded in the country (Heidhues & Patel, 2011; Wu & Patel, 2015). Various contextual factors, including culture, that have the potential to impact audit quality have also been recognised by the new Framework for Audit Quality (IAASB, 2014b). Specifically, evidence shows that the cultural values in East Asia with focuses on collectivism and interdependence substantially differ from the cultural values of individualism and independence dominant in Anglo-American countries (Hofstede & Bond, 1988; Markus & Kitayama, 1991; Triandis et al., 1986). As such, it is important to examine auditors' PS beyond Anglo-American cultural contexts.

The importance of examining PS in other cultural contexts is further highlighted by the increasing proportion of Asian hires in Anglo-American countries such as the US. According to a report issued by the American Institute of Certified Public Accountants (AICPA) (2015), since 2011 one-third of new employees hired in US accounting firms were non-Caucasians, and half of these were Asian. Similarly, Lee (2012) reports that one-third of Ernst and Young's recruits from US campuses are non-Caucasians. To address the changing multicultural environment of audit firms and the shifting cultural makeup of audit staff, researchers have called for studies that can contribute to managing the growing cultural diversity in audit firms

and jurisdictions. According to the IFAC report, *Basis of ISA Adoption*, 126 jurisdictions have adopted ISAs (IFAC 2015b).

(Hurtt et al., 2013; Nolder & Riley, 2014). Both the current focus on the international convergence of auditing standards and increasing cultural diversity of audit firms highlight the importance of examining PS in other cultural environments that are different from Anglo-American contexts, such as China.

Drawing on the Chinese cultural features of interdependence, collectivism, and *harmony within hierarchy*, as well as within cultural differences in individual personality, this dissertation examines various antecedents to auditors' PS judgments in China, namely, self-construal, partners' views, peer pressure, and trait scepticism. By focusing on these factors, this dissertation provides insights into the influence of these antecedents on Chinese auditors' PS judgments from both cultural and personality perspectives. "Self-construal is conceptualized as a constellation of thoughts, feeling, and actions concerning one's relationship to others, and the self as distinct from others" (Singelis, 1994, p. 581). Self-construal has been selected because this personality variable captures complex cognitive processes experienced by individuals and is fundamental in explaining individual differences at both cultural and personality levels. Partners' views have also been identified as an important environmental factor that may influence Chinese auditors' PS judgments. This antecedent has been selected because the rigid hierarchical cultural values, which emphasise the importance of subordination, obedience, and loyalty towards superiors suggest that auditors are likely to be under intense pressure to align their judgments with partners' views. In addition, peer pressure has been identified as an important antecedent to PS judgments. Peer pressure, also known as conformity pressure, refers to the pressure to adhere to peers' expectations or behaviour (DeZoort & Lord, 1997). This antecedent has been selected because Chinese core cultural values, which focus on maintaining harmonious interpersonal relationships and fitting in with others, are likely to amplify auditors' pressure to conform to their peers. Further, the influence of trait scepticism on PS judgments has also been examined. Trait scepticism is a relatively stable, enduring aspect of personality (Hurtt, 2010). This personality variable has been selected because it has been identified as an

important antecedent by prior research predominantly from Anglo-American cultural contexts. This dissertation examines whether these well-established findings from individualist and independent cultures of Anglo-American countries can be generalisable to China, a collectivist and interdependent cultural context. Detailed information about the objectives of the three empirical studies comprising the main part of this dissertation are provided in Section 1.5.

The remainder of this overview chapter is organised as follows. Section 1.2 provides insights into relevant aspects associated with the conception of PS. Section 1.3 provides relevant discussions about the country selection. Section 1.4 provides discussions on the cultural and personality perspectives adopted by this dissertation in examining various antecedents to Chinese auditors' PS judgments. Section 1.5 presents the aim and objectives of this dissertation, and includes a summary of the three studies comprising this dissertation. Section 1.6 describes the research methodology followed by Section 1.7, which discusses the contributions made by this dissertation to the literature. The final section concludes the chapter by outlining the structure of this dissertation.

1.2 Professional Scepticism: Background

The term scepticism is derived from the Greek word “σκέψις” (skepsis), which means examination, inquiry into, hesitation or doubt (Liddell & Scott, 1871, p. 109). Accordingly, the term “sceptic”, which derives from the Greek word “skeptikoi” with the original meaning of inquirers, is used to characterise those who inquire into the truth (Landesman & Meeks, 2003). In contemporary English, reflecting its original meanings in Greek, scepticism is referred to as “doubt as to the truth of some assertion or supposed fact”, and a sceptic is defined as “a person inclined to question or doubt accepted opinions”, according to the tenth edition of the *Concise Oxford English Dictionary* (Pearsall, 1999).

The first appearance of the term scepticism in an auditing context can be traced back to the US Securities and Exchange Commission's (SEC) comments on the McKesson & Robbins case in

1940 where auditors were required to “go into an audit with a copious amount of scepticism” (AICPA 1988, p. 84). The concept of PS was formally introduced in auditing by the pronouncement of the US Statement on Auditing Standards (SAS) No. 16 in 1977 (Cushing, 2000; Vanasco, Skousen, & Jenson, 2001).⁴ SAS No. 16 stated that “the auditor should plan and perform his examination with an attitude of professional skepticism, recognizing that the application of his auditing procedures may produce evidential matter indicating the possibility of errors and irregularities” (AICPA 1977, Section 6). Since then, the concept of PS has been increasingly stressed in SASs. Largely resembling SASs, ISAs issued by the IAASB also stress that PS is one of the most important auditing concepts, evidenced by its prominence throughout the standards (IAASB, 2012a).

In order to provide insights into the construct of PS, the origin of scepticism from a philosophical perspective will be briefly discussed followed by a more detailed discussion of the conception of PS in auditing.

1.2.1 Philosophical Scepticism

Insights into the conception of PS in Anglo-American auditing practices may be gained from the philosophical underpinnings of scepticism originating from Ancient Greece. Philosophical scepticism has had a profound influence on the development of Western philosophy. According to Bett (2010, p. 1), “the skeptical philosophers and traditions are firmly located in the history of Western philosophy”, and “scepticism has been a topic of central importance in modern Western philosophy and continues to excite widespread interest today”. Similarly, Landesman and Meeks (2003, p. 1) conclude that sceptical stances and questions have had, and continue to have, profound influence “on the branch of philosophy known as epistemology, or the study of how we come to possess knowledge including whether we can possess it at all”.

⁴ SAS No. 16 *The Independent Auditor's Responsibility for the Detection of Errors and Irregularities* issued in 1977 was successively superseded by SAS 53 *The Auditors' Responsibility to Detect and Report Errors and Irregularities* in 1988, SAS 82 *Consideration of Fraud in a Financial Statement Audit* in 1997, and SAS 99 *Consideration of Fraud in a Financial Statement Audit* in 2002.

The origins of scepticism can be traced back to ancient Greek philosophy in which two different schools of philosophical scepticism were formulated and endorsed, the Academic and the Pyrrhonian (Lee, 2010). Academic scepticism was named after Plato's Academy, and formulated by Arcesilaus (315–241 B.C.) and Carneades (213–129 B.C.) who maintained that nothing can be known for certain (Thorsrud, 2010). Underlying the Academic scepticism is the contention that it is impossible to attain knowledge, and that everything is open to doubt (Stroud, 1984).

Pyrrhonian scepticism flourished as a distinct theory by Aenesidemus (100–40 B.C.) and was named after Pyrrho of Elis (360–275 B.C.) who insisted in suspension of judgment (Svavarsson, 2010). In contrast to Academics, the Pyrrhonists did not claim that knowledge is impossible, but they suspended judgment on all such theoretical questions (Svavarsson, 2010). Indeed, Pyrrhonists, called themselves “*skeptikoi*”, meaning “inquirers”, to distinguish them from those who think they have discovered the truth, and also from those who have come to the definite conclusion that the truth is undiscoverable (Bett, 2010). Pyrrhonists claimed that for any proposition asserted, the arguments supporting it are no better and no worse than the arguments against it, and hence they recommended suspending judgment (Landesman & Meeks, 2003). It is the process of inducing suspension of judgment that was emphasised in the characterisation of Pyrrhonian scepticism (Bett, 2010).

The aforementioned two different strands of philosophical scepticism cast doubt about whether knowledge is attainable by human efforts, and they all likewise attempt to base their doubts upon rigorous arguments (Landesman & Meeks, 2003, p. 2). Fogelin (1994, p. 3) explains that a sceptic is one who “call things into question”. Similarly, McGinn (1989, p. 6) concludes that sceptics doubt the certainty of knowledge and question everything even their own judgments. It can be concluded that the essence of scepticism, reflected in philosophical scepticism, is doubt that stimulates questioning and inquiry with the purpose of searching for truth.

1.2.2 Professional Scepticism in Auditing

Conception of Professional Scepticism

The essence of scepticism as outlined in the previous section is largely aligned with the meanings of PS, as illustrated by auditing regulators and researchers. For example, as an attitude, PS is fundamentally a sceptical mindset that drives auditors to adopt a questioning approach (IAASB, 2012b). Shaub and Lawrence (1996, p. 126) refer to sceptical thoughts as “willingness to doubt, question or disagree with generally accepted conclusions or clients’ assertions”. Also, Hurtt (2010) has identified six characteristics of PS including, a questioning mind, suspension of judgment, searching for knowledge, interpersonal understanding, self-esteem, and autonomy, which are closely related to the philosophical underpinnings of scepticism.

While the conception of PS in auditing embraces key elements reflected in philosophical scepticism, various definitions of PS exist in the auditing literature and professional standards. For example, PS has been defined as an attitude that includes “a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence” (IAASB, 2012a, p. 78), a need for a larger and/or more persuasive sets of evidence (Hurtt et al., 2013; Nelson, 2009), and a need for critical thinking and to look for contradictory evidence (Griffith, Hammersley, Kadous, & Young, 2015; Kang et al., 2015). The recent literature further suggests that improved critical thinking is more important than increased doubt, or increased demand for evidence in maintaining auditors’ PS and improving audit quality (Griffith et al., 2015; Kang et al., 2015). This is also consistent with the suggestion of the IAASB chairman that critical thinking should be an important characteristic for auditors (IAASB, 2015b).

Perspectives of Professional Scepticism

Different perspectives of PS have emerged in the literature and auditing standards, including views of neutrality and presumptive doubt (Kang et al., 2015; Nelson, 2009). Neutrality refers

to a perspective in which the auditor neither assumes that management is dishonest nor assumes unquestioned honesty (Nelson, 2009). Presumptive doubt represents an attitude in which some level of dishonesty or bias by management is assumed, unless evidence indicates otherwise (Bell et al., 2005). The literature suggests that there has been a shift from the perspective of neutrality to that of presumptive doubt with regard to PS (Bell et al., 2005; Kang et al., 2015; Nelson, 2009; Quadackers et al., 2014). Specifically, Nelson (2009, p. 3) concludes that “regulators appear to take more of the ‘presumptive doubt’ perspective, as they typically refer to PS as something that was missing when an audit failure has occurred”. This dissertation adopts the presumptive doubt perspective on PS, where being more sceptical is indicated by a greater need for a more persuasive set of evidence before concluding that an assertion is correct.

Components of Professional Scepticism

Prior research distinguishes two essential components of PS: sceptical judgment and sceptical action (Nelson, 2009; Hurtt et al., 2013). “Skeptical judgment occurs when an auditor recognises that a potential issue may exist and that more work or effort is necessary. Skeptical action occurs when an auditor changes his/her behaviour based on the skeptical judgment” (Hurtt et al., 2013, p. 47). While both components are important to audit practices and education, this dissertation focuses on sceptical judgment because it is both a necessary condition and a primary driver of sceptical action (Nelson, 2009; Hurtt et al., 2013).

1.2.3 Models of Professional Scepticism

Prior research has developed a number models of auditors’ PS (Hurtt et al., 2013; Nelson, 2009; Shaub, 1996). This dissertation draws on the model of PS developed by Hurtt et al. (2013) (hereafter Hurtt’s Model) because this model is based on an extensive review of literature and extends prior models of PS such as that of Nelson (2009), which provides more recent and comprehensive insights. The Hurtt’s Model (2013) examines both antecedents and outcomes of sceptical judgments and sceptical actions. To serve the purpose of this dissertation, a specific part of the Hurtt’s Model (2013) that highlights antecedents to sceptical judgment is adapted.

Specifically, the Hurtt's Model (2013) shown in Figure 1.1 classifies various antecedents to sceptical judgments into four categories, namely auditor characteristics, environmental influences, evidential characteristics, and client characteristics. Of particular relevance to this dissertation are auditor characteristics and environmental influences. Within the category of auditor characteristics, various factors have been identified from prior research as important antecedents to sceptical judgment, including personality traits such as trait scepticism (Hurtt, 2010; Popova, 2012; Quadackers et al., 2014), audit experience (Payne & Ramsay, 2005; Rose, 2007; Shaub & Lawrence, 1996), and moral reasoning (Kerler III & Killough, 2009). Within the category of environmental influences, various factors have been identified as important antecedents to sceptical judgments, including accountability to reviewers (Carpenter & Reimers, 2013; Peecher, Piercey, Rich, & Tubbs, 2010), accountability to regulators (Hammersley et al., 2010; Piercey, 2011), and cultural differences (Cohen et al., 1995; Hughes, Sander, Higgs, & Cullinan, 2009; Patel et al., 2002). In addition, the category of evidential characteristics include source of evidence and subjective versus objective evidence (Fukukawa & Mock, 2011; Trompeter & Wright, 2010), and the category of client characteristics include riskiness and complexity of client as well as integrity of management (Kerler III & Killough, 2009; Quadackers et al., 2014; Robertson, 2010).

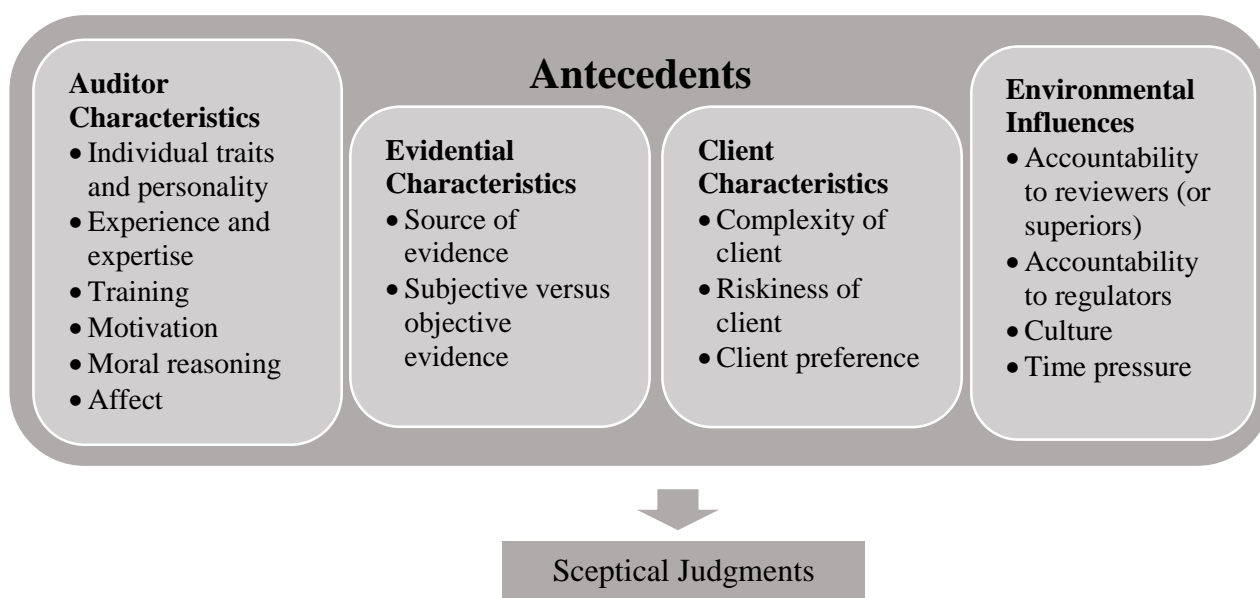


Figure 1.1 The Hurtt's Model (2013) of Antecedents to Sceptical Judgment

Source: Adapted from Hurtt et al. (2013, p. 50)

Although the Hurtt's Model (2013) provides useful insights into antecedents to sceptical judgments, the possibility that the influence of various antecedents may vary in different cultural contexts has not been explicitly acknowledged. Recognising the important role of cultural differences in influencing sceptical judgments, the Hurtt's Model (2013) views culture as independent and isolated from other antecedent factors. Research suggests that culture can also be viewed as a social and environmental context in which auditing operates, and this alternative perspective may provide additional insights into the richness and complexity of cultural influences (Doupnik & Tsakumis, 2004; Harrison & McKinnon, 1986; Heidhues & Patel, 2011; Hopwood, 1983). This contextual perspective suggests that cultural environment may constrain or facilitate interactivity among elements that operate within it. As such, the interactivity between auditors' sceptical judgments and their antecedents may function differently between Anglo-American and Chinese cultures. In order to better understand the influence of various antecedents on Chinese auditors' sceptical judgments, it is important to take into account the core cultural values underpinning the psychological processes.

Viewing culture as a social and environmental context, this dissertation extends the Hurtt's Model (2013) and develops a theoretical model of antecedents to sceptical judgments based on the Chinese cultural context in order to inform the three empirical studies that comprising this dissertation. Specifically, by taking into account core cultural values, the model developed in this dissertation focuses on two environmental influences, namely partners' views and peer pressure, and two personality variables in the category of auditor characteristics, namely self-construal and trait scepticism as antecedents to Chinese auditors' sceptical judgments. The influence of each antecedent is respectively examined in the three empirical studies comprising the dissertation. The research model developed in this dissertation is shown in Figure 1.2.

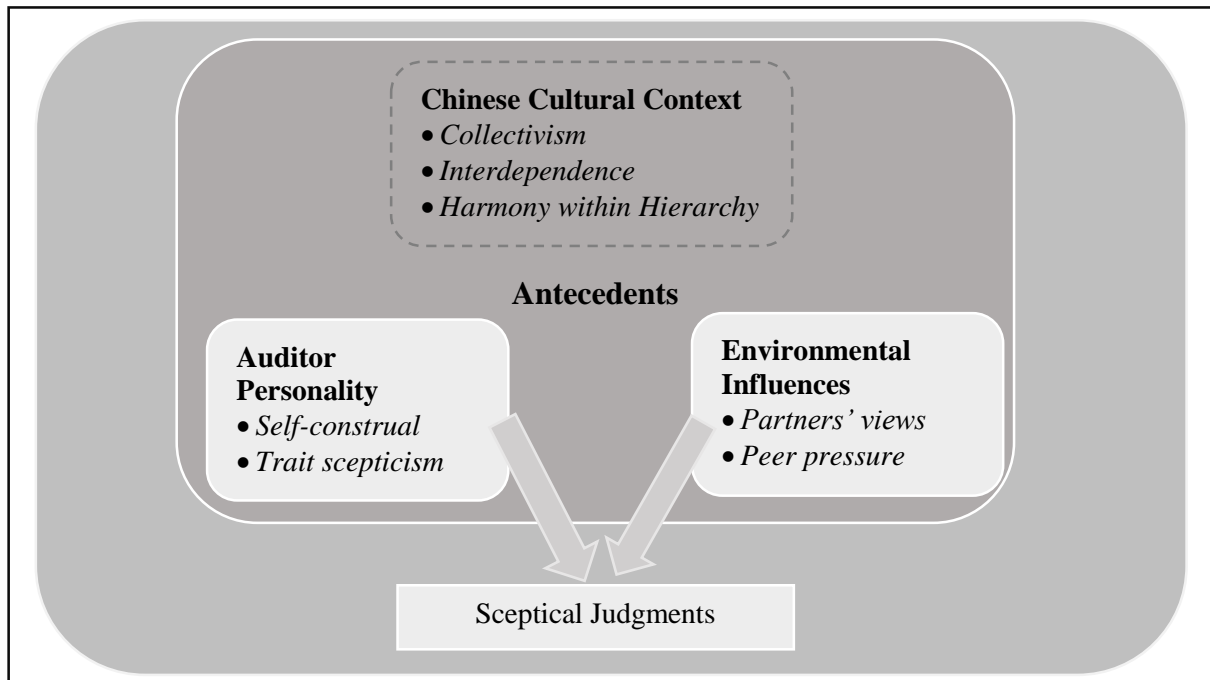


Figure 1.2 Theoretical Model of This Dissertation Based on the Chinese Cultural Context

1.3 Selection of China

China provides an important and relevant national setting to examine issues related to PS. As the second largest economy in the world, China's business interactions with the rest of the world are rapidly expanding. Accordingly, issues about the quality of financial reporting and auditing in China have attracted growing attention among stakeholders worldwide. An unprecedented large number of accounting scandals involving Chinese-based companies listed in other countries such as the US have caused growing concerns globally about audit quality in China (Ang, Jiang, & Wu, 2014). Ang et al. (2014) document that during 2011–2012, out of 262 US-listed Chinese companies, 97 were identified as having committed fraud. This surge in fraud scandals has put the quality of financial reporting and auditing in China under great scrutiny. In order to improve audit quality and boost investor confidence, Chinese regulators, including the Ministry of Finance (MOF) and China Securities Regulatory Commission (CSRC), have undertaken various policy changes to enhance audit quality (Chinese Institute of Certified Public Accountants (CICPA), 2013; Gul, Sami, & Zhou, 2009). Audit firms that fail to detect and report fraud in clients' financial statements face strong government sanctions ranging from fines, to reprimands, to the suspension of audit work, to revoking licences (Lisic, Silveri, Song,

& Wang, 2015). The worldwide attention to financial reporting quality issues in China reinforces the importance of examining factors that may influence PS, the cornerstone of audit quality.

More importantly, China offers a unique cultural setting that substantially differs from Anglo-American countries. Research clearly shows that Chinese core cultural values of collectivism, interdependence, and *harmony within hierarchy* differs significantly from Anglo-American cultural values of individualism, independence and autonomy (Hofstede & Bond, 1988; Markus & Kitayama, 1991, 1998; Triandis et al., 1986). China is classified as an interdependent society which largely emphasised the importance of maintaining harmonious interpersonal relationships, obedience and subordination towards superiors, and fitting in with peers, as well as adjusting and restraining self (Bond & Hwang, 1986; Lam, 2003; Schlevogt, 2000; Wong, 2010; Yao, 2000; Yeung & Tung, 1996). Evidence shows that these salient aspects of Chinese culture significantly influence auditors' judgments (Chow, Ho, & Mo, 2006; Fleming et al., 2010; Lin & Fraser, 2008; Patel et al., 2002). Given that maintaining appropriate levels of PS requires extensive use of professional judgment, findings from studies in Anglo-American cultures may not be equally applicable to other cultures. As such, it is important to examine auditors' PS in countries, such as China, where cultural values are substantially different from those of Anglo-American countries.

1.4 Cultural and Personality Perspectives

To provide holistic insights into various antecedent factors that may influence auditors' sceptical judgments, this dissertation adopts both cultural and personality perspectives with a particular emphasis on relevant Chinese cultural values and within cultural differences in individual personality.

In the move towards globalisation and the international convergence of auditing standards, national culture has been increasingly recognised as an important contextual factor that

influences auditors' JDM across countries (Cohen et al., 1995; Fleming et al., 2010; Lin & Fraser, 2008; Nolder & Riley, 2014; Patel, 2006; Patel et al., 2002). The new Framework for Audit Quality issued by the International Auditing and Assurance Standards Board (IAASB) recognises the importance of various contextual factors including cultural factors, which have the potential to impact audit judgment and quality (IAASB, 2014b). Both the increasing need to enhance audit quality globally and the important role of culture in influencing auditing have urged a better understanding of auditors' JDM in specific cultural contexts. Consistently, there have been calls in the literature for more research to provide a better understanding of relevant cultural values underpinning auditors' JDM (Cohen et al., 1995; Nolder & Riley, 2014; Patel, 2006; Wu & Patel, 2015).

Although culture plays a vital role in influencing auditors' JDM, it is also important to recognise within cultural differences in individual auditors' personality because research suggests that it should not be assumed that any society is homogeneous and within-country differences can be ignored (Baskerville, 2003; Chand, 2012; Jones, 2007; Pan & Patel, 2016). Individual personality traits have been identified as important auditor characteristics that may influence auditors' PS (Nelson, 2009; Hurtt et al., 2013; Quadackers et al., 2014). Despite the importance of personality in understanding behaviours and behaviour intention, there is a lack of rigorous examination regarding personality influences in accounting and auditing literature (Briggs, Copeland, & Haynes, 2007; Kovar, Ott, & Fisher, 2003; So & Smith, 2003; Taggar & Parkinson, 2007; Wheeler, 2001). For example, Taggar and Parkinson (2007, p. 135) conclude that while personality is a relatively identifiable, stable, and measurable area of scientific enquiry that is crucial to understanding behaviours in accounting and other workplace situations, "there is a limited amount of research published where personality is used to address accounting issues". Wheeler (2001) also advocates that core issues relevant to addressing many challenges facing the profession are related to personality and that accounting research has failed to rigorously examine the influence of personality even though behaviourism and

cognitive theories have been extensively applied. Similarly, So and Smith (2003) conclude that many individual characteristics, such as personality, and their impacts have not been considered in the accounting literature. As such, researchers have called for studies into the influence of personality on of auditors' JDM (Briggs et al., 2007; Kovar et al., 2003; So & Smith, 2003; Taggar & Parkinson, 2007; Wheeler, 2001).

The literature on auditors' JDM has recognised the importance of culture and personality in isolation and prior studies of cultural influences have largely ignored personality influences, and vice versa. By integrating both cultural and personality perspectives, this dissertation contributes to the literature by providing better insights into psychological functioning underlying auditors' JDM because prior research suggests that culture and personality play distinctive and inter-related roles in governing individuals' JDM.

Research suggests that culture and personality are conceptually distinctive (Harrison, 1993; Hofstede, 2010). "Culture is an important input in that it speaks to how in general a person should behave in a particular role or status in a given society; or how in general a person should respond to a given situation in that society" (Harrison, 1993, p. 325). "Personality, by contrast, speaks to differences in behaviours or responses by individuals in the same role or statuses in a given society" (Harrison, 1993, p. 325). Hofstede et al. (2010) also discuss distinctive roles of culture and personality, in which individuals' mental programming is classified into three levels: human nature, culture and personality. As illustrated in Figure 1.3, human nature is universal and inherited; culture is specific to group or category and is learned; while personality is specific to individual and is both inherited and learned. Accordingly, national culture is useful in explaining differences in judgments across countries, and personality is useful in providing insights into individual differences (Cable & Patel, 2000).

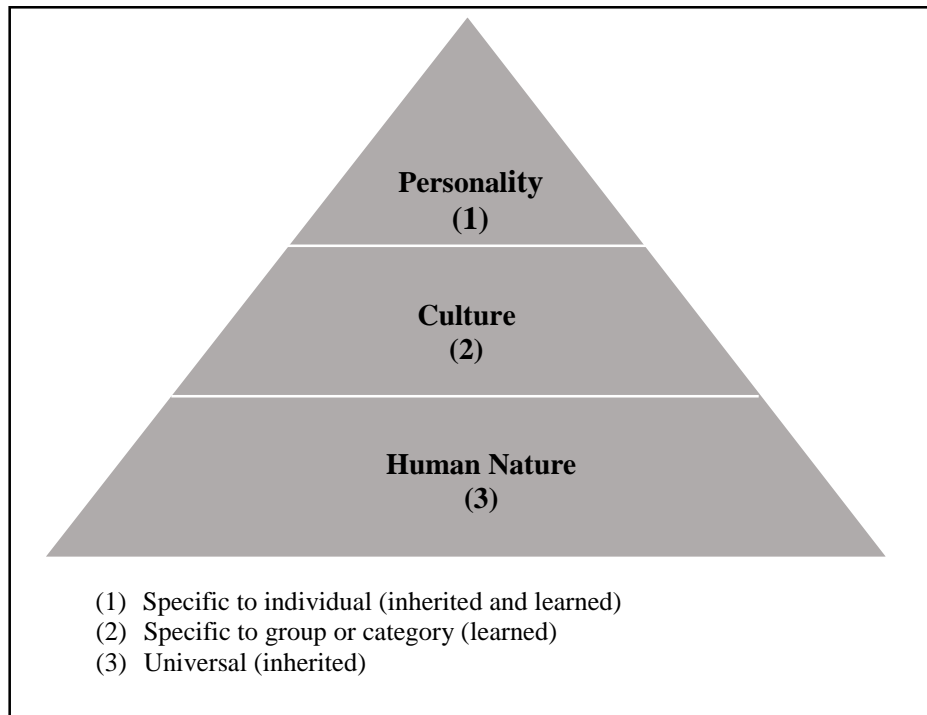


Figure 1.3 Hofstede's "Three levels of Uniqueness in Mental Programming"

Source: Adopted from Hofstede et al. (2010, p. 6)

Although culture and personality are conceptually distinctive, there is an important link between these two levels of mental programming. Cultural psychology theory of personality suggests that culture is one of the most important environmental factors shaping individuals' personalities (Markus & Kitayama, 1998; Triandis & Suh, 2002). As suggested by Markus and Kitayama (1998, p. 66), "... the nature and functioning of personality are not just influenced by culture but are thoroughly culturally constituted". "People develop their personalities over time through their active participation in the various social worlds in which they engage. A cultural psychological perspective implies that there is no personality without culture" (Markus & Kitayama, 1998, p. 66). These cultural influences on the development of personalities have been extensively examined by cultural psychologists, who view culture and personality as inseparable and mutually constitutive (Benet-Martínez & Oishi, 2008; Church, 2000). This interactivity between culture and personality is important in understanding psychological functioning governing individuals' behaviour intention and behaviour in specific cultural

contexts. It is suggested that “culture and personality are most productively analyzed together as a dynamic of mutual constitution” (Markus & Kitayama, 1998, p. 66). As such, to provide holistic insights into the dynamic psychological functioning underlying the influence of various factors on Chinese auditors’ sceptical judgments, this dissertation adopts both cultural and psychological perspectives.

1.4.1 Cultural Perspective – The Emic Approach

While “culture” remains one of the most elusive terms in social science, it is commonly associated with social norms, values, beliefs and customs in a given society (Child, 1981). Consistent with Harrison (1993) and Patel (2006), in this dissertation, culture is defined as the common norms and values that shape the collective thoughts or behaviour of a given society. This concept of culture is consistent with “the emphasis on values and meaning systems contained in a majority of definitions and conceptualizations of culture over the years” (Harrison, 1993, p. 320).

In organisational studies and social science more broadly, there are two long-standing approaches to understanding the role of culture, namely, *emic* and *etic* perspectives (Leung, 2009; Morris, Leung, Ames, & Lickel, 1999; Tsui, 2004; Zhu & Bargiela-Chiappini, 2013). The *emic* or inside perspective strives to describe a particular culture in its own terms, whereas the *etic* or outside perspective attempts to describe differences across cultures in terms of a general and external standard (Leung, 2009; Morris et al., 1999). Accordingly, these two perspectives adopt different conceptual approaches: an emic study describes thoughts and actions primarily in terms of the actors' self-understanding, whereas an etic study describes phenomena in constructs that apply across cultures (Morris et al., 1999; Tsui, 2004). Morris et al. (1999, p. 782) further analyse differing assumptions about culture used by emic and etic researchers, and conclude that “emic researchers tend to assume that a culture is best understood as an interconnected whole or system, whereas etic researchers are more likely to isolate particular components of culture and state hypotheses about their distinct antecedents and

consequences”. Based on different conceptual assumptions, emic and etic approaches have often been associated with different research methods. Ethnographic observation and qualitative data are more likely to be used to support arguments from an emic perspective, whereas etic research is more likely to involve survey methods and quantitative techniques (Morris et al., 1999). However, such association between perspectives and methods is not absolute. Research has shown that survey methods have been used in emic investigations and qualitative methods such as interview and observation have been used in etic research (Cheung, Fan, & To, 2008; Cheung, Cheung, Wada, & Zhang, 2003; Farh, Earley, & Lin, 1997; Nelsen & Barley, 1997).

It is also important to note that while the contrast between the emic and etic approaches have long been recognised, researchers have called for the integrated understanding of the culture that views the emic and etic perspectives as a continuum rather than a dichotomy (Leung, 2009; Morris et al., 1999). Research further suggests that the emic and etic approaches to culture provide equally important insights into cultural understanding (Berry, 1990; Leung, 2009; Morris et al., 1999)

Prior research in auditing that examines cultural influences on auditors’ JDM has largely adopted the etic perspective that focuses on cross-cultural comparisons (Cohen et al., 1995; Nolder & Riley, 2014; Patel, 2006). Very limited research has adopted the emic approach to cultural understanding. This dissertation contributes to the literature by adopting the emic approach to analysing the core cultural values as an interconnected system underlying psychological processes associated with Chinese auditors’ judgments.

Specifically, using the emic approach, this dissertation draws on relevant sociology and psychology literature to provide holistic and comprehensive insights into core Chinese cultural values associated with various antecedents to auditors’ sceptical judgments. In particular, to enrich the understanding of the core cultural values, this dissertation invokes Confucianism, the

traditional philosophy that occupies centre stage in social behaviour, and remains powerful and influential across all Chinese societies (Bell, 2014; Bond & Hwang, 1986; Yao, 2000). This emic approach, which focuses on enriching understanding of core Chinese cultural values in its own terms, complements the dominant etic approach used by cross-cultural studies in auditing, which largely focus on quantified and dimensional approaches. While quantified and dimensional approaches, such as those of Hofstede (1980, 1991) and Hofstede and Bond (1988), have been extensively applied to the examination of cultural influences on auditors' JDM, researchers have called for more holistic approaches drawing on sociological, psychological and other relevant literature to enrich understanding of the complexity of cultural influences (Harrison & McKinnon, 1999; Heidhues & Patel, 2011; Patel, 2004). This dissertation responds to these calls and uses the emic approach to cultural understanding by drawing on relevant sociology and psychology literature to provide holistic insights into relevant Chinese cultural values associated with the dynamics of various antecedents to auditors' sceptical judgments.

Furthermore, this dissertation also responds to calls for within-country studies to provide better insights into cultural influences on auditors' JDM. Research suggests that it should not be assumed that any society is homogeneous and within-country differences can be ignored (Baskerville, 2003; Chand, 2012; Jones, 2007). Evidence has shown that culture gaps within countries matter more than those between countries (Kirkman, Taras, & Steel, 2016). In a meta-analysis of 558 existing studies conducted over the last 35 years on work-related values covering 32 countries from around the world, Kirkman et al. (2016) show that over 80% of the differences in these values were found within countries, and less than 20% of the differences were found between countries. This highlights the importance of within-country studies in understanding cultural influences on auditors' JDM. As such, compared with cross-country studies (Hughes et al., 2009; Lin & Fraser, 2008; Patel et al., 2002; Sweeney, Arnold, & Pierce, 2010), this within-country study focuses on both core cultural values and individual personality in examining antecedents to Chinese auditors' sceptical judgments.

1.4.2 Personality Perspective – The Dynamic Approach

In addition to the aforementioned cultural perspective, this dissertation also adopts a personality perspective in examining Chinese auditors' sceptical judgments. For the purpose of this dissertation, personality is defined as "the dynamic and organized set of characteristics possessed by a person that uniquely influences his or her cognitions, motivations, and behaviors in various situations" (Ryckman, 2007, p. 4). This definition, which reflects the dynamic feature of personality, differs from other definitions using a "trait" approach that focuses on enduring, fixed, and static aspects of personality. For example, according to Schneider and Smith (2004, p. 347), personality refers to those individual attributes that "give form, structure, and consistency to people's behavior over time and situations". This trait approach assumes that personality traits are patterns of thought, emotion, and behaviour that are relatively consistent over time and across situations. The trait approach is limited in providing insights into the complexity and dynamics associated with the organisation, development and behaviour outcomes of personality.

Prior auditing research has largely relied on the "trait" approach in which individual differences in traits and personalities are viewed as internal attributes that are enduring, fixed, and static. For example, individual differences in trait scepticism and predisposition to trust as antecedents to sceptical judgment have been examined in prior research (Hurt, 2010; Quadackers et al., 2014; Rose, 2007). Specifically, prior research has suggested that trait scepticism, as a relatively stable, enduring aspect of personality, is an important factor that influences sceptical judgments (Hurt, 2010; Hurt, et al., 2013; Quadackers et al., 2014). However, evidence shows that personality may be influenced by various factors including cultural and educational experiences (Cross et al., 2000; Epstein, 2003; Hannover et al., 2006). This complexity and dynamics associated with personality variables as antecedents to auditors' sceptical judgment have been largely ignored in prior studies. This dissertation contributes to the literature by using the dynamic approach to understanding personality as an antecedent to auditors' sceptical

judgment, in which personality is considered as changeable and malleable rather than being static and fixed.

This dynamic approach to personality is particularly relevant and important for understanding personality influences on auditors' JDM in the Chinese cultural context given extensive research shows considerable differences in the organisation and behaviour outcomes of personality between collectivist and individualist cultures (Benet-Martínez & Oishi, 2008; Church, 2000; Markus & Kitayama, 1998). Triandis (2001) suggests that collectivists see themselves as interdependent with others and the social contexts that provide for them a stable social environment to which they must adjust, therefore their personality is flexible, and their personality traits are not so salient in governing their behaviour. In contrast, individualists think of the self as stable and the social environment as changeable, so they tend to change the social environment to fit their personalities. "Traits exist in all cultures but account for behavior less in collectivist than in individualist cultures" (Triandis, 2001, p. 912). Consistently, evidence shows that when collectivists make dispositional attributions, the traits they used are malleable, whereas when individualists make such attributions they tend to use traits that are fixed (Choi, Nisbett, & Norenzayan, 1999). These flexible and malleable features of personality in collectivist culture have important implications in examining the influence of personality on Chinese auditors' judgments.

Furthermore, cultural psychology theory suggests that Eastern are mainly context dependent because they are integrated with social contexts and relationships with others, which is very distinct from the Western mode of personality organisation where the person is constructed to be a coherent, stable and consistent being, and is organised by assortment of traitlike attributes (Benet-Martínez & Oishi, 2008; Church, 2000; Markus & Kitayama, 1998). Given cultural differences in the organisation of personality, trait theory prevalent in the West, which views personality traits as relatively stable or enduring characteristics of an individual, may not be equally applicable in Asian cultures (Church, 2000). For example, Markus and Kitayama (1998,

p. 67) argue that “as typically understood within a European American theoretical framework, personality may be an indigenous concept that works well in the West, but may be of little relevance in other cultural contexts”. The context-dependent feature in Eastern cultures, which differs significantly from Western cultures, suggests that prior findings in relation to the influence of personality predominantly from Anglo-American countries may not be equally applicable to the Chinese cultural context. To provide insights into the complexity associated with the flexible, malleable, and context-dependent features of personality and its influences on auditors’ JDM, this dissertation draws on the dynamic approach to personality in examining various antecedents to Chinese auditors’ sceptical judgments.

In summary, recognising the importance of understanding the roles of both culture and personality in influencing individuals’ JDM, this dissertation contributes to the literature by adopting both the emic cultural perspective and the dynamic personality perspective to provide insights into various antecedents to auditors’ sceptical judgments in the Chinese cultural context.

1.5 Aim and Objectives

The aim of this dissertation is to provide empirical evidence on various antecedents to Chinese auditors’ sceptical judgments by taking into account relevant cultural values and within cultural differences in individual auditors’ personality. This aim is attained by three papers comprising this dissertation, which empirically examine the influence of various antecedent factors on Chinese auditors’ sceptical judgments, namely, self-construal, partners’ views, peer pressure and trait scepticism respectively. These factors have been selected because of their particular relevance to the Chinese cultural features of interdependence, collectivism, and *harmony within hierarchy*. Specifically, the three papers have the following objectives:

1. to provide empirical evidence on the influence of self-construal on sceptical judgments of Chinese accounting students, as proxies for entry-level auditors, in Australia and China;

2. to provide empirical evidence on the influence of partners' views on Chinese auditors' judgments of professional scepticism; and
3. to provide empirical evidence on the importance of peer pressure relative to trait scepticism in influencing Chinese auditors' judgments of professional scepticism.

A summary of the aim of this dissertation and the objectives of the three empirical studies that comprise the main part of this dissertation is shown in Figure 1.4.

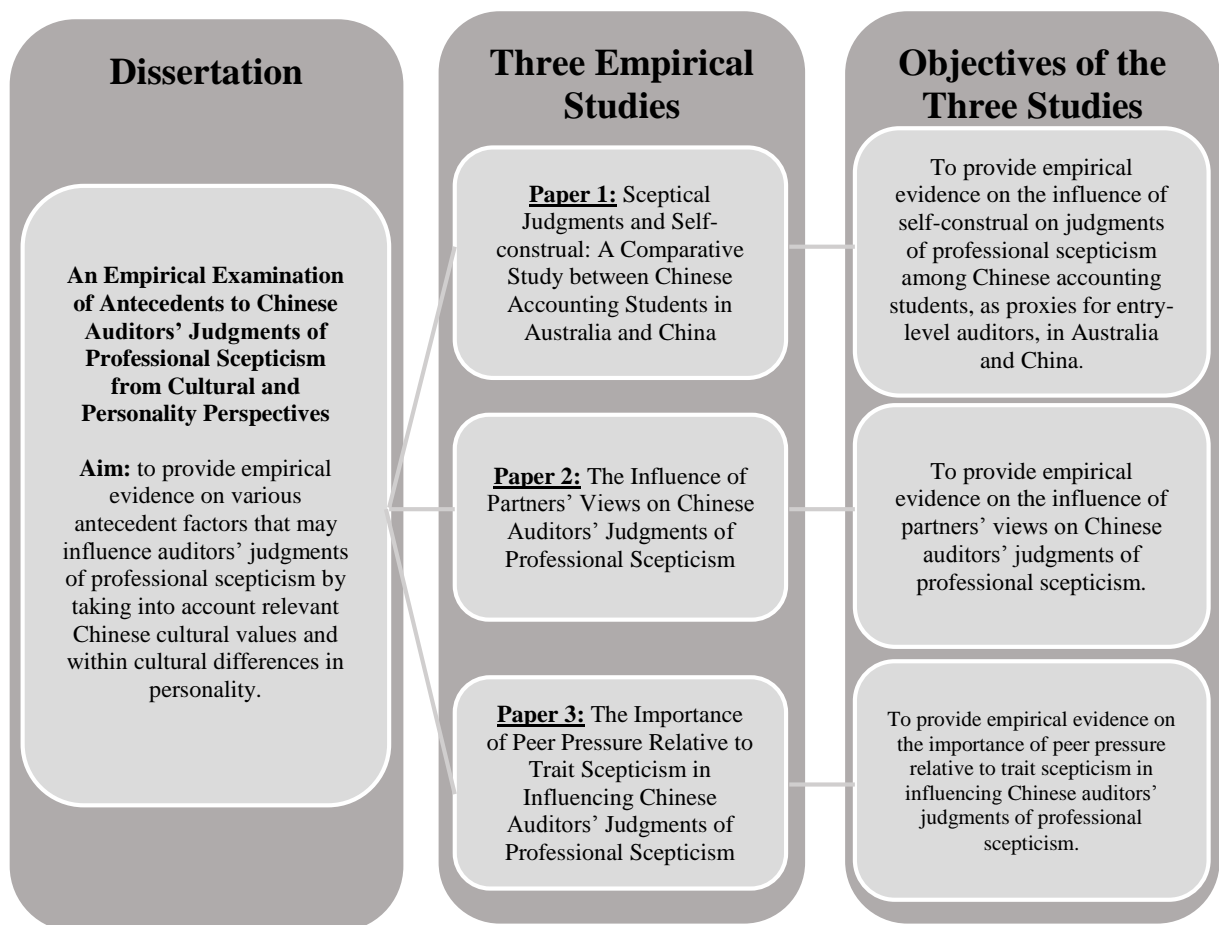


Figure 1.4 Aim of the Dissertation and Objectives of Three Studies

This dissertation uses the ‘thesis by publication’ format and includes three empirical studies.⁵ Each of these studies addresses the aforementioned objectives. An overview of each of the three studies that comprise the main part of this dissertation is provided below.⁶

1.5.1 Paper 1: “Sceptical Judgments and Self-construal: A Comparative Study between Chinese Accounting Students in Australia and China”

This paper provides empirical evidence on the influence of a relevant personality variable, namely, self-construal on sceptical judgments. Self-construal is broadly classified into two categories: independent and interdependent self-construal. Independent self-construal emphasises autonomy, uniqueness, assertiveness and independence from others, whereas interdependent self-construal emphasises belonging, fitting in, conformity, connectedness and harmony with others. To highlight the degree to which individuals see themselves as separate from others or as connected with others, subjects with more independent (interdependent) self-construal are referred to as independents (interdependents). The objective of this study is to examine how Chinese accounting students, as proxies for entry-level auditors, educated in two distinctive learning and cultural environments, Australia and China, are likely to differ in their self-construal, and how these differences may influence their sceptical judgments.

Specifically, based on distinctive learning and cultural environments between China and Australia, the following hypothesis is developed:

H1: Chinese accounting students in Australia will score higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China.

Furthermore, this study examines the influence of self-construal on sceptical judgments through two conflicting and competing perspectives, namely, auditors’ perceived relationship with

⁵ ‘Thesis by publication’ is the preferred format for higher degree research theses at Macquarie University. Macquarie University’s policy requires that a thesis by publication should include relevant papers that have been published, accepted, submitted or prepared for publication. Consistent with Macquarie University’s policy on thesis by publication, this dissertation includes three research papers that have been accepted, submitted for publication in either a referred journal or a conference proceeding. Additional information related to the journal acceptance and submission of the three papers is provided in the overview of each study.

⁶ The contribution of the PhD candidate to each research paper is over 80%.

client management, and auditors' perceived relationship with their superiors. Based on these two conflicting perspectives, the following two competing hypotheses are developed:

H2a: Independents will be more sceptical than interdependents in their judgments.

H2b: Independents will be less sceptical than interdependents in their judgments.

Data to test the hypotheses were collected using a survey administered to final year undergraduate accounting students at two universities, one each in Australia and China. A total of 336 completed responses to the questionnaire was received: 179 from the Chinese university, and 157 from the Australian university. Attributable to differences in learning and cultural environments between China and Australia, the results support the hypothesis H1 showing that Chinese students undertaking university accounting education in Australia scored higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China. Furthermore, the results support hypothesis H2b, which is based on the perspective of auditors' perceived relationship with their superiors showing that independents are less sceptical than interdependents. We argue that interdependents are more concerned with pleasing and maintaining harmonious relationships with their superiors. Therefore, they are more cautious and more rigorous in carrying out their audit duties in order to ensure that they are not criticised by superiors. These findings suggest that possible competing and conflicting perspectives need to be taken into account when examining sceptical judgments. The findings suggest that accounting education is not only a process of transferring technical knowledge and skills, but also involves complex cognitive processes associated with self-construal that may influence subjects' judgments and, therefore, besides technical aspects, greater attention should also be paid to complex cognitive processes that students may experience in different learning and cultural environments. The findings have implications for global standard setters, auditing educators, audit firms and cross-cultural audit research for improving professional training for entry-level auditors as well as auditing education.

This paper has been accepted for publication in a forthcoming (2016) issue of the *Journal of International Accounting Research*. (This is an American Accounting Association journal ranked A by the Australian Business Deans Council [ABDC] Journal ranking)⁷ An earlier version of this paper was presented at *the 26th Asian-Pacific Conference on International Accounting Issues*, Taipei, October 26–29, 2014.⁸

1.5.2 Paper 2: “The Influence of Partners’ Views on Chinese Auditors’ Judgments of Professional Scepticism”

This paper provides empirical evidence on the influence of partners’ views on Chinese auditors’ sceptical judgments. Prior research from Anglo-American settings has shown that auditors’ sceptical judgments are influenced by partners’ known views on PS. This study contributes to the literature by examining the influence of both known and unknown views of partners on auditors’ sceptical judgments. The hypotheses development based on the rigid hierarchical cultural values in China, which emphasise the importance of submission, subordination, obedience, and loyalty towards superiors, together with social contingency theory, suggests that auditors are likely to be under intense pressure to align their judgments with partners’ views. Specifically, the following hypotheses are developed:

H1: Partners’ known views reflecting a high (low) emphasis on professional scepticism will lead to higher (lower) levels of auditors’ professional scepticism.

H2: Unknown views of partners will lead to higher levels of auditors’ professional scepticism.

This paper makes a further contribution to the literature by measuring the intensity of auditors’ perceived pressure when partners’ views are known and examining the influence of such pressure on sceptical judgments. Based on social and personality psychology, this study

⁷ The citation information of the paper is: Ying, S. X. and C. Patel. (forthcoming) “Skeptical judgments and self-construal: A comparative study between Chinese accounting students in Australia and China”, *Journal of International Accounting Research*.

⁸ The citation information of the conference paper is: Ying, S. X. and C. Patel. (2014) “Construal of self and professional scepticism: Judgments of Chinese accounting students in Australia and China”, *The 26th Asian-Pacific Conference on International Accounting Issues*, Taipei, 26–29 October.

suggests that it is also important to recognise within cultural individual differences on perceived pressure among auditors. Specifically, the following hypothesis is developed:

H3: When partners' known views reflect a high (low) emphasis on professional scepticism, auditors perceiving greater pressure from their partners will be more (less) sceptical than auditors perceiving less pressure from their partners.

To test the hypotheses, a between-subjects experiment was conducted with practising auditors in two local and two Big 4 audit firms operating in China. A total of 154 completed responses were received from 216 auditors participating in the experiment. The results support the hypotheses showing that both a high partner emphasis on PS and unknown views of partners, lead to higher levels of auditor scepticism, and that a low partner emphasis on PS leads to lower levels of scepticism. The results further show that a high (low) intensity of perceived pressure strengthens (weakens) the influence of partners' known views on sceptical judgments of auditors. This paper suggests that a better understanding of cultural values and individual differences may be useful in developing strategies to mitigate undesirable influences from partners. The findings have implications for both international and Chinese regulators, as well as audit firms either operating in China or employing auditors from a Chinese cultural background for enhancing auditors' abilities to maintain PS.

This paper was presented at *the 2015 Business & Management Conference of the International Institute of Social and Economic Sciences*, Vienna, 21–24 June.⁹ This paper will be submitted to the *Auditing: A Journal of Practice & Theory*. (This is an American Accounting Association journal ranked A* by ABDC.)

1.5.3 Paper 3: “The Importance of Peer Pressure Relative to Trait Scepticism in Influencing Chinese Auditors’ Judgments of Professional Scepticism”

This paper provides empirical evidence on the influence of peer pressure and trait scepticism on Chinese auditors' sceptical judgments. Drawing on core Chinese cultural values of

⁹ The citation information of the conference paper is: Ying, S. X. and C. Patel. (2015) “The Influence of partners' views on Chinese auditors' judgments related to professional scepticism”, the *2015 Business & Management Conference of the International Institute of Social and Economic Sciences*, Vienna, 21-24 June.

collectivism, interdependence and *harmony within hierarchy*, this study identifies peer pressure as an important factor that may influence auditors' sceptical judgments. A better understanding of the role of peer pressure in influencing auditors' sceptical judgments is important in order to develop strategies to mitigate undesirable effects of this pressure on auditors' abilities to maintain appropriate levels of PS. Consistent with Lord and DeZoort (2001), peer pressure was operationalised by exposing auditors to peers' views. The hypotheses development based on core Chinese cultural values, which emphasise the importance of maintaining harmonious interpersonal relationships, and fitting in with others, suggests that auditors will be susceptible to peer pressure and, therefore, their sceptical judgments will be aligned with their peers' views on PS. Specifically, the following hypothesis is developed:

H1: Peers' views that reflect a high (low) emphasis on professional scepticism will lead to higher (lower) levels of auditors' professional scepticism.

Furthermore, this study extends prior research by examining the importance of peer pressure relative to trait scepticism in influencing auditors' sceptical judgments. Prior studies predominantly from individualist cultures have identified auditors' trait scepticism, a relatively stable, enduring aspect of personality, as an important antecedent to their sceptical judgments (Hurttt, 2010; Popova, 2012; Quadackers et al., 2014). However, these findings from individualist cultures may not be equally applicable in collectivist cultures, such as China because cultural psychology theory of personality has suggested that the extent to which behaviour is determined by personality traits may vary across cultures (Church & Lonner, 1998; Triandis & Suh, 2002). The hypotheses development based on cultural psychology theory of personality suggests that in collectivist cultures, personality is flexible and malleable, so its influences are context-dependent. Given auditors' strong concerns with aligning their judgments with peers' views, rather than validating their internal attributes, the influence of peer pressure is likely to override the influence of trait scepticism on auditors' sceptical judgments. Accordingly, the following hypothesis is developed:

H2: Peer pressure will be of greater importance than trait scepticism in influencing auditors' sceptical judgments.

To test the hypotheses, a between-subjects experiment was conducted with practising auditors employed by one Big 4 and one local audit firms operating in China. A total of 115 usable responses were received from 136 auditors who participated in the experiment. The results support hypothesis H1 showing that peers' views that reflect a high (low) emphasis on PS lead to higher (lower) levels of auditor scepticism. Furthermore, the results also support hypothesis H2 showing that while peer pressure influences auditors' sceptical judgments, trait scepticism does not, which suggests that peer pressure is of greater importance in influencing auditors' sceptical judgments than trait scepticism. The findings suggest that in the Chinese cultural context with emphasis on maintaining harmonious interpersonal relationships, fitting in with others, adjusting and restraining self, the influence of peer pressure may override the influence of trait scepticism on auditors' sceptical judgments. The findings have implications for global standard setters, Chinese regulators, and audit firms.

This paper has been accepted for presentation at *the 28th Asian-Pacific Conference on International Accounting Issues* to be held in Maui, November 6-9, 2016. This paper has been submitted to the *European Accounting Review*. (This is a European Accounting Association journal ranked A* by ABDC.)

1.6 Research Methodology

To examine various antecedents to auditors' sceptical judgments, survey and experimental methods have been used to test the hypotheses in the three empirical studies in this dissertation. In Study 1, a survey method was used to collect data from Chinese accounting students undertaking university accounting education in Australia and China to examine the influence of self-construal on sceptical judgments. Surveys allow the relations between the variables of interest to be rigorously studied and provide higher external validity (Smith, 2014). In both Study 2 and Study 3, the experimental method was used to examine the influence of partners'

views and peer pressure on auditors' sceptical judgments respectively. Experiments are the most common method used in audit judgment research because they provide a comparative advantage in disentangling inter-related elements of the auditing setting (Trotman, 2001). The experimental method allows the researcher to examine certain variables while holding others constant and thus enabling the inference of causal effects (Trotman, 1996). Experiment is one of the most powerful research methods used to study auditor judgment and decision making and for testing and refining theories about causal relationships (Peecher & Solomon, 2001; Solomon & Trotman, 2003).

Moreover, hypothetical auditing scenarios were used in the research instruments to elicit participants' sceptical judgments. Scenarios allow studies to frame research questions to incorporate complex and multidimensional issues reflecting decision making in the real world (Cavanagh & Fritzsche, 1985; Patel, 2006). This allows empirical researchers using cases to elicit from respondents their belief, preferences, intentions, judgments, or intended behaviours regarding the subject matters (Weber, 1992).

Specifically, Paper 1 (Chapter 2), "Sceptical Judgments and Self-construal: A Comparative Study between Chinese Accounting Students in Australia and China", invokes the literature in psychology and sociology to examine the influence of self-construal on sceptical judgments among Chinese accounting students in two distinctive educational and cultural environments, namely Australia and China. These two national settings have been selected because both countries have similar accounting, auditing and accounting education standards, but very distinctive educational environments.¹⁰ Australia represents the learner-centred learning environment of Anglo-American countries whereas China represents the teacher-centred learning environment of Asian countries. These national settings provide unique environments for examining how learning and cultural environments may contribute to differences in self-

¹⁰ Both Australia and China have adopted the international professional standards, including International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants, and the International Education Standards for Professional Accountants (IES).

construal of accounting students, and how these differences may influence their sceptical judgments. Furthermore, consistent with prior studies (Fleming et al., 2010; Hughes et al., 2009), final year undergraduate accounting students have been selected as proxies for entry-level auditors. Also, this study focuses on entry-level auditors because they have not been socialised and influenced by organisational cultures of audit firms and, therefore, the possible confounding influences of subjects' professional experience and organisational culture of audit firms on their judgments can be controlled to a large extent (Liyanarachchi & Milne, 2005; Patel & Psaros, 2000; Peecher & Solomon, 2001). Moreover, by selecting subjects from the same cultural origin but undertaking accounting education in two different learning and cultural environments, this study also enables the disentangling of the influence of cultural origin and that of learning and cultural environments.

Data to test the hypotheses in Paper 1 were collected using a survey administered to final year undergraduate accounting students at two universities, one each in Australia and China. The selected universities are located in important commercial centres of their respective countries, namely, Sydney and Guangzhou. The accounting schools at both universities offer undergraduate programs accredited by the Institute of Certified Public Accountants in their respective countries. Graduates from these programs are usually targeted by accounting firms including the Big 4 for recruiting entry-level auditors (Chan & Ho, 2000; Chand, Cumming, & Patel, 2012). Moreover, accounting curricula of both universities are largely based on IFRS, ISA, and the Code of Ethics for Professional Accountants.¹¹

The independent variable, self-construal, was measured by the self-construal scale developed by Singelis (1994). The self-construal scale has been tested for validity and reliability, and extensively used in prior research (Brockner, De Cremer, van den Bos, & Chen, 2005; Hamilton & Biehal, 2005; Hardin, Leong, & Bhagwat, 2004; Hsu, 2002; Milyavskaya, Reoch, Koestner,

¹¹ China officially adopted IFRS in 2007, and has attained convergence with the international professional standards, including the International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants, and the International Education Standards for Professional Accountants (IES) (IFAC 2010).

& Losier, 2010; Neumann, Steinhäuser, & Roeder, 2009; Van Horen, Pöhlmann, Koeppen, & Hannover, 2008). The dependent variable, sceptical judgment, was measured by four items including the likelihood of trusting client-provided audit evidence, the likelihood of questioning the truthfulness of client-provided audit evidence, the likelihood of searching for additional audit evidence, and perceived fraud risk of clients. These four measurements were adopted based on a review of the prior literature on PS (Carpenter & Reimers, 2013; Hurtt, 2010; Kerler III & Killough, 2009; Nelson, 2009; Payne & Ramsay, 2005; Quadackers et al., 2014; Rose & Rose, 2003; Shaub, 1996).

To ensure that all participants received the same information, all relevant instructions were provided in the same format. To ensure consistency, the researchers personally administered the survey questionnaire during the last auditing lectures before the final examinations at both universities. The survey took around 20 minutes to complete. A total of 336 completed responses to the questionnaire were received: 179 from the Chinese university representing a response rate of 87%, and 157 from the Australian university representing a response rate of 81%. Additional details regarding the design and pilot test of the research instrument as well as administration procedure are described in the ‘Research Method’ section of Chapter 2.

Paper 2 (Chapter 3), “The Influence of Partners’ Views on Chinese Auditors’ Judgments of Professional Scepticism”, utilised a between-subjects experimental design to examine the influence of partners’ views on auditors’ sceptical judgments. One independent variable (a manipulated variable), *partners’ views on PS*, was manipulated across three groups: (1) a group in which partners’ views are unknown; (2) a group in which partners’ known views reflect a low emphasis on PS; and (3) a group in which partners’ known views reflect a high emphasis on PS. Participants were randomly assigned to one of these three groups. The other independent variable, the intensity of auditors’ perceived pressure from the partners, is a measured variable. Specifically, consistent with prior studies on pressure effects (DeZoort, Harrison, & Taylor, 2006; Lord & DeZoort, 2001), participants were asked how much pressure they would feel to

follow the partner's suggestion if the situation was real, on a scale anchored with "no pressure at all" and "a great deal of pressure".

A total of 154 usable responses was received from 216 auditors voluntarily participating in the experiment of Study 2. Sixty-two responses were incomplete and, therefore, were excluded from the analysis. This represents a response rate of approximately 71%. The participants were practising auditors employed by two Big 4 and two local audit firms operating in mainland China.¹² Consistent with Shafer (2009), local Chinese audit firms are defined as firms that have no operations outside mainland China. Participants' positions ranged from associate auditors to managers. These auditors are appropriate participants because they are likely to be subject to the influence of partners' views. The experiment was conducted at training sessions of each of the four participating firms. One of the researchers attended all four experimental sessions to ensure consistency in the procedure of administering the research instrument. Additional details regarding the design and pilot test of the research instrument as well as the administration procedure are described in the 'Research Method' section of Chapter 3.

Finally, Paper 3 (Chapter 4), "The Importance of Peer Pressure Relative to Trait Scepticism in Influencing Chinese Auditors' Judgments of Professional Scepticism", employed a between-subjects experimental design. Consistent with Lord and DeZoort (2001), peer pressure was operationalised by exposing auditors to peers' views. Specifically, peers' views were manipulated between two groups: (1) a group in which peers' views reflect a high emphasis on PS; and (2) a group in which peers' views reflect a low emphasis on PS. Participants were randomly assigned to one of these two groups. Furthermore, trait scepticism was measured by Hurtt's scale (2010). This scale has been tested for validity and reliability, and extensively used in prior research (Carpenter & Reimers, 2013; Quadackers et al., 2014). Based on the measured

¹² The two local firms and two Big 4 audit firms are located in Guangzhou, Nanjing, Shenzhen, and Shanghai. These cities are among the most important commercial centres in China. Guangzhou and Nanjing are the capital cities of Guangdong and Jiangsu provinces respectively. These two provinces had the largest and the second largest GDPs among the provinces of China from 2008 to 2012 (National Bureau of Statistics of China, 2013).

trait scepticism scores, participants were classified into two groups as either higher or lower trait scepticism.

A total of 115 completed responses were received from 136 auditors who participated in the experiment of Study 3, representing a response rate of 85%. Participants were practising auditors employed by one Big 4 firm and one local audit firm operating in mainland China.¹³ Participants' positions ranged from associate auditors to partners. The experiment was conducted at training sessions of the participating firms. One of the researchers attended two experimental sessions to ensure consistency in procedures for administering the research instrument. Additional details regarding the design and pilot test of the research instrument as well as administration procedure are described in the 'Research Method' section of Chapter 4.

In summary, this dissertation aims to provide insights into various antecedents to Chinese auditors' sceptical judgments, with a particular emphasis on cultural and personality perspectives. Corresponding to this aim, the three empirical studies comprising the dissertation use survey and experimental methods and contribute to the auditing literature by emphasising the psychological functioning underlying JDM processes of auditors.

Ethics approval for this research project was granted by the Faculty of Business & Economics Human Ethics Sub-Committee, Macquarie University [Reference No. 5201300215 and 5201400838]. The English versions of the research instrument used in each of the three studies are provided in Appendices 1, 2 and 3 respectively. The final ethics approval letters are shown in Appendix 4.

1.7 Contributions

This dissertation makes a number of theoretical and methodological contributions to auditing research, particularly to research in PS and auditors' JDM. First, the literature on auditors' JDM

¹³ The local and Big 4 audit firms are located in Shenzhen and Shanghai respectively. Both cities are among the most important commercial centres in China.

has recognised the role of culture or personality in influencing auditors' JDM in isolation. This dissertation contributes to the literature and provides better insights into the psychological functioning underlying auditors' JDM by adopting both cultural and personality perspectives. Specifically, using the emic cultural perspective, this study contributes to the literature by providing insights into the richness and complexity of the core cultural values underlying psychological processes associated with Chinese auditors' judgments. Consistent with suggestions by prior research (Harrison & McKinnon, 1999; Patel, 2004), this dissertation draws on historical, sociological and other relevant literature, including studies on Confucianism and cultural psychology, to provide an in-depth understanding of Chinese core cultural values that are relevant to auditors' judgments. Moreover, by adopting a personality perspective, this dissertation demonstrates that it is also important to recognise within cultural differences in individual auditors' personality that may influence their PS and JDM. Further, this dissertation contributes to the literature by using the dynamic approach to understanding personality, in which personality is considered as flexible and malleable rather than being static and fixed. This dynamic personality perspective provides better insights into the complexity and dynamics associated with personality variables as antecedents to auditors' PS and JDM. The findings on various antecedents to Chinese auditors' sceptical judgments provide further evidence of the necessity to integrate both the emic cultural perspective and the dynamic personality perspective in examining auditors' PS and JDM.

Furthermore, this dissertation contributes to the literature by examining auditors' JDM with a specific focus on the Chinese cultural context. Prior studies on auditors' JDM have largely been conducted in Anglo-American countries and research in other cultural contexts is scant (Nelson & Tan, 2005; Nolder & Riley, 2014). There have been calls in the literature to examine auditors' JDM in countries where prevalent cultural values significantly differ from those of the US and other Anglo-American countries (Humphrey, 2008; Trotman, 1999; Wu & Patel, 2015). Furthermore, a better understanding of JDM among auditors from different national cultures is

particularly important given the increasing proportion of Asian employees hired in Anglo-American countries such as the US.¹⁴ To address the changing multicultural environment of audit firms, and the shifting cultural makeup of audit staff, Nolder and Riley (2014) call for research that can contribute to managing the growing cultural diversity in audit firms. This dissertation responds to these calls and contributes to better understanding of auditors' JDM beyond Anglo-American settings.

Paper 1 (Chapter 2) contributes to the literature by providing empirical evidence to show that self-construal is a relevant and important personality variable that influences sceptical judgments. Specifically, the chapter shows that Chinese accounting students, as proxies for entry-level auditors, in two distinctive learning and cultural environments, Australia and China, significantly differ in their self-construal, and these differences influence their sceptical judgments. The findings suggest that accounting education is not only a process of transferring technical knowledge and skills, but also involves complex cognitive processes associated with self-construal which may influence subjects' judgments. It is suggested that, besides technical aspects, greater attention should also be paid to complex cognitive processes that students may experience in different learning and cultural environments. Further, the chapter challenges the suggestion by IAESB that accounting educators should focus on learner-centred teaching approach, which is largely derived from Anglo-American countries' education system and significantly differs from teacher-centred approaches used in Asian countries.

Paper 2 (Chapter 3) contributes to the literature by providing experimental evidence on the influence of partners' views on auditors' sceptical judgments in the Chinese context. Based on core Chinese cultural values that emphasise the importance of submission, subordination, obedience, and loyalty towards superiors, the chapter provides evidence that auditors' sceptical

¹⁴ According to the report of the American Institute of Certified Public Accountants (AICPA) (2015) on *Trend in The Supply of Accounting Graduates and the Demand for Public Accounting Recruits*, since 2011 one-third of new staff hired in US accounting firms were non-Caucasians, and half of these were Asian. Similarly, Lee (2012) reports that one-third of Ernst and Young's recruits from US campuses are non-Caucasians.

judgments are influenced by both known and unknown views of partners, as well as individual differences in the intensity of auditors' perceived pressure from partners. The findings reflect the importance of partners' setting proper "tone at the top", particularly in countries such as China where auditors are under intense cultural pressure to align their judgments with partners. The chapter contributes to the literature by taking into account both relevant cultural values and within cultural individual differences to examine the influence of partners' views on sceptical judgments.

Paper 3 (Chapter 4) contributes to the literature by providing empirical evidence to show that peer pressure is of greater importance than trait scepticism in influencing Chinese auditors' sceptical judgments. The findings suggest that in the Chinese cultural context where fitting in and maintaining harmonious interpersonal relationships with others as well as adjusting and restraining self are paramount, the influence of peer pressure may override the influence of trait scepticism on auditors' sceptical judgments. The findings demonstrate that it is crucial to take into account the relative importance of peer pressure versus trait scepticism as antecedents to sceptical judgments, particularly in collectivist cultural contexts where personality influences are context-dependent and may not be as salient as in individualist cultures. The findings support the cultural psychology theory of personality by showing that in the Chinese cultural context, interpersonal relationships are more important than individuals' personality traits in influencing auditors' judgments. The findings also suggest that prior evidence on auditors' judgments predominantly from the US may not be equally applicable to other collectivist cultural contexts. The chapter further contributes to international accounting research by showing the importance of taking into account cultural contexts in examining auditors' judgments (Doupnik & Tsakumis, 2004; Harrison & McKinnon, 1986; Heidhues & Patel, 2011; Hopwood, 1983). Moreover, the chapter contributes to the literature by providing a better understanding of the role of peer pressure in influencing auditors' sceptical judgments. This understanding is particularly useful in collectivist cultural contexts, such as China, in

developing strategies to mitigate the undesirable effects of this pressure on auditors' abilities to maintain appropriate levels of PS.

1.8 Structure of the Dissertation

The remainder of the dissertation is comprised of four chapters. Chapter 2 presents paper 1 that examines the influence of self-construal on sceptical judgments among Chinese Accounting Students in Australia and China. Chapter 3 presents paper 2 that examines the influence of partners' views on Chinese auditors' sceptical judgments. Chapter 4 presents paper 3 that examines the importance of peer pressure relative to trait scepticism in influencing Chinese auditors' judgments of professional scepticism. Chapter 5 concludes the dissertation by summarising and synthesising the three studies and discussing the implications of the findings along with the limitations of the research.

Chapter 2: Sceptical Judgments and Self-construal: A Comparative Study between Chinese Accounting Students in Australia and China

2.1 Introduction

Professional scepticism (hereafter PS) remains one of the most important and underexplored topics in auditing (Bell et al., 2005; Carpenter & Reimers, 2013; Hurtt et al., 2013; Nelson, 2009; Quadackers et al., 2014; Trotman, 2011). PS is defined as “an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence” (International Auditing and Assurance Standards Board (IAASB), 2012a, p. 78; 2014a, p. 30). PS has been widely recognised as the foundation of the profession and the cornerstone of audit quality (Bell et al., 2005; Hurtt, 2010; Nelson, 2009; Shaub & Lawrence, 1996; Trotman, 2011). Auditing regulators worldwide continue to stress the importance of PS in both audit practices and education.¹⁵ For example, IAASB (2012b, p. 4) states that PS “plays a fundamentally important role in the audit and forms an integral part of the auditor’s skill set”. Also, the International Education Standards for Professional Accountants (IES) specify that PS is an essential skill that graduates seeking to become professional accountants should acquire (International Accounting

¹⁵ See IAASB (2012b) issued document, entitled, “Professional Skepticism in an Audit of Financial Statements”; the USA Public Company Accounting Oversight Board (PCAOB) (2012) published document, entitled, “Staff Audit Practice Alert on Maintaining and Applying Professional Scepticism in Audits”, the UK Auditing Practicing Board (APB) (2012) issued document, entitled, “Auditor Scepticism: Raising the Bar in August 2010 and Professional Scepticism: Establishing a Common Understanding and Reaffirming Its Central Role in Delivering Audit Quality”, the Australian Auditing and Assurance Standards Board (AUASB) (2012) issued document, entitled, “Professional Scepticism in an Audit of a Financial Report”, and the International Accounting Education Standards Board (IAESB) (2010) issued International Education Standards (IES) 8, entitled, “Competence Requirements for Audit Professionals”.

Education Standards Board (IAESB), 2015). Despite its widely recognised importance, there is a lack of adequate empirical evidence about various antecedents to sceptical judgment (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009).¹⁶

Researchers such as Nelson (2009) and Hurtt et al. (2013) have developed theoretical models of PS. Building upon Nelson's (2009) model, Hurtt et al. (2013) have developed a model of PS that categorizes various antecedents to sceptical judgment into four categories: first, auditor characteristics (Hurtt, 2010; McMillan & White, 1993; Payne & Ramsay, 2005; Popova, 2012; Quadackers et al., 2014; Rose, 2007; Shaub & Lawrence, 1996), second, evidential characteristics (Fukukawa & Mock, 2011; Trompeter & Wright, 2010), third, client characteristics (Kerler III & Killough, 2009; Quadackers et al., 2014; Robertson, 2010), and four, environmental influences (Carpenter & Reimers, 2013; Hammersley et al., 2010; Kim & Trotman, 2015; Peecher et al., 2010; Piercey, 2011). Of particular relevance to this paper is individual trait and personality which is listed as one of the important auditor characteristics.

While individual differences in trait scepticism and predisposition to trust as antecedents to sceptical judgment have been examined in prior research (Hurtt, 2010; Quadackers et al., 2014; Rose, 2007), very little attention has been drawn to the influence of relevant personality variables on sceptical judgments. Additionally, prior research has largely relied on the "trait" approach in which individual differences in traits and personalities are viewed as internal

¹⁶ Prior research distinguishes two essential components of PS: sceptical judgment and sceptical action (Hurtt et al., 2013; Nelson, 2009). Sceptical judgment occurs when an auditors recognises that a potential issue may exist and that more work or effort is necessary. Sceptical action occurs when an auditor changes his/her behaviour based on the sceptical judgment. While both components are important to audit practices and education, this paper focuses on sceptical judgment because it is a necessary condition and an obvious primary driver of sceptical action (Hurtt, 2013; Nelson, 2009).

attributes that are enduring, fixed, and static. However, evidence shows that personality may be influenced by various factors, including cultural and educational experiences (Cross, Bacon, & Morris, 2000; Epstein, 2003; Hannover, Birkner, & Pöhlmann, 2006). Such complexity and dynamics associated with personality variables as antecedents to sceptical judgments have been largely ignored in prior studies. This paper addresses this gap in the literature by examining the influence of an important and relevant antecedent personality variable, namely self-construal on sceptical judgment.

“Self-construal is conceptualized as a constellation of thoughts, feeling, and actions concerning one’s relationship to others, and the self as distinct from others” (Singelis, 1994, p. 581). Self-construal has been selected because this variable captures complex cognitive processes experienced by individuals and is fundamental in explaining individual differences at both cultural and personality levels (Boucher & Maslach, 2009; Cross et al., 2000; Farh, Hackett, & Liang, 2007; Markus & Kitayama, 1991). Psychology literature clearly shows that self-construal plays a fundamental role in regulating various psychological processes including cognition, motivation and judgments (Markus & Kitayama, 1991, 1998; Rhee, Uleman, Lee, & Roman, 1995). Self-construal is broadly classified into two categories, namely independent and interdependent self-construal. Independent and interdependent self-construal are linked to individualism and collectivism, which are the most widely used dimensions by researchers to categorize national cultures (Boucher & Maslach, 2009; Farh et al., 2007; Patel & Psaros, 2000; Schwartz, 1990, 1992; Singelis, 1994; Triandis, 1989). Independent self-construal views the self as being separate from their social context and thus emphasizes autonomy, uniqueness, assertiveness, and independence from others, whereas interdependent self-construal views the self as a constituent of a broader social context which emphasizes belonging, fitting in,

conformity, connectedness and harmony with others (Cross et al., 2000; Markus & Kitayama, 1991, 1998; Singelis, 1994). For the purpose of this study, to highlight the degree to which individuals see themselves as separate from others or as connected with others, subjects with more independent (interdependent) self-construal are referred to as independents (interdependents).

Specifically, this paper examines the influence of independent and interdependent self-construal on sceptical judgments among Chinese accounting students in two distinctive educational and cultural environments, namely Australia and China. Consistent with prior studies (Fleming et al., 2010; Hughes et al., 2009), final year undergraduate accounting students have been selected as proxies for entry-level auditors. This study focuses on entry-level auditors because they have not been socialized and influenced by organizational cultures of audit firms and, therefore, the possible confounding influences of subjects' professional experience and organizational culture of audit firms on their judgments can be controlled to a large extent (Liyanarachchi & Milne, 2005; Patel & Psaros, 2000; Peecher & Solomon, 2001). Furthermore, by selecting subjects from the same cultural origin but undertaking accounting education in two different learning and cultural environments, this paper also responds to the calls in cross-cultural auditing research for examining audit judgments among subjects who are exposed to two different cultural environments (Hurt et al., 2013; Nolder & Riley, 2014). Additionally, focusing on these subjects enables us to disentangle the influence of cultural origin and that of learning and cultural environments.

Australia and China have been selected because both countries have similar accounting, auditing and accounting education standards, but very distinctive educational environments.¹⁷ In Australia, with the focus of learner-centred learning, challenging existing knowledge, and independent thinking, individualized learning approaches are largely emphasized. In contrast, educational environment in China largely focuses on teacher-centred learning in which acquisition and accumulation of existing knowledge, as well as maintaining harmonious teacher-students relationships are emphasized (Boyle, 2000; Chan & Rao, 2009; Patel, Tweedie, & Millanta, 2016; Watkins, 2000; Watkins, 1996; Wu & Tong, 2004). These national settings provide unique environments to examine how learning and cultural environments may contribute to differences in self-construal of accounting students and how these differences may influence their sceptical judgments. Importantly, Australia represents the learner-centred learning environments in Anglo-American countries whereas China represents the teacher-centred learning environments in Asian countries. As such, the findings may be generalizable to other Anglo-American and Asian countries.

This paper first examines how Chinese students undertaking university accounting education in Australia are likely to differ in their self-construal compared to their counterparts in China.¹⁸

¹⁷ Both Australia and China have adopted the international professional standards, including the International Financial Reporting Standards (IFRS), the International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants, and the International Education Standards for Professional Accountants (IES).

¹⁸ To provide equivalence between students in Australia and China, the following steps were taken: First, the accounting schools at both selected universities, one each in Australia and China, offer undergraduate programs accredited by the Institute of Certified Public Accountants in their respective countries. Second, accounting curricula of both universities are largely based on IFRS, ISA, and the Code of Ethics for Professional Accountants. Third, participants were all final year undergraduate Chinese accounting students who had completed the majority of their auditing courses. All participants indicated that they have learnt the concept of professional scepticism in auditing. Fourth, to ensure that all participants received the same information, all relevant instructions were provided in the same format. To ensure consistency, the researchers personally administered the survey

Evidence shows that intercultural experience, such as immersion in different educational and cultural environments may result in cognitive differences in individuals' self-construal (Boucher & Maslach, 2009; Cross et al., 2000; Hannover et al., 2006; Singelis, 1994; Triandis, 1989). Attributable to differences in learning and cultural environments between China and Australia, the results show that Chinese accounting students in Australia scored higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China.

This paper then examines how independent and interdependent self-construal are likely to influence sceptical judgments of Chinese accounting students in Australia and China. Prior research and models of PS have not examined the possibility that there may be conflicting perspectives in understanding antecedents to sceptical judgments. This study addresses this gap in the literature by examining the influence of self-construal on sceptical judgments through two perspectives that provide conflicting reasonings. The first perspective is based on auditors' perceived relationship with client management, whereas the second perspective is based on auditors' perceived relationship with their superiors. Drawing on these perspectives, this paper develops two alternative hypotheses simultaneously by adopting a competing hypothesis approach. It is suggested that when two or more conflicting reasoning can be derived from prior knowledge and evidence, the competing hypothesis approach is more appropriate than the dominant hypothesis approach (Armstrong, Brodie, & Parsons, 2001; Choi & Cho, 2011).

questionnaire during auditing lectures at both universities. Additional details are provided in the research method section.

Specifically, based on the perspective of auditors' perceived relationship with client management, this paper argues that independents are less concerned about angering the client management and, therefore, they are less likely to compromise, more likely to confront, question and challenge client management. Based on this reasoning, this paper formulates the hypothesis that independents are likely to be more sceptical than interdependents. In contrast, based on the conflicting perspective of auditors' perceived relationship with their superiors, this paper argues that interdependents are more concerned with pleasing and maintaining harmonious relationships with their superiors. It is important for interdependents not to attract superiors' criticisms. Therefore, to please their superiors and ensure that they would not be criticized by their superiors for failing to detect possible material misstatement in clients' financial statements, interdependents are likely to be more cautious and more rigorous in carrying out their audit duties. Based on this reasoning, this paper formulates the competing hypothesis that independents are likely to be less sceptical than interdependents. Additional details are provided in hypotheses development section of this paper.

The results support the perspective based on auditors' perceived relationship with superiors and show that interdependents are more sceptical than independents. The findings suggest that when exercising sceptical judgments, entry-level auditors may place greater importance on pleasing and maintaining harmonious relationships with their superiors, rather than being concerned with angering their client management. This paper contributes to the literature on PS by providing empirical evidence that these two competing and conflicting perspectives need to be taken into account.

The remainder of this paper is organized as follows. Section Two provides background

information about the international convergence of accounting education and relevant literature on PS, which is followed by hypotheses development in Section Three. The research method is described in Section Four and the empirical results are presented in Section Five. Section Six concludes the paper.

2.2 Background

2.2.1 International Convergence of Accounting Education and Cross-cultural Audit Research

Forces of globalization are driving the accounting profession worldwide toward the use of a common set of professional standards on financial reporting, auditing, and accounting education. While the worldwide increasing acceptance of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) has raised growing research attention worldwide,¹⁹ very few studies have been directed towards international convergence of accounting education (McPeak, Pincus, & Sundem, 2012; Needles Jr, 2005, 2008; Needles Jr, 2010). In response to the pressing need for global convergence of accounting education, the International Federation of Accountants (IFAC) established the International Accounting Education Standards Board (IAESB) to develop the International Education Standards for Professional Accountants (IES) (IFAC 2003).²⁰ IES provides a global framework for

¹⁹ According to the report of the International Accounting Standards Board (IASB), *Jurisdiction Profiles for IFRS Application around the World*, 133 jurisdictions have made a public statement committing to IFRS as the global accounting standards, and IFRS are required or permitted for all or most listed companies in 119 jurisdictions (IASB, 2016; Pacter, 2014). According to the IFAC report, *Basis of ISA Adoption by Jurisdiction Chart*, 111 jurisdictions have adopted or in the process of adopting ISA issued by IAASB (IFAC, 2015a)

²⁰ IFAC is a global organization for the accountancy profession which is comprised of 179 members and associates in 130 jurisdictions. It is stated that, “the vision of IAESB is to work in the public interest to develop high-quality accounting education standards and guidance that are adopted and applied internationally” (IFAC, 2015c, p. 1).

accounting education and prescribes the range of professional knowledge, professional skills, professional values, ethics, and attitudes required for preparing prospective accounting professionals for entry into the profession and continuing professional development (IAESB, 2015). In implementing the IES requirements, IFAC allows its member bodies to use a variety of different teaching methods as long as the outcomes are of equivalent standard (IAESB, 2009, p. 40). However, the IES does not provide any specific guidelines to assist in achieving prescribed outcomes across countries (Sugahara & Boland, 2010). This paper argues that although curricula based on technical knowledge and skills can be aligned based on IES, diversity in learning and cultural environments across countries is likely to present serious challenges in attaining global convergence of accounting education.

Importantly, one of the main objectives of IES is to “promote internationally accepted standards in accounting and auditing”, so as to address the increased need for “consistent and high-quality financial reporting within countries and across borders” (IAESB, 2010, p. 83). The move towards global convergence of IFRS and ISA aims to enhance international comparability of financial reporting and uniformity of audit practices throughout the world (IASB, 2015; IAASB, 2015a). Given the strong reliance on professional judgments in IFRS and ISA,²¹ one major challenge facing the global standard setters is to ensure that accounting practitioners and students across and within countries are consistent in their judgments related to key concepts embedded in the professional standards. Consistency in judgments is also of importance to

Compliance with the IES is one of the obligations in the *Statement of Membership Obligations* that sets conditions for IFAC membership.

²¹ IFRS and IAS, as internationally accepted standards in accounting and auditing, are largely based on the Anglo-American model of accounting and accountability that emphasize the ‘substance-over-form’ approach with a strong reliance on professional judgments (Heidhues & Patel, 2011).

accounting firms operating cross-nationally and seeking to implement a single global set of audit procedures and codes of professional conduct (Patel et al., 2002). Given this global importance on consistency in judgments, training and educational programs need to pay greater attention to various factors that may lead to differences in judgments of auditing practitioners and students across and within countries.

To enhance our understanding of various factors influencing judgments in auditing across countries, a number of studies have examined cultural influences in the contexts of perception of external auditors' independence (Patel & Psaros, 2000), performing analytical procedures in auditing (Hughes et al., 2009; O'Donnell & Prather-Kinsey, 2010), materiality estimates (Arnold, Bernardi, & Neidermeyer, 2001), conflict decisions in auditing (Fleming et al., 2010; Lin & Fraser, 2008; Patel et al., 2002), and ethical decision making (Curtis, Conover, & Chui, 2012; Smith & Hume, 2005; Sweeney et al., 2010). While these studies establish the importance of culture in influencing judgments of auditing practitioners and students from different countries of origin, they have largely ignored a number of important issues associated with the complexity of cultural influences and globalization. First, these studies have commonly equated countries of origin with cultures and assumed homogeneity in cultural values within a nation. However, a country is not necessarily a homogenous whole (Baskerville, 2003; Jones, 2007; McSweeney, 2002). International accounting researchers have called for research to go beyond the aggregate national level of analysis and explore differences at individual levels (Baskerville, 2003; Chand, 2012; Harrison & McKinnon, 1999; Patel, 2003). Specifically, in the context of increased global movement and cross-cultural interactions among auditing practitioners and students across countries, there are calls for examining audit judgments of subjects who are exposed to two different cultural environments (Hurtt et al., 2013; Nolder & Riley, 2014). This

paper responds to these calls in the literature by examining sceptical judgments of Chinese students undertaking university accounting education in Australia and China.

Second, prior studies have mainly attributed differences in audit judgments across countries to the influence of cultural origin and largely failed to control possible confounding influences including differences in educational environments across countries. In a recent literature review of cross-cultural audit research, Nolder and Riley (2014, p. 152) suggest that, “by restricting the examination of culture on judgments and decision making to auditors residing in their native countries, the researchers are not able to tease apart the extent to which an individual’s cultural values, as opposed to other factors in the national context are driving the results.” This paper suggests that further insights can be obtained by examining differences in judgments of subjects from the same cultural origin but undertaking accounting education in different learning and cultural environments.

In addition, existing research has also ignored the increasing global movement of students crossing borders to undertake university education. A growing number of international students from countries such as China and India have been undertaking university education in Anglo-American countries such as the US, the UK, and Australia. According to a report issued by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the number of students undertaking university education abroad has increased from 2 million in 2000 to 4 million in 2012 (UNESCO, 2014). Globally, the US, the UK, France, Australia, and Germany are the top five host countries for foreign students, and China and India are the top origin countries (UNESCO, 2014). Given the current worldwide focus on the convergence of accounting and auditing standards, the appeal of completing accounting studies in an Anglo-

American country has also increased (Patel et al., 2016). For example, in Australia, accounting departments, as the major deliverer within business schools, have witnessed escalating numbers of international students (Evans, Burritt, & Guthrie, 2010). In particular, Chinese students represented more than 50% of enrolments in accounting degrees at some leading Australian universities (Patel et al., 2016; Wright, Dyball, Byers, & Radich, 2012). The growth in the numbers of students from China crossing borders to undertake accounting education in countries such as the US, the UK, and Australia may facilitate the adoption of Anglo-American practices in China (Wu & Tong, 2004). However, how these students and their judgments may be influenced by different cultural and learning environments in the host countries is still an underexplored research area.

2.2.2 Professional Scepticism in Auditing

Hurtt (2010) provides a theoretical model of PS and distinguishes between *trait* and *state* scepticism. *Trait* scepticism is a relatively stable and enduring aspect of an individual, whereas *state* scepticism is a temporary condition aroused by situational variables (Hurtt, 2010, p. 149). Hurtt et al. (2013) extend the earlier theoretical model, and identify four categories of antecedents to sceptical judgments, namely auditor characteristics, evidential characteristics, client characteristics, and external environment characteristics. Hurtt et al. (2013) further argue that PS, as an auditor characteristic, "...can be both a trait and also a state" (Hurtt et al., 2013, p. 51). This paper does not examine the influence of trait or state scepticism on sceptical judgments. Rather, it suggests that another auditor characteristic, self-construal, as a relevant and important personality variable is likely to influence sceptical judgments.

Moreover, a review of the existing literature indicates that prior studies on PS mostly focus on

the audit task in analytical procedures during the planning stages of an audit. This paper extends this strand of studies by examining PS in a context of evaluating client-provided audit evidence in debtor confirmation procedures. Focusing on this context is important for two reasons. First, exercising PS is an essential part in evaluating client-provided audit evidence. PS is about confirming or disconfirming audit evidence and it essentially depends on auditors' views of the persuasiveness of audit evidence (Nelson, 2009). Due to increasing attention being placed on auditors' responsibility to detect and prevent fraud, evaluating audit evidence has become more critical in audit procedure (Bell et al., 2005). Specifically, client-provided documents and information are essential parts of audit evidence but are also considered less reliable than evidence collected directly by auditors (IAASB, 2014a; IAASB, 2010). Furthermore, the context of debtor confirmation has been selected because the use of confirmations is considered to be an important procedure in financial statement audits and problems with the use of confirmations as audit evidence is frequently related to audit failures (Beasley, Carcello, & Hermanson, 2001; Janvrin, Caster, & Elder, 2010). Confirmation is considered to be among the most persuasive forms of audit evidence particularly for the audits of receivables (Caster, Elder, & Janvrin, 2008). Additionally, the confirmation procedure is regarded as an important process in addressing fraud risks relating to revenue recognition, one of the most important areas of financial reporting that are susceptible to fraud (Public Company Accounting Oversight Board (PCAOB), 2010).²²

²² To restore public trust in the financial markets, the USA Congress passed the Sarbanes-Oxley Act of 2002 ("the Sarbanes-Oxley Act"). Section 704 of the Sarbanes-Oxley Act directs the Securities and Exchange Commission (SEC) to study enforcement actions over the five years preceding its enactment in order to identify areas of issuer financial reporting that are most susceptible to fraud, inappropriate manipulation, or inappropriate earnings

Furthermore, a review of the existing literature indicates that different measures of sceptical judgments have been used in examining PS. There is no universally accepted judgment or decision that is deemed to optimally reflect scepticism in conducting audits (Quadackers et al., 2014). Earlier studies have mostly used a single item to measure sceptical judgments. For example, sceptical judgments have been measured by auditors' distrust or suspicion of clients. These measures include the probability that auditors would be suspicious about the presence of irregularities in clients' financial reporting (Shaub & Lawrence, 1996), the probability that auditors would distrust clients (Shaub, 1996), and the likelihood that auditors would assess clients' explanation as untruthful (Payne & Ramsay, 2005). A number of more recent studies have measured sceptical judgments using auditors' assessed likelihood of an intentional misstatement (Carpenter, Durtschi, & Gaynor, 2011; Kerler III & Killough, 2009; Popova, 2012). These measures may provide limited insights because the complex nature of PS cannot be adequately captured on a single item scale. Indeed, the concept of PS has incorporated a number of characteristics, including, "a questioning mind" and "a critical assessment of audit evidence" (Hurt, 2010, p. 46). As such, it is suggested that multiple items should be used to measure sceptical judgments.

Recognising this, a number of recent studies have begun using multiple-item measurements. For example, Carpenter and Reimers (2013) apply three indicators to measure sceptical judgments: auditors' identification of fraud risk factors, their related fraud risk assessments and subsequent selection of fraud audit procedures. Based on a review of related professional standards, Kim and Trotman (2015) apply four measurements of sceptical judgments: counter-

management. In SEC's Report Pursuant to Section 704 of the Sarbanes-Oxley Act of 2002, 227 enforcement matters were studied and 126 involved improper revenue recognition (SEC, 2003).

explanations, source reliability, the timing of making a tentative judgment and bias reflected in the judgments. Quadackers et al. (2014) adopt six items to measure three aspects of sceptical judgments: auditors' reflecting on client-provided information, auditors' alternative interpretations for client-provided information, and the extent to which auditors would perform further testing.²³ Consistent with these studies, this study adopted a multiple-item measurement of sceptical judgments: the likelihood of trusting client-provided audit evidence, the likelihood of questioning the truthfulness of client-provided audit evidence, the likelihood of searching for additional audit evidence, and the likelihood of an intentional misstatement.

These four measurements were adopted based on a review of the prior literature. First, prior studies have equated PS with suspicion or distrust (Kerler III & Killough, 2009; Payne & Ramsay, 2005; Shaub, 1996; Shaub & Lawrence, 1996). These studies suggest that higher (lower) likelihood of trusting client-provided evidence will indicate lower (higher) levels of scepticism. Second, "a questioning mind" has been emphasized in the definition and elaboration of PS in ISAs (Hurt, 2010; IAASB, 2014; Nelson, 2009). It is proposed that higher (lower) likelihood of questioning the truthfulness of client-provided audit evidence will indicate higher (lower) levels of scepticism. Third, Quadackers et al. (2014), and Hurt (2010) posit that an indication of PS is the extent to which auditors would search for additional evidence. It is expected that higher (lower) likelihood of searching for additional audit evidence will indicate

²³ Quadackers et al. (2014) uses six items to measure three aspects of PS. First, concerning auditors' reflecting on client-provided information, two items are used: (1) *the likelihood that client explanation is right*, (2) *the likelihood of fraud*. Second, concerning auditors' alternative interpretations for client-provided information, three items are used: (1) *numbers of plausible alternative explanations generated*, (2) *numbers of counter-explanations to that provided by the client*; (3) *probability of the accuracy of error explanations than of non-error explanations*; Third, concerning the extent to which auditors want to perform further testing, one item is used: *the number of budgeted hours*.

higher (lower) levels of scepticism. Finally, the likelihood of an intentional misstatement has been considered as an appropriate measure of auditors' sceptical judgments in prior studies (Carpenter & Reimers, 2013; Kerler III & Killough, 2009; Popova, 2012; Quadackers et al., 2014). It is expected that higher assessed likelihood of an intentional misstatement in clients' financial statements will indicate higher (lower) levels of scepticism. Additional details regarding the measures of sceptical judgments are provided in the research method section.

2.3 Hypotheses Development

2.3.1 Self-construal and Learning and Cultural Environments in Australia and China

Psychology literature clearly shows that self-construal plays a fundamental role in regulating various psychological processes including cognition, motivation, and judgments (Hannover et al., 2006; Markus & Kitayama, 1991, 1998; Rhee et al., 1995). Self-construal is central to an individual's perceptions, evaluations, and behaviours (Cross et al., 2000; Geertz, 1975; Pöhlmann, Carranza, Hannover, & Iyengar, 2007; Triandis, 1989). This variable is able to capture complex cognitive processes experienced by individuals at both cultural and personality levels (Boucher & Maslach, 2009; Cross et al., 2000; Farh et al., 2007; Markus & Kitayama, 1991). It allows us to theoretically evaluate the psychological phenomena at multiple levels in explaining differences among individuals.

Self-construal is broadly classified into two categories, namely independent and interdependent self-construal. Independent and interdependent self-construal are linked to individualism and collectivism, which are the most widely used dimensions by researchers to categorize national cultures (Boucher & Maslach, 2009; Farh et al., 2007; Markus & Kitayama, 1991; Patel & Psaros, 2000; Schwartz, 1990, 1992; Singelis, 1994; Triandis, 1989). This paper realizes that

there are important differences in defining the self that cannot be easily classified as either independent or interdependent. However, the purpose is to highlight the degree to which subjects see themselves as separate from others or as connected with others.

Independent self-construal views the self as being separate from its social context and thus emphasizes autonomy and independence (Markus & Kitayama, 1991; Schwartz, 1990). The primary goals of the independent self are being unique and promoting one's own goals (Markus & Kitayama, 1991; Singelis, 1994). Autonomy and standing out from the social group are largely emphasized (Hannover et al., 2006; Markus & Kitayama, 1998). Self-esteem is gained through expressing uniqueness of self, being direct, and saying "what's on your mind" (Hannover et al., 2006; Markus & Kitayama, 1998).

In contrast, interdependent self-construal views the self as a constituent of a broader social context which emphasizes connectedness and interdependence with social context (Markus & Kitayama, 1991; Schwartz, 1990). It stresses the fundamental connectedness of human beings with others and social context (Markus & Kitayama, 1991; Schwartz, 1990). The principal goals of the interdependent self are maintaining connectedness and harmony with others, and promoting others' goals (Markus & Kitayama, 1991; Singelis, 1994). Belonging, attending to, and fitting in with others are largely emphasized (Hannover et al., 2006; Markus & Kitayama, 1998). Self-esteem is gained through harmonious interpersonal relationships, the ability to adjust and restrain self, to be indirect, and to "read other's mind" (Hannover et al., 2006; Markus & Kitayama, 1991, 1998; Singelis, 1994). Markus and Kitayama (1991, p. 230) provide the following summary of the major differences between an independent and an interdependent self-construal.

Table 2.1. Summary of Major Differences between an Independent and an Interdependent Self-construal

Feature compared	<i>Independent</i>	<i>Interdependent</i>
Definition	Separate from social context	Connected with social context
Structure	Bounded, unitary, stable	Flexible, variable
Important features	Internal, private (abilities, thoughts, feelings)	External, public (statuses, roles, relationships)
Tasks	Be unique Express self Realize internal attributes Promote own goals Be direct; "say what's on your mind"	Belong, fit-in Occupy one's proper place Engage in appropriate action Promote others' goals Be indirect; "read other's mind"
Role of others	Self-evaluation: others important for social comparison, reflected appraisal	Self-definition: relationships with others in specific contexts define the self
Basis of self-esteem	Ability to express self, validate internal attributes	Ability to adjust, restrain self, maintain harmony with social context

Furthermore, evidence shows that intercultural experience, such as immersion in different educational and cultural environments, may result in cognitive differences in individuals' self-construal (Boucher & Maslach, 2009; Cross et al., 2000; Hannover et al., 2006; Singelis, 1994; Triandis, 1989). It is also important to know that education, as a formal process of transmitting accumulated knowledge, skills, traditions, and values, is deeply embedded in the core cultural values of a country (Li, 2003; Pratt, 1992). Therefore, it is suggested that students undertaking university accounting education in a host country with a different learning and cultural environment are likely to differ on their self-construal compared to their counterparts in the home country. The learning environment in Australia, which tends to place greater focus on independent thinking, individualized learning, and a learner-centred approach, is likely to facilitate the development of independent self-construal. It is important for students to develop their abilities to think independently, question and challenge existing knowledge rather than relying on what has been taught in textbooks or by teachers (Cavanagh, 2011; Pithers & Soden, 2000). Teachers are directed to stimulate students' use of individualized learning approaches to

constructing meaning from their own experience rather than stimulating them to reproduce the knowledge of others (Floyd, 2011; Watkins, 2000; Wong, 2004). The learning environment in Australia largely focuses on challenging existing knowledge and independent thinking rather than acquisition and accumulation of knowledge (Cavanagh, 2011; Wong, 2004). Students are required to express themselves, be autonomous and independent in their own thinking and learning. These emphases in the Australian learning environment are likely to foster the development of independent self-construal.

In contrast, the learning environment in China, which largely focuses on the acquisition and memorization of knowledge, maintaining harmonious teacher-students relationships as well as a teacher-centred approach to learning is likely to enhance the development of interdependent self-construal. Learning approaches in China appear to focus heavily on memorization to reproduce essential information (Chan & Rao, 2009; Patel et al., 2016; Watkins, 1996). Teaching methods which stimulate students to reproduce knowledge, such as one-way lecture, are the primary method of teaching (Wu & Tong, 2004). Furthermore, maintaining harmonious teacher-students relationships is important. Students are not encouraged to challenge teachers as it is not acceptable to doubt teachers' knowledge (Boyle, 2000). The learning environment in China largely emphasizes the importance of acquisition and accumulation of existing knowledge and maintaining harmonious teacher-students relationships rather than challenging existing knowledge and independent thinking. In this learning environment, students' abilities to adjust and restrain the self, fit in with others, and maintain harmonious interpersonal relationships are important. These emphases in Chinese learning environment are likely to promote interdependent self-construal.

In summary, when moving to Australia for university education, Chinese students are likely to change their learning styles to adapt to a new learning environment in order to be academically successful. Accordingly, it is expected that Chinese accounting students in Australia are likely to be more independent and less interdependent on self-construal compared to their counterparts in China. This leads to the following hypothesis:

H1: Chinese accounting students in Australia are likely to score higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China.

2.3.2 Self-construal and Sceptical Judgments

As discussed earlier, this study adopts a competing hypothesis approach to developing two alternative hypotheses simultaneously by drawing on two different perspectives. The first perspective is derived from auditors' perceived relationship with client management, whereas the second perspective is based on auditors' perceived relationship with their superiors. Existing literature has provided evidence that auditors' judgments are influenced by both clients (Bamber & Iyer, 2007; Hatfield, Jackson, & Vandervelde, 2011; Svanberg & Öhman, 2014) and supervisors (Bierstaker & Wright, 2005; Carpenter & Reimers, 2013; Peecher et al., 2010; Peytcheva & Gillett, 2011; Turner, 2001; Wilks, 2002). Based on prior evidence, it is expected that entry-level auditors may be concerned about not only pleasing their clients but also impressing their superiors. Accordingly, drawing on these two perspectives derived from auditors' perceived relationship with either client management or their superiors, this paper develops two conflicting and competing hypotheses on the influence of self-construal on sceptical judgments. This research is interested in finding out whether subjects place greater importance in pleasing clients or pleasing their superiors when exercising sceptical judgments.

Auditors' Perceived Relationship with Client Management

Prior audit research suggests that greater scepticism features a more confronting approach entailing greater extent of questioning client management (Bik, 2010; Chen, Kelly, & Salterio, 2012). For example, Bik (2010) concludes that sceptical judgment and decisions are largely associated with the ability of the auditor to challenge client representation and ask tough and probing questions. Similarly, Chen et al. (2012) suggest that one way the auditor can visibly manifest to management a heightened sceptical attitude is by making more pointed enquiries and being more critical of management responses. It is therefore expected that subjects who are more willing to confront, challenge, and question client management are likely to exhibit greater scepticism.

Independents, focusing on the importance of autonomy, uniqueness, and being direct (Hannover et al., 2006 Markus & Kitayama, 1991,1998; Schwartz, 1990; Singelis, 1994), consider others' influence attempts as a threat to their individuality and uniqueness (Park & Levine, 1999). They also perceive compromising to others' expectations as a sign of weakness to social pressure. When independents interact with client management during audits, they are less likely to compromise and less likely to be concerned about angering the client management. They are more likely to confront, question, and challenge client management. Therefore, independents are likely to be more sceptical in evaluating client-provided audit evidence.

In contrast, interdependents value the importance of belonging, fitting in, conformity, and harmony with others (Hannover et al., 2006 Markus & Kitayama, 1991,1998; Schwartz, 1990; Singelis, 1994). To maintain harmonious interpersonal relationships, interdependents are more likely to be attentive to others' feelings and unexpressed thoughts, and act in accordance with

the anticipated expectations of others. When interdependents interact with client management during audits, they are likely to be more concerned about angering the client management, are more likely to compromise, accede to clients, and avoid conflict with client management. They are less likely to confront, question, and challenge client management and, therefore, are likely to be less sceptical in evaluating client-provided audit evidence.

In light of the above reasoning based on the perspective of auditors' relationship with client management, it is expected that independents are likely to be more sceptical than interdependents. This leads to the following hypothesis:

H2a: Independents are likely to be more sceptical than interdependents when evaluating client provided audit evidence.

Auditor's Perceived Relationship with Their Superiors

In contrast to auditors' perceived relationship with client management, auditors' perceived relationship with their superiors suggests a conflicting and competing reasoning for the possible influence of self-construal on sceptical judgments. From the perspective of auditors' perceived relationship with their superiors, auditors are expected to carry out their audit duties to reduce the risk of failing to detect material misstatements in the client's financial statements (McMillan & White, 1993). To better meet superiors' expectations and better fulfil audit duties, auditors need to employ greater scepticism that requires more caution and more rigor in conducting audits (Carpenter & Reimers, 2013).

Earlier discussion suggests that interdependents focus on the importance of belonging, fitting in, conformity, and harmony with others (Hannover et al., 2006 Markus & Kitayama, 1991, 1998; Schwartz, 1990; Singelis, 1994). Evidence from the psychology literature further suggests that interdependents are more concerned about hierarchy and status, and more likely to be

influenced by superiors within social hierarchies (Basabe & Ros, 2005; Ma & Han, 2009). Thus, interdependents are likely to be more concerned with pleasing and maintaining harmonious relationships with superiors. To please their superiors, interdependents are likely to do more audit work to ensure that they are not criticized by superiors for failure to detect material misstatements in a client's financial statements. Together with interdependents' concerns with pleasing their superiors and avoiding being criticized by their superiors, they are likely to be more rigorous in carrying out their audit duties in order to ensure that adequate amounts of audit procedures are performed. Interdependents would rather be more cautious when evaluating audit evidence in order to avoid the risk of failing to detect material misstatements in a client's financial statements. Therefore, interdependents being more cautious and more rigorous are likely to be more sceptical when evaluating client-provided audit evidence.

In contrast, independents value the importance of autonomy, uniqueness, assertiveness, and being direct (Hannover et al., 2006 Markus & Kitayama, 1991, 1998; Schwartz, 1990; Singelis, 1994). They are less likely to worry about being criticized by superiors for failure to detect material misstatements in a client's financial statements. Therefore, they tend to be less cautious, less rigorous, and are likely to be less sceptical in evaluating audit evidence.

In light of the above reasoning based on the perspective of auditors' relationship with their superiors, it is expected that independents are likely to be less sceptical than interdependents.

This leads to the following hypothesis:

H2b: Independents are likely to be less sceptical than interdependents when evaluating client provided audit evidence.

2.3 Research Method

2.3.1 Data Collection

Data to test the hypotheses were collected using a survey administered to final year undergraduate accounting students at two universities, one each in Australia and China. The selected universities are located in important commercial centres of their respective countries, namely Sydney and Guangzhou. The accounting schools at both universities offer undergraduate programs accredited by the Institute of Certified Public Accountants in their respective countries. Graduates from these programs are usually targeted by accounting firms including the Big Four for recruiting entry-level auditors (Chan & Ho, 2000; Chand et al., 2012). Moreover, accounting curricula of both universities are largely based on IFRS, ISA, and the Code of Ethics for Professional Accountants.²⁴ The focus on international convergence further enhances consistency in accounting curricula between China and Australia. Additionally, an Australian setting provides a practicable environment for the purpose of this study because of the presence of large numbers of Chinese students undertaking accounting education in Australian universities.

To ensure that all participants received the same information, all relevant instructions were provided in the same format. To ensure consistency, the researchers personally administered the survey questionnaire during the last auditing lectures before the final examinations at both universities. The survey took around 20 minutes to complete.

²⁴ China officially adopted IFRS in 2007, and has attained convergence with the international professional standards, including the International Standards on Auditing (ISA), the Code of Ethics for Professional Accountants, and the International Education Standards for Professional Accountants (IES) (IFAC, 2010).

2.3.2 Auditing Scenario

In this study, subjects provide their sceptical judgments in responses to an auditing scenario involving an audit task of evaluating client-provided audit evidence in debtor confirmation procedures. A scenario allows studies to frame the research questions to incorporate complex and multidimensional issues reflecting decision making in the real world (Cavanagh & Fritzsche, 1985; Patel, 2006). This allows empirical researchers using cases to elicit from respondents their belief, preferences, intentions, judgments, or intended behaviours regarding the subject matters (Weber, 1992).

Moreover, it has been widely accepted in the education and psychology literature that personality has decisive effects on learning styles and learning outcomes (Busato, Prins, Elshout, & Hamaker, 1998; Chamorro-Premuzic & Furnham, 2008; Ibrahimoglu, Unaldi, Samancioglu, & Baglibel, 2013; Komarraju, Karau, Schmeck, & Avdic, 2011; Miller, 1991). Evidence shows that when students' evaluations of the concepts are subjective and there are no right or wrong answers, it is not the difference in the way the curriculum is implemented that drive variation in learning outcomes (Diener, Oishi, & Lucas, 2003; Sugahara, Urasaki, Wei, & Boland, 2010; Watkins, 2001). Rather, it is the influence of individual personality variables that requires examination. The influence of personality is particularly important when students evaluate complex and subjective concepts such as external auditors' independence, ethics, and trust (Berings, De Fruyt, & Bouwen, 2004; Hoyt & Price, 2015; Karim, Zamzuri, & Nor, 2009; Patel & Psaros, 2000; Sugahara et al., 2010). For example, Patel and Psaros (2000) provide evidence that self-construal influences judgments of final year accounting students in the UK, Australia, India, and Malaysia on their perception of external auditors' independence. Additionally, Hoyt

and Price (2015) show that self-construal influences ethical decision makings of undergraduate students. Within the same classroom, students with different personalities are likely to differ significantly in how they analyse, apply, and evaluate cases where complex and subjective judgments are required.

This study requires students to exercise their sceptical judgments in a context of evaluating client-provided audit evidence in debtor confirmation procedures. These judgments are subjective and there is a lack of guidance in auditing standards on the implementation of PS (Pany & Whittington, 2001; Public Oversight Board (POB), 2000). Specifically, very little is known about what are the optimal levels of PS in performing audits (Nelson, 2009; Carpenter & Reimers, 2013). When students exercise their subjective judgments related to PS, self-construal, which is fundamental in capturing individual differences at both cultural and personality levels, is likely to play an important role in influencing their judgments. Therefore, based on prior evidence, it is argued that variations in scepticism in response to the case provided in this study is not driven by differences in the way the concept of PS is taught across the participant groups but is influenced by their self-construal.

2.3.3 Research Instrument

The research instrument was initially designed in English. To ensure the accuracy of translation of the research instrument, consistent with prior studies (Brislin, 1980; Douglas & Craig, 2007), translation and back-translation procedures were used. Specifically, the English version of the research instrument was initially translated into Simplified Chinese by the researchers. The Simplified Chinese version was then translated back into English by an experienced accounting academic who was proficient in both English and Simplified Chinese. The discrepancies

between the English and the Simplified Chinese versions were discussed and this process was repeated three times until all discrepancies were eliminated. The research instrument was pilot-tested both in Australia and in China.

The research instrument consisted of three sections. The first section is a scenario involving the debtor confirmation procedure in an audit. The scenario was adapted from D'Aquila and Capriotti (2011) and based on a fraud case study compiled by the US Securities and Exchange Commission (SEC). The introductory section of the case explained to participants that they were assuming the role of an auditor working for a large public accounting firm and were recently assigned to the year-end audit for a medium-size retailer of computer equipment and supplies. The instrument then provided background information about education and management experience of the client's management team, which was used to control for participants' perception on the competence of the client management. Participants were further informed that they were performing debtor confirmation for the client and a discrepancy on a trade receivable balance was found between a returned confirmation and the client's account. Further, the case material described evidence, including shipping documents and delivery notes, which were provided by the client's finance manager to support management's assertion about the trade receivable balance.

After reading the case scenario information, participants were asked to answer four questions on seven-point Likert scales, which measured the dependent variable, sceptical judgments. As discussed earlier, this study adopts four measures of sceptical judgments include the likelihood of trusting client-provided audit evidence, the likelihood of questioning the truthfulness of client-provided audit evidence, the likelihood of searching for additional audit evidence, and

the likelihood of an intentional misstatement. It is expected that compared to subjects with lower levels of scepticism, subjects with higher levels of scepticism would (1) be less likely to trust the audit evidence, (2) be more likely to question the truthfulness of client-provided audit evidence, (3) be more likely to search for additional audit evidence, and (4) assess higher likelihood of an intentional misstatement in clients' financial statements. One of the measures, the likelihood of trusting client-provided audit evidence, is a reverse item, which means higher scores indicate lower levels of scepticism. For the other three measures, higher scores indicate higher levels of scepticism. To be consistent with other three measures, the scores on the first measure were subtracted from 8, and then the reversed scores were used in the subsequent data analysis. This recoding enables a straightforward comparison of each measurement. In addition, to verify whether management was considered as competent, participants were asked to indicate their agreement to the client management's competence on a seven-point Likert scale with anchors of 1 (strongly disagree) and 7 (strongly agree).

The research instrument did not refer to the supervisor asking the staff to question the client's evidence because of the possibility of biasing the responses towards supervisors' views. Researchers have suggested that when examining issues related to judgments, it is important to provide neutral information which does not bias subjects' responses (Flory, Phillips Jr, Reidenbach, & Robin, 1992; Randall & Gibson, 1990; Trotman, 2011). Extensive research demonstrates that supervisors' views influence auditors' judgments (Bierstaker & Wright, 2005; Carpenter & Reimers, 2013; Peecher et al., 2010; Peytcheva & Gillett, 2011; Turner, 2001; Wilks, 2002). As such, the research instrument avoided providing explicit views of the supervisor asking the staff to question the client's evidence. In this study, it is individual participants' subjective judgments that are required. Based on the two competing hypotheses,

the researcher is interested in finding out whether entry-level auditors place greater importance on pleasing clients or pleasing their supervisors in exercising sceptical judgments.

Moreover, researchers have suggested that in developing the scenario, it is important to emphasize realism which enables researchers to more closely approximate real-world situations and elicits more realistic responses (Flory et al., 1992; Randall & Gibson, 1990; Watson, Apostolou, Hassell, & Webber, 2007). The pilot tests have suggested that the scenario is realistic and reasonable for the audit task performed by entry-level auditors. Additionally, the scenario was adapted from prior studies to minimize threats to reliability and validity (see Payne & Ramsay, 2005; D'Aquila & Capriotti, 2011).

The second section of the research instrument included the self-construal scale (Singelis, 1994) to measure an individual's independent and interdependent self-construal. The self-construal scale contains 24 items with 12 items each for the independent and the interdependent subscales. The self-construal scale has been tested for validity and reliability, and extensively used in prior research (Brockner et al., 2005; Hamilton & Biehal, 2005; Hardin et al., 2004; Hsu, 2002; Milyavskaya et al., 2010; Neumann et al., 2009; Van Horen et al., 2008). Participants were asked to provide their responses on a five-item Likert scale with anchors of 1 (strongly disagree) and 5 (strongly agree).

The final section required participants to provide demographic data such as gender, age, nationality and work experience. In addition, participants were asked to report whether they had learnt the concept of professional scepticism and to what extent they believed they had an inadequate or adequate understanding of the concept on a five-point Likert scale with anchors of 1 (very inadequate) and 5 (very adequate). These questions were included in order to measure

differences in reported understanding of the concept of PS between Chinese students in Australia and their counterparts in China, which may influence their sceptical judgments.

2.4 Results

2.4.1 Responses and Descriptive Statistics

Participants were final year undergraduate Chinese accounting students from two selected universities, one each in Australia and China. A total of 336 completed responses to the questionnaire were received: 179 from the Chinese university representing a response rate of 87% and 157 from the Australian university representing a response rate of 81%. The demographic details of respondents are reported in Table 2.2. At the Chinese university, approximately 74% of the respondents were females, 99% were between the ages of 20-24 and 83% did not have any work experience in auditing. At the Australian university, approximately 62% of the respondents were females, 93% were between the ages of 20-24, and 76% did not have any work experience in auditing. Statistical tests also show that at the Australian university, males score significantly higher than females on only one of the dependent variables, the likelihood of questioning the truthfulness of the audit evidence ($p < 0.05$), but this gender influence is not significant at the Chinese university. To control for the effects of the demographic variables, gender, age, and audit work experience were included as covariates in the hypotheses testing. All the participants reported that they had learnt the concept of professional scepticism. Participants were also asked to assess to what extent they believe they had an inadequate or adequate understanding of the concept of professional scepticism. Statistical tests show that the mean scores are significantly higher than midpoint of 3 (two-tailed one sample t-test, $mean = 3.29$, $standard\ deviation = 0.97$, $t = 3.686$, $p = 0.000$ for the Australian

university, and *mean* = 3.14, *standard deviation* = 0.94, *t* = 1.999, *p* = 0.047 for the Chinese university). This indicates that on average participants believe they had an adequate understanding of the concept. No significant differences were found between Chinese students in Australia and their counterparts in China (two-tailed independent t-test, *t* = 1.410 *p* = 0.160).

The descriptive statistics of the four measures of sceptical judgments are provided in Table 2.3. The table also shows Cronbach alpha coefficient of 0.69 in both countries, which indicates acceptable reliability for these measures (Clark & Watson, 1995; Nunnally, 1978). For each of the four measures, the mean scores of the respondents in Australia are lower than those of the respondents in China.

Table 2.2. Demographic Data of Respondents

Demographic variables	Chinese Students in China		Chinese Students in Australia		Total	
	N	Percentage	N	Percentage	N	Percentage
<i>Gender</i>						
Female	133	74.3%	97	61.8%	230	68.5%
Male	46	25.7%	60	38.2%	106	31.5%
Total	179	100%	157	100%	336	100%
<i>Age</i>						
Under 20			5	3.2%	5	1.5%
20-24	178	99.4%	146	93.0%	324	96.4%
25-29	1	0.6%	2	1.3%	3	0.9%
30-34	0		3	1.9%	3	0.9%
35-39	0		0		0	
40-49	0		1	0.6%	1	0.3%
Total	179	100%	157	100%	336	100%
<i>Years of work experience in auditing</i>						
No	149	83.2%	120	76.4%	269	80.1%
Less than 1 year	27	15.1%	27	17.2%	54	16.1%
1-4 years	3	1.7%	6	3.8%	9	2.7%
Over 4 years	0		4	2.5%	4	1.2%
Total	179	100%	157	100%	336	100%

As explained earlier, the client management's education and work experience of were included to control perceived competence. Participants were asked to indicate their agreement to the client management's competence on a seven-point Likert scale with anchors of 1 (strongly disagree) and 7 (strongly agree). The mean scores are 4.69 (*standard deviation* = 1.47) and 4.64 (*standard deviation* = 1.35) for the sample at the Chinese university and the Australian university respectively, which are significantly greater than the mid-point of 4 (one-tailed one sample t-test, $t = 6.272, p = 0.000$, and $t = 5.912, p = 0.000$ respectively). This indicates that the perceived competence of the client's management was successfully controlled. In addition, no significant differences were found in participants' perceptions of management competence between Chinese students in Australia and their counterparts in China (two-tailed independent t-test, $t = 0.325, p = 0.745$).

2.4.2 Hypothesis H1: Independent and Interdependent Self-construal

Hypothesis H1 predicts that Chinese accounting students in Australia are likely to score higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China. Table 2.4 shows that Cronbach alpha coefficients were 0.70 and 0.71 for the 12-item independent self-construal scale, and 0.72 and 0.70 for the 12-item interdependent self-construal scale in China and Australia respectively. These results indicate the acceptable reliability of the measures of self-construal (Nunnally 1978; Clark and Watson 1995).

Table 2.3. Descriptive Statistics Concerning Measures of Sceptical Judgments

Measures of sceptical judgments	Chinese Students in China			Chinese Students in Australia		
	N	Mean score	Standard deviation	N	Mean score	Standard deviation
Likelihood of trusting client-provided audit evidence	179	4.79	1.297	157	4.13	1.295
Likelihood of questioning the truthfulness of client-provided evidence	179	5.65	1.124	157	4.82	1.179
Likelihood of searching for additional evidence	179	6.23	0.900	157	5.20	1.288
Likelihood of an intentional misstatement	179	4.52	1.383	157	4.25	1.196
Response scale ranged from 1 to 7 [#]						
Cronbach alpha		0.687			0.691	

[#] Each scale is with anchors of 1 (highly unlikely) and 7 (highly likely). As discussed earlier, the first measures, likelihood of trusting client-provided audit evidence, is a reverse item, which means the higher scores indicate lower levels of scepticism. For the other three measures, the higher scores indicate higher levels of scepticism. To be consistent with other three measures, the scores on the first measure was subtract from 7 and then the reversed number was used in the subsequent data analysis. This recoding enables a straightforward comparison across each measurement.

Table 2.4 also shows that the differences between the two participating groups in mean scores on both independent and interdependent self-construal scales are in the predicted directions. In other words, the mean scores on independent (interdependent) self-construal scale of the Chinese accounting students in Australia are greater (less) than those of their counterparts in China. Since the differences are in the predicted directions, one-tailed independent t-test was carried out to test the significance of these differences. The results in Table 2.4 show significant ($p < 0.05$) differences in independent and interdependent self-construal between the two participating groups. Consistent with the expectation, the results support H1 and show that Chinese students in Australia scored significantly higher on measures of independent self-construal, and significantly lower on measures of interdependent self-construal than their

counterparts in China. This suggests that Chinese students in Australia are more independent and less interdependent on self-construal than their counterparts in China.

Table 2.4. Results on Measures of Self-construal

Measured variables	Chinese Students in China (C)			Chinese Students in Australia (A)			One-tailed Independent t-test	
	N	Mean (S.D.)	Cronbach alpha	N	Mean (S.D.)	Cronbach alpha	Mean Differences (C-A)	Significance Level
<i>Independent self-construal</i>	179	3.47 (0.36)	0.697	157	3.65 (0.40)	0.708	-0.18	0.000**
<i>Interdependent self-construal</i>	179	3.79 (0.36)	0.716	157	3.71 (0.36)	0.704	0.08	0.021*

*, ** Significant at $p < 0.05$ and $p < 0.01$ respectively (one-tailed).

2.4.3 Hypothesis H2: Self-construal and Sceptical Judgments

Data to test H2 were obtained from responses to the four questions which measured sceptical judgments, including the likelihood of trusting client-provided audit evidence, the likelihood of questioning the evidence, the likelihood of searching for additional evidence, and the likelihood of an intentional misstatement. MANOVA was carried out to test H2 on the four measures of sceptical judgments taken together. According to Huck, Cormier, and Bounds (1974, p. 190), in order to obtain meaningful interpretations from MANOVA tests the following two simple rules must be followed. First, the number of dependent variables should not be less than the number of groups being compared. In this study, four dependent variables were used to measure PS between two sample groups (one in China and the other one in Australia). The first requirement is satisfied. The second rule requires that the total number of respondents for each group should be at least twice as the number of dependent variables. As the numbers of respondents were 179 and 157 in China and Australia respectively, the second requirement is also satisfied. Furthermore, an important preliminary test for MANOVA is to examine the correlation of the

four dependent variables that measure PS as there would be no reason to use MANOVA if the dependent variables were not correlated. Table 2.5 shows that the four dependent variables were significantly correlated with each other ($p < 0.01$). Thus, this study satisfies the requirements for using MANOVA to analyse the data.

Table 2.5. Correlations between Dependent Variables					
Measures of sceptical judgments		Measure 1	Measure 2	Measure 3	Measure 4
Measure 1	Pearson Correlation (Sig.)	1			
Measure 2	Pearson Correlation (Sig.)	.440** (.000)	1		
Measure 3	Pearson Correlation (Sig.)	.377** (.000)	.520** (.000)	1	
Measure 4	Pearson Correlation (Sig.)	.496** (.000)	.246** (.000)	.304** (.000)	1
** Correlation is significant at the 0.01 level (2-tailed).					
Measure 1: likelihood of trusting client-provided audit evidence					
Measure 2: Likelihood of questioning the truthfulness of client-provided audit evidence					
Measure 3: Likelihood of searching for additional evidence					
Measure 4: Likelihood of an intentional misstatement					

As discussed earlier, this paper adopts a competing hypothesis approach to developing two alternative hypotheses simultaneously by drawing on two different perspectives. From the perspective of based on auditors' perceived relationship with client management, H2a predicts that independents are likely to be more sceptical than interdependents when evaluating client-provided audit evidence. In contrast, from a competing and conflicting perspective based on auditors' perceived relationship with superior, H2b predicts that independents are likely to be less sceptical than interdependents when evaluating client-provided audit evidence. To test the influence of self-construal on sceptical judgments, a computation rule used in previous studies

were followed (Hannover et al., 2006; Holland, Roeder, Brandt, & Hannover, 2004; Pöhlmann et al., 2007). Respondents' average scores on the independent and interdependent self-construal subscales were z-standardized. Then, differences on the z-standardized scores between the independence and interdependence subscales were computed for each subject to obtain difference scores. Respondents' scoring higher on measures of independent self-construal (independents) had a difference score larger than zero, whereas the others scoring higher on measures of interdependent self-construal (interdependents) had a difference score equal or less than zero.

Multivariate analysis of variance (MANOVA) was carried out to test the effect of self-construal on the four measures of sceptical judgments taken together.²⁵ The MANOVA results in Table 2.6 show a significant effect of self-construal at $p < 0.05$ on sceptical judgments for both the Chinese students in Australia and their counterparts in China. Follow-up univariate tests were further used to test for differences in each of the four measures of sceptical judgments between independents and interdependents, and the directions of the differences were also identified.

The results of univariate tests reported in Table 2.6 shows that interdependents score higher than independents on each of the four measures of sceptical judgments both in Australia and China, which indicates that interdependents are more sceptical than independents. The results further show that these effect of self-construal are significant at $p < 0.05$ for three of the four measures of sceptical judgments in China and for two of the four measures of sceptical judgments in Australia. The results support hypothesis H2b suggesting that interdependents

²⁵ To control the effect of gender, age, and work experience, these demographic variables were included as covariates in the following MANOVA analyses.

were more sceptical than independents when evaluating client-provided audit evidence which is based on the perspective of auditors' perceived relationship with their superiors.

Table 2.6. Results for the Influence of Self-construal on Sceptical Judgments

Panel A: Results of MANOVA and follow-up univariate tests for the influence of self-construal on sceptical judgments among the Chinese accounting students in China

Dependent Variable	Mean for <i>Independents</i> (N=82)	Mean for <i>Interdependents</i> (N=97)	Expected Direction	F	Significance Level
MANOVA				7.125	0.000**
ANOVA					
• Likelihood of trusting the audit evidence	4.587	4.969	Yes	3.858	0.051
• Likelihood of questioning the truthfulness of the audit evidence	5.397	5.860	Yes	8.048	0.005**
• Likelihood of searching for additional audit evidence	5.895	6.521	Yes	24.223	0.000**
• Likelihood of an intentional misstatement	4.224	4.769	Yes	7.135	0.008**

Panel B: Results of MANOVA and follow-up univariate tests for the influence of self-construal on sceptical judgments among the Chinese accounting students in Australia

Dependent Variable	<i>Independents</i> (N=82)	<i>Interdependents</i> (N=75)	Expected Direction	F	Significance Level
MANOVA				2.981	0.021*
ANOVA					
• Likelihood of trusting the audit evidence	3.973	4.296	Yes	2.381	0.125
• Likelihood of questioning the truthfulness of the audit evidence	4.552	5.116	Yes	9.496	0.002**
• Likelihood of searching for additional audit evidence	4.947	5.471	Yes	6.898	0.010**
• Likelihood of an intentional misstatement	4.133	4.375	Yes	1.715	0.192

*, ** Significant at $p < 0.05$, and $p < 0.01$ respectively.

Additionally, MANOVA was carried out to test whether there were any differences between the Chinese students in Australia and their counterparts in China on the four measures of sceptical

judgments taken together. The results based on MANOVA test reported in Table 2.7 show significant differences in sceptical judgments between the two participating groups ($p < 0.05$).²⁶ To further investigate differences on each of the four measures of sceptical judgments, follow-up univariate tests were carried out to examine the differences between the two participating groups. Table 2.7 shows the results of both parametric and nonparametric follow-up univariate tests on each of the four items that measured sceptical judgments. The higher scores on the measures of sceptical judgments indicate being more sceptical and vice versa. Differences in the mean scores between the two participating groups are significant for each of the four measures ($p < 0.05$). Chinese students in Australia score significantly lower on each of the four measures of sceptical judgments, indicating that they are less sceptical than their counterparts in China. The results suggest that Chinese students in Australia are less sceptical than their counterparts in China when evaluating client-provided evidence.

2.5 Conclusions

This paper contributes to the literature on PS by providing empirical evidence to show that self-construal is a relevant and important personality variable that influences sceptical judgments. Specifically, this paper provides evidence showing that Chinese students undertaking university accounting education in Australia differ significantly on self-construal compared to their counterparts in China, and these differences influence their sceptical judgments. Attributable to differences in learning and cultural environments between China and Australia, the results show

²⁶ Four multivariate statistics are available for MANOVA tests: Pillai's Trace, Wilks' Lambda, Hotelling's Trace, Roy's Largest Root. For comparison, the current study used all these four tests and they provide the same F values and p values.

that Chinese accounting students in Australia scored higher on measures of independent and lower on measures of interdependent self-construal than their counterparts in China.

Table 2.7. Results of MANOVA and Follow-up Univariate Tests on Mean Differences in Sceptical Judgments between the Chinese Accounting Students in Australia and Their Counterparts in China

Dependent Variable	Mean Chinese Students in China (N=179)	Mean Chinese Students in Australia (N=157)	Expected Direction	F (Parametric tests)	Significance Level (Parametric tests)	Significance Level (Nonparametric Kruskal-Wallis tests)
MANOVA				22.017	0.000**	
Univariate test						
Likelihood of trusting the audit evidence	4.795	4.126	Yes	21.796	0.000**	0.000**
Likelihood of questioning the truthfulness of client-provided audit evidence	5.647	4.823	Yes	41.743	0.000**	0.000**
Likelihood of searching for additional audit evidence	6.246	5.185	Yes	78.882	0.000**	0.000**
Likelihood of an intentional misstatement	4.555	4.208	Yes	6.054	0.014*	0.015*
*, ** Significant at p<0.05, and p<0.01 respectively.						

Furthermore, this paper examines the influence of self-construal on sceptical judgments through two conflicting and competing perspectives, namely auditors' perceived relationship with client management, and auditors' perceived relationship with their superiors. The results support the perspective based on auditors' perceived relationship with their superiors, and show that independent subjects are less sceptical than interdependent subjects in evaluating client-provided audit evidence. These findings suggest that entry-level auditors may place greater importance on pleasing and maintaining harmonious relationships with their superiors. This paper contributes to the literature on PS by providing empirical evidence that possible competing and conflicting perspectives need to be taken into account.

The findings have a number of implications for global standard setters, auditing educators, audit firms and cross-cultural audit research. First, the findings may benefit global standard setters, such as the International Accounting Education Standards Board (IAESB) in improving international convergence of accounting education. The International Education Standards for Professional Accountants (IES) encourages accounting educators to "use a broad range of *learner-centred* teaching methods" although member bodies "are free to adopt teaching methods that work best in their particular cultures" (IAESB, 2009, p. 43). However, learner-centred teaching methods, which are largely derived from Anglo-American countries' education system, differ significantly from teacher-centred approaches used in Asian countries. Evidence shows that learner-centred and teacher-centred approaches are deeply embedded in the core cultural values of a country (Pratt, 1992; Li, 2003). This paper challenges the suggestion by IAESB that accounting educators should focus on learner-centred teaching approach. It is argued that there is no one "best practice" which could be applied to all countries and cultures. It is suggested that additional empirical research should be conducted to examine differences in students' judgments as they move from a teacher-centred to a learner-centred educational environment, and the influence of such changes in students' learning outcomes.

Furthermore, the findings may be of interest to auditing educators. The findings suggest that

accounting education is not only a process of transferring technical knowledge and skills, but also involves complex cognitive processes associated with self-construal which may influence subjects' judgments. It is suggested that, besides technical aspects, greater attention should also be paid to complex cognitive processes that students may experience in different learning and cultural environments. Both auditing educators and students should be aware of the influence of self-construal on subjects' judgments related to complex concepts such as PS. Such awareness may be useful in enhancing consistency in judgments of students across and within countries on key concepts embedded in the professional standards.

Additionally, the findings have potential implications for audit firms. The growing pace of internationalization of audit firms has an increasing influence on the composition of audit teams. Specifically, audit teams are increasingly composed of members from different cultural and educational backgrounds. The findings may assist audit firms in forming audit teams of members with varying intercultural educational experience. Additionally, the findings may be useful for audit firms in designing and conducting entry-level training programs.

The findings also have implications for cross-cultural auditing research. Consistent with Hurtt et al. (2013) and Nolder and Riley (2014), this paper suggests that in the context of increased global movement and cross-cultural interactions among auditing practitioners and students across countries, additional empirical research is needed to examine judgments of subjects who are exposed to two different learning and cultural environments.

The findings of this study should be considered in light of the limitations. This study uses four measure of sceptical judgments. It may also be beneficial to use other possible measures to examine sceptical judgments. Furthermore, this study compares sceptical judgments between Chinese students in Australia and their counterparts in China. It is possible that Chinese students who self-select to study in Australia might be different from those who stay in China. The results show that there are no significant differences in demographical variables including gender, age

and work experience between the two sample groups. However, it is possible that subjects may have started out with different ideas about scepticism, even before their university training. To eliminate such possible confounding factors, further research may measure self-construal of students in their home country, and then track and measure the same students as they move to a host country for university education.

Chapter 3: The Influence of Partners' Views on Chinese Auditors' Judgments of Professional Scepticism

3.1 Introduction

In the move towards globalization and the international convergence of auditing standards, national culture has been increasingly recognised as an important contextual factor that influences auditors' judgment and decision making (JDM) (Cohen et al., 1995; Nolder & Riley, 2014; Patel, 2006). The new Framework for Audit Quality issued by the International Auditing and Assurance Standards Board (IAASB) recognises the importance of various contextual factors including cultural factors, which have the potential to impact audit quality (IAASB 2014b). The increasing need to enhance audit quality globally has further urged a better understanding of JDM among auditors from different cultural contexts. However, prior studies on auditors' JDM have largely been conducted in Anglo-American countries and research in other cultural contexts is scant (Nelson & Tan, 2005; Nolder & Riley, 2014). There have been calls in the literature to examine auditors' JDM in countries where prevalent cultural values significantly differ from those of the U.S. and other Anglo-American countries (Humphrey, 2008; Trotman, 1999; Wu & Patel, 2015). Furthermore, a better understanding of JDM among auditors from different national cultures is particularly important given the increasing proportion of Asian hires in Anglo-American countries such as the USA.²⁷ To address the changing multicultural environment of audit firms, and the shifting cultural makeup of audit staff, Nolder and Riley (2014) call for research that can contribute to managing the growing cultural diversity in audit firms.

To respond to the needs of understanding auditors' JDM beyond Anglo-American settings, this study examines auditors' judgments in the Chinese cultural context. Research shows that the

²⁷ According to the report of the American Institute of Certified Public Accountants (AICPA) (2015) on *Trend in The Supply of Accounting Graduates and the Demand for Public Accounting Recruits*, since 2011 one-third of new hires in U.S. accounting firms were non-Caucasians, and half of these were Asian. Similarly, Lee (2012) reports that one-third of Ernst and Young's recruitments from U.S. campuses are non-Caucasians.

Chinese cultural values of collectivism and interdependence differ significantly from typical Anglo-American cultural values of individualism and independence (Hofstede & Bond, 1988; Markus & Kitayama, 1991; Triandis et al., 1986), and that such cultural differences influence auditors' judgments (Cohen et al., 1995; Nolder & Riley, 2014; Patel et al., 2002). In this within-country study, this paper suggests that it is important to understand the relevant cultural values of Chinese auditors in order to understand their judgments. Furthermore, researchers have called for holistic approaches drawing on historical, sociological and other relevant literature to enrich the understanding of cultural contexts in which accounting and auditing operate (Harrison & McKinnon, 1999; Patel, 2004). Adopting a holistic approach, this paper draws on Confucianism, the traditional philosophy that occupies centre stage in social behaviour, and remains powerful and influential across all Chinese societies (Bell, 2014; Bond & Hwang, 1986; Yao, 2000), to identify Chinese culture values that are relevant to auditors' judgments.

Specifically, this paper examines Chinese auditors' judgments related to professional scepticism (hereafter PS). PS has been selected as the focus of this study, because it remains one of the most important and underexplored topics in auditing. PS has been widely recognised as the foundation of the profession and the cornerstone of audit quality (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009). PS is an important concept as evidenced by its prominence throughout the auditing standards (Hurtt, 2010), and has been identified as an important means of improving audit quality (Glover & Prawitt, 2014). Accordingly, auditing regulators worldwide continue to stress the fundamental importance of PS (AUASB 2012; IAASB 2012b; PCAOB 2012a). More recently, PS has been identified as one of the three key aspects for enhancing audit quality, and as an important priority in the IAASB 2015-2016 work plan (IAASB 2015b).

Given the importance of PS in auditing, there are increasing calls for research on determinants of PS and how it can be enhanced (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009; Trotman, 2011). Responding to these calls, an increasing number of studies have examined various

factors that influence auditors' PS, including auditors' characteristics, such as experience, traits, knowledge (Hurtt, 2010; Quadackers et al., 2014), clients' characteristics, such as riskiness of clients (Payne & Ramsay, 2005; Shaub & Lawrence, 1996), and evidential characteristics (Fukukawa & Mock, 2011; Trompeter & Wright, 2010). However, very few studies have examined the external environmental factors that may influence auditors' PS (Hurtt et al., 2013; Kim & Trotman, 2015). Partners' views have been identified as an important external environment factor, and regulators have urged that partners should set a proper "tone at the top" to help auditors maintain PS (Carpenter & Reimers, 2013; IAASB 2012b; PCAOB 2012a). Furthermore, prior studies on PS have predominantly been conducted in Anglo-American countries (Carpenter & Reimers, 2013; Nelson, 2009). Little is known about issues related to PS in other national contexts.

It is important to examine PS in a different context from that of Anglo-American countries, particularly in light of the current worldwide thrust towards international convergence of auditing standards. The ISAs issued by the IAASB have been adopted by 126 jurisdictions.²⁸ Given the current focus on global convergence, key auditing concepts, such as PS, conceived in a predominantly Anglo-American context, have been diffused worldwide. Research shows that accounting is a social and institutional practice embedded in the contextual environment in which it operates, rather than being a neutral, objective, and value-free technical practice (Harrison & McKinnon, 1999; Heidhues & Patel, 2011). It is also increasingly recognised that audit practice is a social construction, rather than merely a series of technical steps (Power, 2003). Evidence shows that national cultures influence auditors' judgments across countries (Cohen et al., 1995; Nolder & Riley, 2014; Patel et al., 2002). Given that applying PS requires

²⁸ The International Federation of Accountants (IFAC) is a global organization for the accountancy profession which is comprised of 179 members and associates in 130 countries and jurisdictions. IFAC has established IAASB to develop the International Standards on Auditing (ISAs) (IFAC 2011). According to the IFAC report, *Basis of ISA Adoption*, 126 jurisdictions have adopted ISAs (IFAC 2015b).

the extensive use of professional judgments, it is important to examine auditors' PS in cultural environments that are different from Anglo-American contexts.

The objective of this study is to provide empirical evidence on the influence of partners' views on Chinese auditors' sceptical judgments.²⁹ Prior research from Anglo-American settings has shown that auditors' sceptical judgments are influenced by partners' known views on PS (Carpenter & Reimers, 2013). Specifically, Carpenter and Reimers (2013) provide evidence that when partners' known views reflect a high (low) emphasis on PS, auditors are more (less) sceptical. Their study suggests that auditors align their sceptical judgments with partners' known views. However, studies have not rigorously examined the influence of unknown views of partners on auditors' PS. This study extends the literature by examining the influence of both known and unknown views of partners on Chinese auditors' sceptical judgments.

A between-subjects experiment was conducted with a total of 154 practicing auditors employed by local and Big 4 audit firms operating in China. The independent variable, *partners' views on PS*, was manipulated across three groups: (1) a group in which partners' views are unknown, (2) a group in which partners' known views reflect a low emphasis on PS, and (3) a group in which partners' known views reflect a high emphasis on PS. Participants were randomly assigned to one of these three groups.

The hypotheses development based on the rigid hierarchical cultural values of China, which emphasize the importance of submission, subordination and obedience towards superiors, together with social contingency theory, suggests that auditors are likely to be under intense pressure to align their judgments with partners' views. Consistent with Carpenter and Reimers

²⁹ Prior research distinguishes two essential components of PS: sceptical judgment and sceptical action (Nelson 2009; Hurtt et al. 2013). Sceptical judgment occurs when an auditor recognises that a potential issue may exist and that more work or effort is necessary. Sceptical action occurs when an auditor changes his/her behaviour based on the sceptical judgment. While both components are important to audit practices and education, this study focuses on sceptical judgment because it is both a necessary condition and a primary driver of sceptical action (Nelson 2009; Hurtt 2013).

(2013), the results show that partners' known views reflecting a high (low) partner emphasis on PS lead to higher (low) levels of auditors' PS. The results further show that unknown views of partners also lead to higher levels of auditors' PS. The findings suggest that auditors' sceptical judgments are influenced by both known and unknown views of partners.

Furthermore, the literature recognises the importance of evaluating pressure effects generated within firms on auditors' JDM (Lord & DeZoort, 2001; Nasution & Östermark, 2012). Understanding these effects is important, because dealing with pressure is an important part of auditing (Lord and DeZoort 2001). This study contributes to the literature by measuring the intensity of auditors' perceived pressure when partners' views are known and examining the influence of such pressure on sceptical judgments. Based on social and personality psychology, this paper suggests that it is also important to recognise within-cultural individual differences on perceived pressure among auditors. The results show that when partners' known views reflect a high (low) emphasis on PS, auditors perceiving greater pressure are likely to be more (less) sceptical. This suggests that a high (low) intensity of perceived pressure strengthens (weakens) the influence of partners' known views on sceptical judgments of auditors.

The remainder of this paper is organized as follows. Section two provides relevant background information about PS. Section three discusses the selection of China and the relevant features of Chinese cultural values, which is followed by hypotheses development in section four. Section five describes the research methods, and empirical results are presented in section six. Section seven concludes the paper.

3.2 Background

3.2.1 Professional Scepticism

While PS is important to audit quality, there is no universally accepted definition of PS. Various definitions of PS exist in the auditing literature and professional standards. For example, PS has been defined as an attitude that includes “a questioning mind, being alert to conditions which

may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence” (IAASB 2012a, p. 78), a need for a larger and/or more persuasive sets of evidence (Hurt et al., 2013; Nelson, 2009), and a need for critical thinking and to look for contradictory evidence (Griffith et al., 2015; Kang et al., 2015). Recent literature further suggests that improved critical thinking is more important than increased doubt, or increased demand for evidence in maintaining auditors’ PS and improving audit quality (Griffith et al., 2015; Kang et al., 2015). This is consistent with the suggestion of the IAASB chairman that critical thinking should be an important characteristic for auditors (IAASB 2015b).

Different perspectives of PS have emerged in the literature and auditing standards, including views of neutrality and presumptive doubt (Kang et al., 2015; Nelson, 2009). Neutrality refers to a perspective in which the auditor neither assumes that management is dishonest nor assumes unquestioned honesty (Nelson, 2009). Presumptive doubt represents an attitude in which some level of dishonesty or bias by management is assumed, unless evidence indicates otherwise (Bell et al., 2005). The literature suggests that there has been a shift from the perspective of neutrality to that of presumptive doubt with regard to PS (Bell et al., 2005; Kang et al., 2015; Nelson, 2009; Quadackers et al., 2014). Specifically, Nelson (2009, p. 3) concludes that “regulators appear to take more of the ‘presumptive doubt’ perspective, as they typically refer to PS as something that was missing when an audit failure has occurred.” This study adopts a presumptive doubt perspective on PS, where being more sceptical is indicated by showing a greater need for a more persuasive set of evidence before concluding that an assertion is correct. This view is reflected in the measures of PS described in the research methods section.

3.2.2 Country Selection

China provides an important national setting for the examination of issues related to PS due to its unique cultural environment. Chinese cultural values of collectivism and interdependence differ significantly from typical Anglo-American cultural values of individualism and independence (Hofstede & Bond, 1988; Markus & Kitayama, 1991; Triandis et al., 1986).

Chinese culture emphasizes the importance of maintaining hierarchical social order, and obedience towards superiors (Bond & Hwang, 1986; Lin & Ho, 2009; Yao, 2000). Evidence shows that such salient aspects of Chinese culture significantly influence auditors' judgments (Chow et al., 2006; Fleming et al., 2010; Lin & Fraser, 2008). Particularly, some researchers have raised concerns about auditors' compromising audit quality in their judgments due to cultural influences (Lin & Fraser, 2008; Liu, Wang, & Wu, 2011). The Chinese regulators have reiterated the importance of PS in enhancing audit quality (CICPA 2013; CICPA 2015). As such, it is important to understand auditors' PS in the Chinese cultural context.

Furthermore, issues related to the quality of financial reporting and auditing in China have attracted attention worldwide. As the second-largest economy in the world, China has growing business interactions with the rest of the world. A series of accounting scandals involving Chinese companies listed in other countries such as the U.S., has caused growing concerns globally over audit quality in China (Ang et al., 2014; The Economist, 2011). Ang et al. (2014) document that during 2011–2012, 97 accounting scandals were detected involving Chinese companies listed in the U.S. Furthermore, Ke, Lennox, and Xin (2014) provide evidence that China's weak institutional environment has resulted in lower-quality audits by the Big 4 firms, and they find that the Big 4 assign their less experienced partners to companies that are listed only in China compared with clients cross-listed in Hong Kong. In order to boost investors' confidence, Chinese regulators, including the Ministry of Finance (MOF) and the China Securities Regulatory Commission (CSRC), have undertaken various policy changes to enhance audit quality and have stressed the importance of maintaining PS in the audit of financial reports (CICPA 2013; Lisic et al., 2015). Audit firms failing to detect and report fraud in clients' financial statements face strong government sanctions, ranging from fines, to reprimands, to suspension of audit work, to revoking licenses (Lisic et al., 2015). Both worldwide and national attention to issues related to audit quality in China has also stressed the importance of investigating PS in this national context.

3.3 Relevant Chinese Cultural Values

To provide holistic and comprehensive insight into the Chinese cultural values relevant to this study, this section draws on the literature on Confucianism to complement cultural studies in organizational behaviour and accounting, which largely focus on quantified and dimensional approaches. While quantified and dimensional approaches, such as those of Hofstede (1980, 1991) and Hofstede and Bond (1988), have been extensively applied to examine cultural influences in accounting and auditing, researchers have called for more holistic approaches drawing on sociological, psychological and other relevant literature to enrich understanding of the complexity of cultural influences (Harrison & McKinnon, 1999; Heidhues & Patel, 2011; Patel, 2004). This study responds to these calls by drawing on Confucianism to provide additional insight into relevant Chinese cultural values that are likely to influence auditors' PS.

3.3.1 Confucianism

Confucianism, the traditional root of Chinese culture, is derived from the teachings of the Chinese philosopher Confucius (551–479 BC) (Yao, 2000, p. 21). Confucianism is a complex system of moral, social, political, and philosophical thought that has had a profound influence on Chinese culture (Bond & Hwang, 1986). Confucianism constitutes the fundamental social values and norms shared in ancient Chinese society for over two thousand years (Lin & Ho, 2009; Yao, 2000). Nowadays, Confucianism still occupies center stage in social behavior, remaining powerful and influential across all Chinese societies (Bell, 2014; Lin & Ho, 2009).

The fundamental assumption of Confucianism is that an individual, as a social or relational being, exists in relation to others (Bond & Hwang, 1986; Yao, 2000). A person is seen “as a relational being, socially situated and defined within an interactive context” (Bond & Hwang, 1986, p. 215). Confucianism believes in the interdependence of people and events in the universe, that is all things can be described only in relation to each other (Yeung & Tung, 1996). Confucianism emphasizes that an individual is an integrated part of the collective to which he

or she belongs (Bond & Hwang, 1986). In other words, any individual or event does not stand alone; rather, it must be explained in relation to others. Under the influence of Confucianism, Chinese regard themselves as being interdependent with their surrounding social context (Triandis, 2001). This fundamental concept of interdependence in Confucianism has a profound influence on how Chinese view themselves and interact with others.

The fundamental assumption of interdependence is deeply embedded in the ultimate goal of social and familial stability and *hexie* (harmony 和谐). *Hexie* (harmony) refers to a state of being in which there is no conflict or friction and everything is balanced and at peace (Schaefer-Faix, 2008). To achieve the ultimate goal of social and familial stability, and *hexie* (harmony 和谐), Confucius called for maintenance of the established social order and hierarchical structured relationships, stressing the importance of "harmony within hierarchy" (Jacobs, Guopei, & Herbig, 1995). Confucius emphasized hierarchically structured relationships within the social context and the family. According to Confucianism, the social system should focus on the principle that "higher ups govern, lower ranks obey" (Beamer, 1998, p. 54). Confucianism maintains the importance of the "five relationships" (*wu lun* 五伦) including hierarchical relationships between father and son, husband and wife, older brother and younger brother, ruler and subject, and friend and friend (Tan & Chee, 2005).³⁰ Hierarchically structured relationships and the established social order are maintained by people accepting a hierarchical order in which everybody has a rightful place that needs no further justification (Bond & Hwang, 1986; Jacobs et al., 1995).

In order to build an orderly society, Confucius promoted the complete submission and subordination of inferiors through their expressing piety towards superiors (Tu, 1998). Confucius demanded the respect and obedience of inferiors to superiors (Bond & Hwang, 1986; Jacobs et al., 1995). In each of the five relationships, the superior member has the duty of

³⁰ In Confucianism, the relationship between friends is considered to be similar to that between brothers in which the older is superior to the younger and thus the younger should respect the older.

benevolence and care for the subordinate member, and the subordinate member has the duty of obedience (Tu, 1998).

In summary, the above discussion shows that maintaining hierarchically structured social order to achieve "harmony within hierarchy" is of prime importance in Confucianism. The values of submission, subordination and obedience towards superiors are embedded in the rigid hierarchical Chinese cultural values.

3.3.2 Quantified Cultural Studies in Organizational Behaviour and Accounting

The preceding evaluation of Chinese cultural values complements the cultural dimensions developed by Hofstede (1980, 1991). Among the five cultural dimensions of Hofstede (1980, 1991), power distance and collectivism (individualism) are particularly reflective of the hierarchical and interdependent cultural values identified from the above discussion of Confucianism. Power distance is defined by Hofstede (1980, p. 83) as “the extent to which members of society accept that power in institutions and organizations is distributed unequally.” A high power distance is reflective of rigid hierarchical cultural values, with a high acceptance of a hierarchically structured social order. Collectivism (individualism) is described by Hofstede (1980, p. 213) as “the degree to which individuals are integrated into groups.” Collectivism is reflective of interdependent cultural values, with great concerns of relations to others and the social context. Hofstede (1980, 1991) further provides evidence that in contrast to countries such as the U.S., Australia, and the U.K., which are the most individualistic countries and which show a low power distance, countries with a Chinese background are the most collectivistic societies, and also show a high power distance. Extensive research in organizational behaviour and accounting, relying on the cultural dimensions of Hofstede (1980, 1991) and Hofstede and Bond (1988), has demonstrated that employees, including professional accountants, from Chinese cultures, are higher in orientation to power distance and collectivism than those from Anglo-American countries (Harrison, McKinnon, Panchapakesan, & Leung, 1994; Kirkman, Chen, Farh, Chen, & Lowe, 2009; Patel, 2006).

Consistent with the aspects of collectivism, high power distance, and rigid hierarchical cultural values, research shows that Chinese subordinates tend to follow authoritative supervisors' directions obediently and without question (Chen, Eberly, Chiang, Farh, & Cheng, 2014; Tsui, 2001). Such a cultural emphasis on obedience towards superiors is likely to play an important role in understanding the influence of partners' views on Chinese auditors' sceptical judgments. As such, the next section invokes these relevant cultural values to develop the hypotheses.

3.4 Hypotheses Development

3.4.1 Influence of Known Views of Partners on Sceptical Judgments

This paper draws on relevant Chinese cultural values together with social contingency theory to develop the hypotheses. Social contingency theory provides insights into why partners' views influence subordinate auditors' judgments from an accountability perspective. Accountability refers to "the implicit or explicit expectation that one may be called on to justify one's beliefs, feelings, and actions to others" (Lerner & Tetlock, 1999, p. 255). Accountability, resulting in pressures to justify individuals' judgments and decisions, is a near-universal feature of decision-making on important issues in the real world (Buchman, Tetlock, & Reed, 1996). Social contingency theory suggests that decision-makers use a variety of cognitive strategies to cope with demands of accountability to superiors in their social and organizational environments. It is further suggested that when superiors' views are known, decision-makers tend to engage in less effortful cognitive processes, aligning their judgments with these views (Tetlock, 1985, 1992). This is regarded as "a cognitively economical and socially adaptive strategy for making decisions" (Tetlock, 1985, p. 314). This strategy of avoiding "unnecessary cognitive work" and adopting a "salient, socially acceptable position" is referred to as an *acceptability heuristic* (Tetlock, Skitka, & Boettger, 1989, p. 633).

Consistent with social contingency theory, extensive research demonstrates that auditors' judgments are influenced by partners' known views in the contexts of analytical procedures in

the audit planning stage (Peecher, 1996), client acceptance/retention decisions (Cohen & Trompeter, 1998), accounts receivable collectability review tasks (Turner, 2001), going-concern judgments (Wilks, 2002), audit planning decisions (Bierstaker & Wright, 2005), valuation of financial assets (Peecher et al., 2010), audit of fixed assets (Peytcheva & Gillett, 2011), and fraud judgments (Carpenter & Reimers, 2013). For example, Wilks (2002) provides evidence that auditors who learn partners' views before evaluating evidence assign greater weight to evidence that confirms these views and make going-concern judgments that are more consistent with these views than do auditors who learn such views after evaluating the evidence. Bierstaker and Wright (2005) show that partner preferences for efficiency lead to lower assessed risks, as well as a reduced number of tests and budgeted hours for audit planning, compared to where partner preferences are for a balanced focus on effectiveness and efficiency. Similarly, Peytcheva and Gillett (2011) find that when auditors learn partners' views before making their own judgments, they make their judgments to be consistent with these views in determining whether the expenditure of a fixed asset should be capitalized or expensed.

Particularly relevant to this study is the work of Carpenter and Reimers (2013), which examines the influence of high (low) partner emphasis on PS on auditors' fraud judgments. Specifically, their results show that when partners' known views reflect high (low) emphasis on PS, auditors exhibit higher (lower) levels of scepticism, indicated by identifying a larger (smaller) number of relevant fraud risk factors, providing higher (lower) assessed fraud risk, and suggesting a larger (smaller) number of relevant audit procedures. This suggests that auditors align their judgments with partners' known views on PS. Overall, these findings concerning the influence of partners' known views in the U.S. context support social contingency theory, showing that when partners' views are known, auditors are likely to adopt an *acceptability heuristic* to engage in less cognitive effort, and align their judgments with these views.

In addition to social contingency theory, this paper suggests that rigid hierarchical cultural values further support the generalizability of the above findings to the Chinese context. As

discussed earlier, consistent with the cultural values of obedience towards superiors, subordinates tend to follow authoritative supervisors' directions obediently and without question (Chen et al., 2014; Tsui, 2001). Based on these cultural values together with the *acceptability heuristic*, this paper suggests that Chinese auditors are likely to be under intense pressure to align their sceptical judgments with partners' known views on PS. This leads to the following hypothesis.

H1: Partners' known views reflecting a high (low) emphasis on professional scepticism will lead to higher (lower) levels of auditors' professional scepticism.

3.4.2 Influence of Unknown Views of Partners on Sceptical Judgments

Social contingency theory further suggests that when decision makers do not know superiors' views, they tend to become more vigilant and self-critical information processors (Tetlock, 1985). This cognitive strategy is called *vigilant information processing* (Buchman et al., 1996; Lerner & Tetlock, 1999; Tetlock et al., 1989). When partners' views are unknown, auditors tend to apply this strategy, thinking through alternative options carefully (Buchman et al., 1996). Vigilance and carefulness in information processing are likely to lead auditors to be more cautious and more rigorous in their sceptical judgments, and thus to maintain heightened PS.

This paper suggests that the relevant Chinese cultural values identified earlier are likely to reinforce *vigilant information processing* strategy in influencing auditors' sceptical judgments when partners' views are unknown. As discussed earlier, the rigid hierarchical Chinese cultural values emphasize the importance of submission, subordination and obedience towards superiors to achieve "harmony within hierarchy" (Bond & Hwang, 1986; Yao, 2000). With these cultural values, subordinates are obligated to demonstrate strong loyalty to their superiors (Bond & Hwang, 1986; Lin & Ho, 2009). Evidence shows that subordinates are willing to exert extra effort in ensuring that at all times they are demonstrating loyalty to superiors (Chen, Tsui, & Farh, 2002). Given such strong loyalty to their superiors, when partners' views are unknown,

this is likely to create additional cognitive pressure on subordinate auditors to ensure that they are not criticized by their superiors for failing to detect possible material misstatements in clients' financial statements. Therefore, they are likely to be willing to exert extra effort, and are likely to engage in effortful cognitive processes in carrying out their audit duties. Such effortful cognitive processes are expected to lead auditors to be more cautious and more rigorous in conducting audits. Based on the above discussion, it is therefore expected that when partners' views are unknown, auditors, being more cautious and more rigorous, are likely to exhibit heightened PS in their judgments. This leads to the following hypothesis.

H2: Unknown views of partners will lead to higher levels of auditors' professional scepticism.

Details of how this hypothesis was tested are provided in the results section. Specifically, two aspects associated with unknown views of partners were tested: (1) unknown views of partners were compared to a low partner emphasis on PS; and (2) unknown views of partners were compared to a high partner emphasis on PS.

3.4.3 Influence of Intensity of Perceived Pressure on Sceptical Judgments

In earlier discussions, subordination, obedience and loyalty towards superiors have been identified as relevant cultural values important for the understanding of the influence of partners' views on Chinese auditors' judgments. While these cultural values play an important role, this paper suggests that it is also important to recognise within-cultural individual differences that may influence auditors' judgments. Social and personality psychology supports the view of culture and personality as mutually constituted, considering personality variables as inseparable from cultural processes (Benet-Martínez & Oishi, 2008; Triandis, 2001). Furthermore, as suggested by Triandis (2001), despite cultural influences on the development of individual personality, it should not be assumed that every individual in a culture has exactly same characteristics of this culture. This suggests that individual differences among auditors on pressure effects when partners' views are known require further examination.

As a collective practice, auditing is a team-based activity comprising ongoing interactions among actors associated with audit processes (Power, 2003), and dealing with pressure effects is an important part of auditing (Lord & DeZoort, 2001). As such, researchers have suggested that it is important to evaluate pressure effects generated within firms on auditors' judgments and decision making (Lord & DeZoort, 2001; Nasution & Östermark, 2012).

Pressure effects on auditors' judgments have been examined, particularly in the context of accountability pressure (DeZoort & Lord, 1997; DeZoort et al., 2006). For example, in examining the influence of accountability pressure on auditors' materiality judgments, DeZoort et al. (2006) provide evidence that the intensity of perceived pressure increases significantly as increased levels of accountability pressure are applied. This paper extends this strand of research by examining pressure effects when partners' views are known in the context of sceptical judgments. It is suggested that, when exposed to partners' known views on PS, due to individual differences in personality and coping strategies, the intensity of perceived pressure may vary from individual to individual, which is likely to influence their judgments. It is therefore expected that auditors perceiving greater pressure are more likely to be motivated to align their judgments with partners' known views on PS, and are more prone to be influenced by these views. Accordingly, when partners' known views reflect a high (low) emphasis on PS, auditors perceiving greater pressure are likely to be more (less) sceptical in their judgments than those perceiving less pressure. This leads to the following hypothesis:

H3: When partners' known views reflect a high (low) emphasis on professional scepticism, auditors perceiving greater pressure from their partners will be more (less) sceptical than auditors perceiving less pressure from their partners.

3.5 Research Method

3.5.1 Research Design and Variables

To examine the influence of partners' views on auditors' PS, this study employed a $2 \times 2 + 1$ between-subjects experimental design.³¹ First, the partners' known views were manipulated as reflecting either a high or a low emphasis on PS (a manipulated variable). In these two treatments, the intensity of auditors' perceived pressure from the partners (a measured variable) was also measured. The 'plus one' treatment is unknown views of partners. Participants were randomly assigned to one of three groups: (1) a group in which partners' views are unknown, (2) a group in which partners' known views reflect a low emphasis on PS, and (3) a group in which partners' known views reflect a high emphasis on PS. Each group received one of three versions of the research instrument, which only varied in the manipulation section describing partners' views. Additional details about the manipulation of partners' views on PS are described in the research instrument section.

This study operationalizes auditors' PS, the dependent variable, using three measures based on a review of prior literature. First, prior studies have equated PS with suspicion or distrust of clients (Kerler III & Killough, 2009; Payne & Ramsay, 2005; Shaub & Lawrence, 1996). Accordingly, the perceived reliability of client-provided information has been used as a measure of PS (Kim & Trotman, 2015; Payne & Ramsay, 2005). Consistent with these studies, the first measure of auditors' PS used in this study is the likelihood of assessing client-provided evidence as reliable. Second, Quadackers et al. (2014) and Hurtt (2010) posit that one indication of PS is the extent to which auditors are willing to collect additional evidence. Therefore, this study uses the likelihood of collecting additional audit evidence as the second measure of auditors' PS. Third, a number of studies have shown that auditors' assessed likelihood of an intentional misstatement in clients' financial statements is an appropriate measure of their PS (Carpenter

³¹ This description of $2 \times 2 + 1$ experimental design which includes a 'plus one' treatment is consistent with the terminology used to describe the experimental design in Kang et al. (2015).

& Reimers, 2013; Kerler III & Killough, 2009; Popova, 2012; Quadackers et al., 2014). Consistent with these research, the current study also uses auditors' assessed likelihood of an intentional misstatement as the third measure of auditors' PS. Overall, it is therefore expected that auditors with lower (higher) levels of PS, would (1) be less (more) likely to assess the audit evidence as reliable, (2) be more (less) likely to collect additional audit evidence, and (3) assess a higher (lower) likelihood of an intentional misstatement.

In addition, this study uses Hurtt's (2010) scale to measure auditors' trait scepticism in order to control for individual differences in traits that may influence sceptical judgments. Hurtt (2010) concludes that, as an individual characteristic, trait scepticism is a relatively stable, enduring aspect of personality. It is suggested that auditors who are inherently more sceptical exhibit higher levels of trait scepticism, and this personality trait may influence their judgments (Hurtt, 2010). However, evidence on the influence of trait scepticism on auditors' judgments is limited and inconclusive. Some studies provide evidence that trait scepticism significantly influences auditors' judgments. For example, auditors with higher levels of trait scepticism tend to be more sensitive to fraud cues (Popova, 2012), and to provide a higher fraud risk assessment (Quadackers et al., 2014). In contrast, other studies find that trait scepticism does not significantly influence auditors' judgments. For example, auditors' level of trait scepticism does not significantly influence their fraud judgments, including identification of fraud risk factors, fraud risk assessments, and selection of audit procedures (Carpenter & Reimers, 2013). Given the limited and conflicting evidence, trait scepticism was included in this study as a control variable. Additional details about Hurtt's (2010) scale are described in the research instrument section.

3.5.2 The Auditing Scenario

A review of the existing literature indicates that prior research on PS has mainly focused on contexts involving analytical procedures during the audit planning stage (Carpenter & Reimers, 2013; Kim & Trotman, 2015; Payne & Ramsay, 2005; Quadackers et al., 2014). It is important

to examine PS not only in audit planning procedures, but also in tasks during the performance stage of audits, as auditors are required to maintain PS throughout the audit processes. As an important procedure in performing audits of financial statements, the confirmation procedure is regarded as an important process in addressing fraud risks relating to revenue recognition, one of the most critical areas of financial reporting susceptible to fraud (PCAOB 2010). Confirmation is also considered to be among the most persuasive forms of audit evidence, particularly for audits of receivables (Caster et al., 2008). The current study extends research on PS to the context of debtor confirmation procedures during the performance stage of the audit.

Specifically, a task in debtor confirmation procedures involving the evaluation of client-provided audit evidence is selected because exercising PS is particularly important in such an evaluation. Due to increases in attention paid to auditors' responsibility to detect and prevent fraud, evaluating audit evidence has become more critical in audit procedures (Bell et al., 2005). Specifically, client-provided information, an essential part of audit evidence, is considered as less reliable than evidence collected directly by auditors themselves (IAASB 2012a, p. 391; Rennie et al., 2010). If client-provided audit evidence is not assessed with sufficient PS, then the risk of failure to detect fraud will increase. Such a risk may not be fully mitigated by the reviewing process if auditors fail to identify and report fraud-related issues. As such, evaluating client-provided evidence provides a relevant and important setting for examining auditors' PS.

3.5.3 Research Instrument

The experimental material contained a cover letter informing participants of the procedures, emphasizing that participation in the study was voluntary and confidential. Participants were also advised that the task would take approximately thirty minutes to complete.

The research instrument attached to the cover page consisted of two parts. Part One was an audit case study involving a debtor confirmation procedure. The case scenario was adapted

from D'Aquila and Capriotti (2011), and was based on a fraud case compiled by the Securities and Exchange Commission (SEC) of the U.S. The introductory section of the case explained to participants that they were assuming the role of a senior auditor working for a large public accounting firm, and had recently been assigned to a year-end audit for a listed company. The instrument then described the hypothetical audit client, which designed and sold semiconductors, and provided information about several changes that had occurred relating to the client's sales. Participants were further informed that they were performing debtor confirmation for the client and that a discrepancy on a trade receivable balance had been found between a returned confirmation from a customer and the audit client's records. Further, the case material described evidence, including shipping documents and delivery notes, provided by the client's Chief Financial Officer (CFO) to support their assertion about the trade receivable balance.

The experimental material then presented information about the engagement partner's views on PS. Participants in the group with unknown views of partners received no information on the partners' views. In the group with a low partner emphasis on PS, participants were informed that the engagement partner "commented that there is a precedent for auditors to accept client-provided explanations as given, and suggested that auditors should fully utilize the client's insights about business transactions to improve the efficiency of the audit." Alternatively, in the group with a high partner emphasis on PS, participants were informed that the engagement partner "expressed concerns about the potential for auditors to accept, without adequate justification, client-provided explanations, and suggested that auditors should approach client-provided explanations with a sufficient attitude of professional scepticism." The manipulation of the high or low partner emphasis on PS was adapted from prior studies (Peecher, 1996; Turner, 2001).

After reading the case details and information about the partner's views on PS, participants were asked to provide judgments for each of three questions on a 7-point scale. Specifically,

participants were asked to evaluate: (1) the likelihood that the explanation provided by the client's CFO was reliable, (2) the likelihood that the participants would collect additional audit evidence concerning the client's trade receivable balance, and (3) the likelihood that there had been an intentional misstatement concerning the client's trade receivable balance. As discussed earlier, these questions were used to measure participants' levels of PS when evaluating client-provided audit evidence.

Part Two of the research instrument contained a post-experimental questionnaire including three sections. The first section presented four questions related to the case, and asked participants to provide their answers on a 7-point scale for each question. The first question measured the intensity of perceived pressure from the partner by asking how much pressure participants would feel to follow the partner's suggestion if the situation was real, on a scale anchored with "no pressure at all" and "a great deal of pressure". This measure was adopted from prior studies on pressure effects (DeZoort et al., 2006; Lord & DeZoort, 2001). The second question, as a manipulation check, asked participants about their perceptions of the partner's attitude of professional scepticism on a scale anchored with "not at all sceptical" and "highly sceptical". This question was used to determine whether the manipulation of partners' views as either reflecting a low or a high emphasis on PS was successful. In the third question, participants were asked how familiar they were with the trade receivable confirmation task described in the case on a scale anchored with "not at all familiar" and "highly familiar". In the fourth question, participants were asked how confident they were in their ability to perform the audit task on a scale anchored with "not at all confident" and "highly confident". These last two questions were included to assess and control for differences in participants' familiarity and confidence in performing the case-specific task.

The second section of the post-experimental questionnaire collected demographic details about the participants, including gender, age, nationality, organizational position, general audit experience, task-specific experience, and fraud experience.

The third section of the post-experimental questionnaire contained Hurtt's (2010) scale of trait scepticism. This 30-item scale is designed to measure an individual's inherent scepticism by focusing on six primary characteristics including: a questioning mind, suspension of judgment, need to search for knowledge, interpersonal understanding, self-confidence, and self-determination. Each question was responded to on a scale from one to six anchored with "strongly disagree" and "strongly agree".

3.5.4 Pilot Tests

The pilot testing of the research instrument comprised three stages. First, the instrument initially designed in English was pilot tested among five senior accounting academics, three auditors, and 25 postgraduate accounting students in Australia. The purpose of the pilot testing was to seek comments on the realism of the case scenario and understandability of the research instrument. The pilot test indicated that case realism was not a problem. However, based on the feedback, a number of ambiguous sentences were identified and rectified. The second stage was to develop an equivalent Chinese version of the research instrument, using a back translation procedure. Back translation is widely used in the social sciences to test accuracy and to detect errors in translation (Brislin, 1980). Using this procedure, the original English version of the research instrument was first translated into Simplified Chinese by an experienced accounting academic who was proficient in both English and Simplified Chinese. The Simplified Chinese version was then translated back into English by an qualified independent translator. All discrepancies between the original and back-translated English versions were then identified and resolved to the mutual satisfaction of the translators. Finally, the Chinese version of the research instrument was reviewed by five senior auditing academics and three audit partners in China, and then it was pre-tested with 32 postgraduate accounting students in China. Based on the feedback from this final stage, minor editorial changes to the instrument were made to improve clarity.

3.5.5 Participants and Procedure

The participants were practicing auditors employed by two Big 4 and two local audit firms operating in mainland China.³² Consistent with Shafer (2009), local Chinese audit firms are defined as firms that have no operations outside mainland China. Participants' positions ranged from associate auditors to managers. These auditors are appropriate participants because they are likely to be subject to the influence from partners' views.

The experiment was conducted at training sessions of each of the four participating firms. One of the researchers attended all four experimental sessions to ensure consistency in the procedure of administering the research instrument. At each session, the contact audit partner of the firm introduced the researcher and expressed support for the research project. Before administering the experimental material, the researcher provided a brief introduction about the study, emphasizing that participation was voluntary and responses would be treated with strict confidence. After the introduction, participants were randomly assigned to one of three treatments. The distribution and collection of the research instrument involved the following steps. First, participants received an envelope containing Part One of the research instrument (the case study). To ensure that all participants received the same instruction and in the same format, all relevant instructions about experimental tasks were provided in a cover letter attached to the envelope. After completing Part One and placing it in the envelope provided, participants received and completed Part Two (the post-experiment questionnaire). Finally, each envelope was personally collected by the researcher. Then, the participants were debriefed and given an opportunity to ask questions.

³² The two local and two Big 4 audit firms are located in Guangzhou, Nanjing, Shenzhen, and Shanghai. These cities are among the most important commercial centres in China. Guangzhou and Nanjing are the capital cities of Guangdong and Jiangsu provinces respectively. These two provinces had the largest and the second largest GDPs among the provinces of China from 2008 to 2012 (National Bureau of Statistics of China, 2013).

3.6 Results

3.6.1 Demographic Summary and Descriptive Statistics

A total of 154 usable responses were received from 216 auditors voluntarily participating in the experiment. Sixty-two responses were incomplete, and therefore were excluded from the analysis. This represents a response rate of approximately 71%. A summary of the demographic information for the respondents is shown in Table 3.1. Half of the respondents were employed by local audit firms, and the remaining half were employed by Big 4 audit firms. Approximately 58% of respondents were male, and most possessed a bachelor's degree (88%). A majority of respondents were aged 20-24 (27%), 25-29 (31%) and 30-34 (15%). Approximately 42% of the respondents were at the associate level, 37% were audit seniors, and 21% were managers. On average, the respondents had 3.8 years of general audit work experience, and 23% were qualified as Certified Public Accountants. A majority (91%) of respondents reported that they had task-specific experience in conducting audits of accounts receivable.³³ Approximately 46% of respondents reported that they had been on an audit engagement where a fraud was discovered. Both general audit experience and task-specific experience indicated that the participants possessed the requisite task knowledge.

Statistical tests show that demographic variables, including gender, age, organizational position, general audit work experience, task-specific experience, and fraud experience do not significantly affect respondents' sceptical judgments. Also, there were no significant differences in responses across the four participating firms or, between local and Big 4 audit firms. Therefore, the responses were aggregated for further analysis. Consistent with Carpenter and Reimers (2013), additional analyses were also conducted by including demographic variables as covariates. The results were consistent with those from the main analyses reported in the results section of this paper. Additionally, participants' familiarity and confidence in

³³ As the full sample also contains responses from 14 participants who reported no experience of audits of accounts receivable, additional statistical tests excluding these responses were also conducted. The inferences of the results are consistent with the results from the full sample. As such, only the results from the full sample are reported.

performing the case-specific task were included as covariates. After controlling for familiarity and confidence, the inferences from the results are the same as those from the main analyses. As such, only the results from the main analyses are reported.

Table 3.1. Demographic Statistics (n=154)

		N	
Gender			
Male		89	57.8%
Female		65	42.2%
Age			
20-24		42	27.3%
25-29		48	31.2%
30-34		23	14.9%
35-39		12	7.8%
40-44		17	11.0%
45-49		9	5.8%
50-54		3	1.9%
Highest education level			
Bachelor's degree		135	87.7%
Master's degree or above		19	12.3%
Current position			
Auditor associate		65	42.2%
Senior auditor		57	37.0%
Manager		32	20.8%
General audit work experience: Range (mean)			
Auditor associate		0.5 - 5 (1.7)	
Senior auditor		2-10 (4.1)	
Manager		2 - 20 (7.5)	
Total		0.5 - 20 (3.8)	
Current organization			
Local audit firm		77	50.0%
Big 4 audit firm		77	50.0%
Task-specific experience - audits of accounts receivable			
None		14	9.1%
1-5 times		90	58.4%
6-10 times		18	11.7%
More than 10 times		32	20.8%
Fraud experience – times of discovering fraud			
None		83	53.9%
1-5 times		54	35.1%
6-10 times		5	3.2%
More than 10 times		12	7.8%
Professional qualification			
A member of CICPA		36	23.4%
Currently preparing for the CICPA examination		102	66.2%
Currently not preparing for the CICPA examination		16	10.4%

Recall that auditors' levels of PS are measured by three dependent variables, including the likelihood of assessing client-provided audit evidence as reliable, the likelihood of collecting additional audit evidence, and the likelihood of an intentional misstatement. For the first measure, the likelihood of assessing client-provided audit evidence as reliable, higher scores

indicate lower levels of PS. For the other two measures, higher scores indicate higher levels of PS. To be consistent with the other measures, the scores on the first measure were subtracted from 8, and then the reversed scores were used in the subsequent data analysis. This recoding enables a straightforward comparison between measures. Descriptive statistics of the dependent variables are presented in Table 3.2. For all three dependent variables, the means in the group with a low partner emphasis on PS are smaller than those with a high partner emphasis on PS and also smaller than those with unknown views of partners. These results are consistent with the predictions of H1 and H2 for the influence of known and unknown views of partners on auditors' sceptical judgments. Detailed statistical tests of the hypotheses are reported in the hypotheses tests section.

3.6.2 Manipulation Check

Table 3.2. Descriptive Statistics for Each Dependent Variables

Mean (S.D.) [n]	Known views of partners		Unknown views of partners
	Low partner emphasis on PS	High partner emphasis on PS	
<i>Likelihood of assessing client- provided audit evidence as reliable</i>	3.72 (1.220) [54]	4.73 (1.370) [44]	4.91 (1.240) [56]
<i>Likelihood of collecting additional audit evidence</i>	4.57 (1.368) [54]	5.73 (1.086) [44]	5.48 (1.440) [56]
<i>Likelihood of an intentional misstatement</i>	3.94 (0.998) [54]	5.02 (1.577) [44]	5.02 (1.300) [56]

To assess the effectiveness of the experimental manipulation for partners' views as either a low or a high emphasis on PS, the participants were asked about their perceptions of the partner's attitude towards PS. These perceptions were measured on a 7-point scale anchored with "not at all sceptical" and "highly sceptical". The mean score of 3.80 (SD = 1.62) in the group with a low partner emphasis on PS is significantly lower ($p = 0.000$) than the mean score of 5.02 (SD = 1.47) in the group with a high partner emphasis on PS. This indicates that the manipulation of partners' views was successful.

In addition, to assess the intensity of auditors' perceived pressure, the participants were asked how much pressure they would feel to follow the partner's views. These perceptions were measured by a 7-point scale anchored with "no pressure at all" and "a great deal of pressure". In the group with a low partner emphasis on PS, the mean score is 4.26 (SD = 1.51), and in the group with a high partner emphasis on PS the mean score is 4.45 (SD = 1.59). Analysis shows that both mean scores are significantly higher than a midpoint of 4. This indicates that both groups with either a low or a high partner emphasis on PS perceived a considerable intensity of pressure from the partner. Further analysis shows that there is no significant difference in the intensity of perceived pressure for these two experimental groups ($p = 0.54$).

3.6.3 Preliminary Tests

Multivariate analysis of variance (MANOVA) was first used to test the influence of the independent variables, partners' views, on the combination of the three dependent variables measuring PS. An important preliminary test for MANOVA is to examine the correlation of the three dependent variables that measure PS, as there would be no reason to use MANOVA if the dependent variables were not correlated. The correlations shown in Table 3.3 indicate that the three dependent variables were significantly correlated with each other ($p < 0.01$). This suggests that it is appropriate to use MANOVA.

Table 3.3. Correlations Among Dependent Variables

		<i>likelihood of assessing client- provided audit evidence as reliable</i>	<i>Likelihood of searching for additional audit evidence</i>	<i>Likelihood of an intentional misstatement</i>
<i>Likelihood of assessing client-provided audit evidence as reliable</i>	Pearson Correlation (Sig.)	1		
<i>Likelihood of searching for additional audit evidence</i>	Pearson Correlation (Sig.)	.289** (.000)	1	
<i>Likelihood of an intentional misstatement</i>	Pearson Correlation (Sig.)	.517** (.000)	.487 ** (.000)	1

** Significant at $p < 0.01$ (2-tailed).

3.6.4 Hypotheses Tests

Influence of Known Views of Partners on Sceptical Judgments

To test the influence of known views of partners on auditors' sceptical judgments, MANOVA was first used to test the differences on the combination of the three dependent variables between two groups with partners' known views that reflect either a high or a low emphasis on PS. The MANOVA results in Table 3.4 show significant main effects on the level of auditors' levels of PS ($F = 10.03$, $p = 0.000$ based on Wilks' Lambda). Follow-up univariate tests were used to further examine the influence of partners' known views on each dependent variable separately. The results reported in Table 3.4 show significant differences ($p < 0.01$) between the two groups on each of the three dependent variables.

Hypothesis H1 predicts that partners' known views reflecting a high (low) emphasis on PS are likely to lead to higher (lower) levels of auditors' PS. The results of pairwise comparisons in Table 3.4 show that auditors score significantly higher in the group with a high partner emphasis on PS than in the group with a low partner emphasis on PS for all three dependent variables ($p < 0.01$). These results support H1, suggesting that a high (low) partner emphasis on PS leads to higher (lower) levels of auditors' PS.

Influence of Unknown Views of Partners on Sceptical Judgments

Hypothesis H2 predicts that unknown views of partners are likely to lead to higher levels of auditors' PS. To test H2, two aspects of this influence were tested. First, when partners' views are unknown, it is expected that auditors are likely to be more sceptical than when partners place a low emphasis on PS. To test this effect, both MANOVA and univariate tests were conducted for differences on the three dependent variables between the group with unknown views of partners and the group with a low partner emphasis on PS. The results in Table 3.5 Panel A show that auditors in the group with unknown views of partners score significantly higher on levels of scepticism than those in the group with a low partner emphasis on PS for all

Table 3.4. Results for Hypotheses Tests of H1

MANOVA		Wilks' Lambda	Hypothesis df	Error df	<i>F</i> -statistic	Significance
Known views of partners ^a		0.757	3	94	10.033	0.000**
Follow-up Univariate Tests		Type III Sum of Squares	df	Mean Square	<i>F</i> -statistic	Significance
Contrast	1) likelihood of assessing client-provided audit evidence as reliable	24.490	1	24.490	14.735	0.000**
	2) likelihood of collecting additional audit evidence	32.242	1	32.242	20.645	0.000**
	3) likelihood of an intentional misstatement	28.189	1	28.189	16.934	0.000**
Error	1) likelihood of assessing client-provided audit evidence as reliable	159.561	96	1.662		
	2) likelihood of collecting additional audit evidence	149.931	96	1.562		
	3) likelihood of an intentional misstatement	159.811	96	1.665		
Pairwise comparisons			Mean differences	Hypotheses supported	Significance	
High versus low partner emphasis on PS	1) likelihood of assessing client-provided audit evidence as reliable		1.005	Yes	0.000**	
	2) likelihood of collecting additional audit evidence		1.153	Yes	0.000**	
	3) likelihood of an intentional misstatement		1.078	Yes	0.000**	

^a Known views of partners were manipulated as either a low or a high emphasis on PS.

** Significant at p < 0.01 (2-tailed).

^a Known views of partners were manipulated as either a low or a high emphasis on PS.

** Significant at $p < 0.01$ (2-tailed).

three dependent variables ($p < 0.01$). Second, the group with unknown views of partners was compared with the group with a high partner emphasis on PS. The results of MANOVA and univariate tests in Table 3.5 Panel B show that there is no significant difference ($p > 0.10$) in auditors' levels PS between these two groups for all three dependent variables. These results support H2, suggesting that both unknown views of partners and a high partner emphasis on PS lead to higher levels of scepticism, and a low partner emphasis leads to lower levels of scepticism.

Table 3.5. Results for Hypotheses Tests of H2

Panel A: Unknown views of partners versus Low partner emphasis on PS						
MANOVA		Wilks' Lambda	Hypothesis df	Error df	F-statistic	Significance
Unknown views of partners versus a low partner emphasis on PS		0.738	3	106	12.520	0.000**
Follow-up Univariate Tests		Type III Sum of Squares	df	Mean Square	F-statistic	Significance
Contrast	1) likelihood of assessing client-provided audit evidence as reliable	38.831	1	38.831	25.668	0.000**
	2) likelihood of collecting additional audit evidence	22.669	1	22.669	11.484	0.001**
	3) likelihood of an intentional misstatement	31.675	1	31.675	23.461	0.000**
Error	1) likelihood of assessing client-provided audit evidence as reliable	163.387	108	1.513		
	2) likelihood of collecting additional audit evidence	312.186	108	1.974		
	3) likelihood of an intentional misstatement	145.815	108	1.350		
Pairwise comparisons			Mean differences	Hypotheses supported	Significance	
Unknown views of partners versus a low partner emphasis on PS	1) likelihood of assessing client-provided audit evidence as reliable		1.188	Yes	0.000**	
	2) likelihood of collecting additional audit evidence		0.908	Yes	0.001**	
	3) likelihood of an intentional misstatement		1.073	Yes	0.000**	
Panel B: Unknown views of partners versus High partner emphasis on PS						
MANOVA		Wilks' Lambda	Hypothesis df	Error df	F-statistic	Significance
Unknown views of partners versus a high partner emphasis on PS		0.983	3	96	0.569	0.637
Follow-up Univariate Tests		Type III Sum of Squares	df	Mean Square	F-statistic	Significance
Contrast	1) likelihood of assessing client-provided audit evidence as reliable	0.829	1	0.829	0.492	0.485
	2) likelihood of collecting additional audit evidence	1.481	1	1.481	0.881	0.350
	3) likelihood of an intentional misstatement	0.001	1	0.001	0.000	0.987
Error	1) likelihood of assessing client-provided audit evidence as reliable	165.281	98	1.687		
	2) likelihood of collecting additional audit evidence	164.709	98	1.681		
	3) likelihood of an intentional misstatement	199.959	98	2.040		
* Significant at p<0.01 (2-tailed).						

Influence of Intensity of Perceived Pressure on Sceptical Judgments

Hypothesis H3 predicts that when partners' views reflect a high (low) emphasis on PS, auditors perceiving greater pressure are likely to more (less) sceptical in their judgments. The following linear regression model is used to test these hypotheses for groups with a high or a low partner emphasis on PS respectively:

$$PS = \beta_0 + \beta_1 * PRESSURE + \epsilon$$

PRESSURE is the intensity of auditors' perceived pressure. Higher scores indicate greater perceived pressure. Hypothesis H3 predicts that when partners place a low emphasis on PS, auditors perceiving greater pressure from partners are likely to be less sceptical in their judgments than auditors perceiving less pressure from partners. Therefore, the sign of the coefficient for the variable PRESSURE is predicted to be negative. Table 3.6 Panel A shows that the coefficient for PRESSURE is negative and significant ($p < 0.01$) for all three dependent variables.

Hypothesis H3 also predicts that when partners place a high emphasis on PS, auditors perceiving greater pressure from partners are likely to be more sceptical in their judgments than auditors perceiving less pressure from partners. Therefore, the sign of the coefficient for the variable PRESSURE is predicted to be positive. Table 3.6 Panel B shows that the coefficient for PRESSURE is positive and significant ($p < 0.01$) for all three dependent variables. Thus, the above results support H3, showing that when partners' known views reflect a high (low) emphasis on PS, auditors perceiving greater pressure are more (less) sceptical than those perceiving less pressure. This suggests that high or low intensity of auditors' perceived pressure will strengthen or weaken the influence of partners' known views on auditors' PS.³⁴

³⁴ Additional analyses were conducted to test a mediator effect of the intensity of perceived pressure. Social psychological research suggests that to establish mediation, the independent variable must affect the mediator (Baron & Kenny, 1986). Consistent with prior studies (Baron & Kenny, 1986), the intensity of perceived pressure, was regressed on the independent variable, partners' known views. The results show that the independent variable, partners' known views, does not significantly affect the intensity of auditors' perceived pressure ($p > 0.05$). As such, the mediator effect cannot be established.

Table 3.6. Results of Regression of Auditors' Levels of PS on the Intensity of Perceived Pressure (H3)

$$PS = \beta_0 + \beta_1 * PRESSURE + \epsilon$$

Panel A: Low partner emphasis on PS

Dependent variable - likelihood of assessing client-provided audit evidence as reliable

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		5.531	0.431	12.827	0.000
PRESSURE	–	-0.425	0.096	-4.444	0.000**

Dependent variable - likelihood of searching for additional audit evidence

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		6.062	0.524	11.557	0.000
PRESSURE	–	-0.349	0.116	-3.005	0.004**

Dependent variable - likelihood of fraud

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		5.085	0.379	13.405	0.000
PRESSURE	–	-0.268	0.084	-3.185	0.002**

Panel B: High partner emphasis on PS

Dependent variable - likelihood of assessing client-provided audit evidence as reliable

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		2.827	0.545	5.186	0.000
PRESSURE	+	0.427	0.115	3.696	0.001**

Dependent variable - likelihood of searching for additional audit evidence

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		3.909	0.399	9.804	0.000
PRESSURE	+	0.408	0.084	4.836	0.000**

Dependent variable - likelihood of fraud

Variable	Predicted Sign	Estimated Coefficient	Standard Error	<i>t</i>	Significance
INTERCEPT		2.710	0.615	4.404	0.000
PRESSURE	+	0.519	0.130	3.986	0.000**

** Significant at $p < 0.01$ (2-tailed).

3.6.5 Measured Trait Scepticism

As discussed earlier, this study uses Hurtt's (2010) scale to measure auditors' trait scepticism in order to control for individual differences in traits that may influence sceptical judgments. Consistent with the scoring method used in Hurtt (2010), each question had a scale from one to six. Thus, final scores can range from 30 to 180, and the theoretical midpoint is 105. Higher scores mean greater trait scepticism and vice versa. The auditors' trait scepticism scores obtained in this study ranged from 84 to 172, with a mean of 130.83 (SD = 15.11). These scores

are consistent with auditors' trait scepticism reported in prior studies.³⁵ Table 3.7, Panel A shows the mean score of trait scepticism in three experimental groups. The mean score is 129.52 for the group with a low partner emphasis on PS, 130.36 for the group with a high partner emphasis on PS, and 132.46 for the group with unknown views of partners. Furthermore, Table 3.7, Panel B shows the ANOVA results on trait scepticism scores across three groups. The results show no significant group effects on trait scepticism scores ($p = 0.579$). This suggests that random allocation of participants across experimental groups successfully controlled for individual differences in trait scepticism.

Table 3.7. Auditors' Trait Scepticism

Panel A: Mean Auditors' Trait Scepticism (Standard Deviation)

Mean (S.D.) [<i>n</i>]	Low partner emphasis on PS	High partner emphasis on PS	Unknown views of partners	Overall
Auditors' Trait Scepticism	129.52 (15.545) [54]	130.36 (13.994) [44]	132.46 (15.637) [56]	130.83 (15.109) [154]

Panel B: Results of an ANOVA of Partners' Views on Auditors' Trait Scepticism

Source of Variation	Sum of Squares	df	Mean Square	F-statistics	Significance
<i>Partners Views</i>	252.019	2	126.009	0.549	0.579
<i>Error</i>	34675.592	151			

Panel C: Results of an MANCOVA of Partners' Views and Trait Scepticism on Auditors' Sceptical Judgments

MANCOVA	Wilks' Lambda	Hypothesis df	Error df	F-statistic	Significance
<i>Trait Scepticism</i>	0.985	3	148	0.736	0.532
<i>Partners Views</i>	0.772	6	296	6.812	0.000

Additional analyses were also conducted to test the influence of trait scepticism on auditors' sceptical judgments. Consistent with Carpenter and Reimers (2013), this study computed a MANCOVA with three measures of PS as the dependent variables, using partners' views as

³⁵ Hurtt (2010) reports that the mean score of auditors' trait scepticism is 135 on one administration and 138.60 on another. Quadackers et al. (2014) report a mean score of 133.09 for auditors' trait scepticism in their study.

independent variables, and trait scepticism as a covariate. The MANCOVA results reported in Table 3.7, Panel C, show no significant influence of trait scepticism on auditors sceptical judgments ($p = 0.532$ based on Wilks' Lambda). This result is consistent with prior studies that also find no significant influence of auditors' trait scepticism on their sceptical judgments (Carpenter & Reimers, 2013; Quadackers et al., 2014).

3.7 Conclusions

Prior studies on auditors' JDM have predominantly been conducted in Anglo-American countries. Responding to the need to understand auditors' JDM in countries where cultural values differ significantly from those in Anglo-American countries, this paper examines the influence of partners' views on auditors' sceptical judgments in the Chinese context. As discussed earlier, PS is examined because it has been widely recognised as the foundation of the profession and the cornerstone of audit quality. China provides an important and interesting national setting because its collectivist cultural values, which emphasize the importance of maintaining "hierarchical social order" and "harmony within hierarchy", differ significantly from individualistic cultural values in Anglo-American countries (Bond & Hwang, 1986; Chen et al., 2014; Tsui, 2001). Given the importance of subordination, obedience and loyalty towards superiors, it is suggested that Chinese auditors are likely to be under intense cultural pressure to align their judgments with partners' views. This paper contributes to the literature by taking into account both the relevant cultural values and within-cultural individual differences to examine the influence of partners' views on sceptical judgments.

Specifically, this study examines three aspects associated with partners' views that may influence auditors' sceptical judgments. First, the experiment confirms the findings of Carpenter and Reimers (2013) in the U.S., showing that when partners' known views reflect a high (low) emphasis on PS, Chinese auditors also exhibit higher (lower) levels of scepticism. Consistent with the US findings, the results suggest that auditors feel pressured to align their

sceptical judgments with partners' known views on PS. However, whether there are differences between Chinese and US auditors in the intensity or the degree to which auditors' align their judgments with partners' known views is an empirical question that warrants further examination. The findings support the universal *acceptability heuristic* as a cognitive strategy in response to accountability pressure in the Chinese context, while, at the same time, opening future research to comparative studies.

Second, China also provides a relevant context for examining the influence of unknown views of partners on auditors' PS because of cultural emphases on subordination, obedience and loyalty towards superiors. This study contributes to the literature by providing experimental evidence to show that unknown views of partners also influence auditors' sceptical judgments. The results show two aspects of this influence. First, when partners' views are unknown, auditors are more sceptical, compared to when partners place a low emphasis on PS. Second, there are no significant differences in auditors' sceptical judgments between unknown views of partners and a high partner emphasis on PS. Overall, these results suggest that both a high partner emphasis on PS and unknown views of partners lead to higher levels of auditors' scepticism, and a low partner emphasis leads to lower levels of scepticism. These findings suggest that auditors' sceptical judgments are influenced by both known and unknown views of partners. The findings reflect the importance of partners' setting proper "tone at the top", particularly in countries such as China where auditors are under intense cultural pressure to align their judgments with partners.

Third, in addition to invoking relevant cultural values, this paper also draws on social and personality psychology to examine within-cultural individual differences on auditors' perceived pressure, and its influence on their sceptical judgments. The results show that when partners' views reflect a high (low) emphasis on PS, auditors perceiving a greater intensity of pressure are more sceptical than those perceiving less intensity. This suggests that high (low) intensity of auditors' perceived pressure strengthens (weakens) the influence of partners' known views

on auditors' sceptical judgments. The findings show the importance of understanding within-cultural individual differences in the intensity of perceived pressure.

As discussed earlier, recent literature suggests that independent and critical thinking are more important than increased doubt in maintaining auditors' PS (Griffith et al., 2015; Kang et al., 2015). It is important that, throughout the audit process, individual auditors should be able to exercise their professional judgments independently, not being influenced by the views of others. The findings raise concerns that both known and unknown views of partners may restrain auditors' independence and critical thinking which are the core elements of PS. This paper suggests that a better understanding of cultural values and individual differences may be useful in developing strategies to mitigate undesirable influences from partners.

The findings have implications for regulators, auditing professionals and audit firms. Considering regulators' emphasis that partners should set a proper tone at the top, this paper suggests that it is more important for partners to message a culture that values independence and critical thinking rather than simply directing auditors to be more sceptical in the audit process. Partners need to be cautious and objective in their communication, avoid unnecessary influences, and allow auditors' input to be more critical and independent. Training programs and other resources could be designed to enhance auditors' abilities to independently and critically exercise their judgments, particularly for those who perceive unduly high levels of pressure to align their judgments with partners.

The findings have implications for national and global standard setters. IAASB has recognised that PS may be influenced by various factors at the firm levels, engagement levels and individual levels (IAASB 2012b). However, very little attention has been paid to cultural contexts associated with PS. This paper suggests that standard setters need to stress the importance of understanding PS in its cultural context. More research is needed to examine the challenges that arise in various cultural settings in implementing auditing standards.

Responding to considerable concerns over audit quality, Chinese regulators including the Ministry of Finance (MOF), the Chinese Institute of Certified Public Accountants (CICPA), and the China Securities Regulatory Commission (CSRC) have undertaken various policy changes to enhance auditors' independence and PS. Specifically, the fundamental importance of PS in audits has been stressed by Chinese regulators (CICPA 2013). The findings highlight the importance of both known and unknown views of partners, as well as the intensity of perceived pressure in influencing Chinese auditors' sceptical judgments. These findings may assist Chinese regulators in designing policies to enhance auditors' abilities to maintain PS and to improve audit quality.

The findings may also benefit international audit firms either operating in China or employing auditors with a Chinese cultural background. There has been a significant increase in Asian composition of audit firms in Anglo-American countries such as the U.S. and Australia. In response to the shifting cultural makeup of audit staff, it is important to understand judgments among auditors from other cultural contexts. In cultures where subordinates have a strong tendency to follow authoritative supervisors' directions without question, auditors are likely to be under intense pressure to align their judgments with partners' views. Understanding the influence of partners' views on judgments among auditors from these cultures is particularly important because such influence may eliminate meaningful discussion generated by the tension between different points of view during audits. The findings add to the suggestions of Nolder and Riley (2014) on the need to respond to the growing cultural diversity and changing the multicultural environment in audit firms within and across countries.

The findings of this study should be considered in light of its limitations. This study uses three items to measure PS, including the likelihood of assessing client-provided evidence as reliable, the likelihood of collecting additional audit evidence, and the likelihood of fraud. While the use of these measures is based on a review of existing literature on PS, it may also be beneficial to use other measures, particularly those relevant to critical thinking. It is also important to note

that, given the significant cultural differences between China and Anglo-American countries, the findings may not be generalizable to other countries where subordination and obedience towards superiors are less intense. Future research may explore cross-cultural differences in auditors' PS between China and Anglo-American countries such as the U.S. and Australia.

Chapter 4: The Importance of Peer Pressure Relative to Trait Scepticism in Influencing Chinese Auditors' Judgments of Professional Scepticism

4.1 Introduction

Professional scepticism (PS) has been widely recognised as the cornerstone of audit quality and the foundation of the profession (Bell et al., 2005; Nelson, 2009; Shaub & Lawrence, 1996; Trotman, 2011). PS is defined as “an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence” (International Auditing and Assurance Standards Board (IAASB), 2010, p. 15). Auditors’ lack of appropriate levels of PS has been identified as one of the major causes of audit deficiencies and audit failures (Australian Securities and Investments Commission (ASIC), 2012; Public Company Accounting Oversight Board (PCAOB), 2012a). The fundamental importance of PS has also been reinforced by auditing regulators worldwide (Auditing Practices Board (APB), 2010, 2012; Australian Auditing and Assurance Standards Board (AUASB), 2012; Chinese Institute of Certified Public Accountants (CICPA), 2013; IAASB 2012b; PCAOB 2012b). More recently, PS has been identified as one of the three key aspects for enhancing audit quality, and as an important priority in the IAASB 2015 – 2016 work plan (IAASB 2015).

Despite its widely recognised importance, PS remains an underexplored topic (Hurt et al., 2013; Nelson, 2009). There have been calls for research into issues related to PS (Bell et al., 2005; Hurt et al., 2013; Nelson, 2009; Trotman, 2011). For example, Bell et al. (2005) and Trotman (2011) suggest that audit judgment researchers need to draw attention to continuing research opportunities on PS, as one of the core issues of auditing. Responding to these calls, a growing number of studies, predominantly from Anglo-American contexts, have examined factors that may influence auditors’ sceptical judgments and action (Carpenter et al., 2011; Carpenter & Reimers, 2013; Glover & Prawitt, 2014; Hurt, 2010; Hurt et al., 2013; Kim &

Trotman, 2015; Lee, Welker, & Wang, 2013; Nelson, 2009; Payne & Ramsay, 2005; Quadackers et al., 2014; Rasso, 2015; Shaub & Lawrence, 1996). Prior research has distinguished between sceptical judgment and sceptical action as two essential components of PS (Hurtt et al., 2013; Nelson, 2009). While both components are important to audit practices, this study focuses on sceptical judgment because it is a necessary condition and a primary driver of sceptical action (Hurtt et al., 2013). Based on a comprehensive review of the literature and extending Nelson (2009), Hurtt et al. (2013) develop a theoretical model of PS (hereafter Hurtt Model) that categorises various antecedents to sceptical judgments into four categories, namely auditor characteristics, evidential characteristics, client characteristics, and environmental influences.³⁶

Two antecedents, namely *trait scepticism* and *peer pressure* have been selected for examination in the current study because of their importance in influencing auditors' sceptical judgments. In the Hurtt's Model (2013), trait scepticism is identified as an important personality variable that may influence sceptical judgments. Evidence predominantly from individualist and independent cultures shows that auditors with higher (lower) levels of trait scepticism tend to be more (less) sceptical in exercising their audit judgments (Hurtt, Eining, & Plumlee, 2012; Hurtt, 2010; Popova, 2012; Quadackers et al., 2014). These prior studies are based on the assumption that trait scepticism is a relatively stable and enduring aspect of personality, and its influences are consistent, coherent and context independent (Hurtt, 2010). It is suggested that this assumption may not be applicable to collectivist and interdependent cultures where personality is flexible and malleable, and its influences are context dependent (Markus &

³⁶ Specifically, the Hurtt's Model (2013) categorises the literature on antecedents to sceptical judgments into four categories, namely auditor characteristics (Hurtt, 2010; McMillan & White, 1993; Payne & Ramsay, 2005; Popova, 2012; Quadackers et al., 2014; Rose, 2007; Shaub & Lawrence, 1996), evidential characteristics (Fukukawa & Mock, 2011; Trompeter & Wright, 2010), client characteristics (Kerler III & Killough, 2009; Quadackers et al., 2014; Robertson, 2010), and environmental influences (Carpenter & Reimers, 2013; Hammersley et al., 2010; Kim & Trotman, 2015; Peecher et al., 2010; Piercey, 2011).

Kitayama, 1998; Triandis, 2001). Therefore, trait scepticism is selected for examination in the collectivist and interdependent cultural context of China.

The second antecedent selected in the current study, namely peer pressure, is also known as conformity pressure. Peer pressure refers to the pressure to adhere to peers' expectations or behaviour (DeZoort & Lord, 1997). The literature raises concerns about the influence of peer pressure in performing an audit (DeZoort & Lord, 1997; Lord & DeZoort, 2001). However, only a limited number of studies have examined the influence of peer pressure on auditors' judgments and the evidence is inconclusive (Lord & DeZoort, 2001; Nasution & Östermark, 2012; Ponemon, 1992). Importantly, prior studies have only examined peer pressure and trait scepticism as antecedents to auditors' judgments in isolation, and a research question that has not been examined is which of these two antecedents is of greater importance in influencing auditors' judgments in specific cultural contexts. Specifically, prior research predominantly from individualist and independent cultural contexts of Anglo-American countries provides strong evidence on the influence of trait scepticism on sceptical judgments but inconclusive evidence on the influence of peer pressure. This study extends the literature by providing experimental evidence on the importance of peer pressure relative to trait scepticism in influencing auditors' sceptical judgments in a collectivist cultural setting, namely China. The theoretical model of this study based on the Chinese cultural context is presented in Figure 4.1.

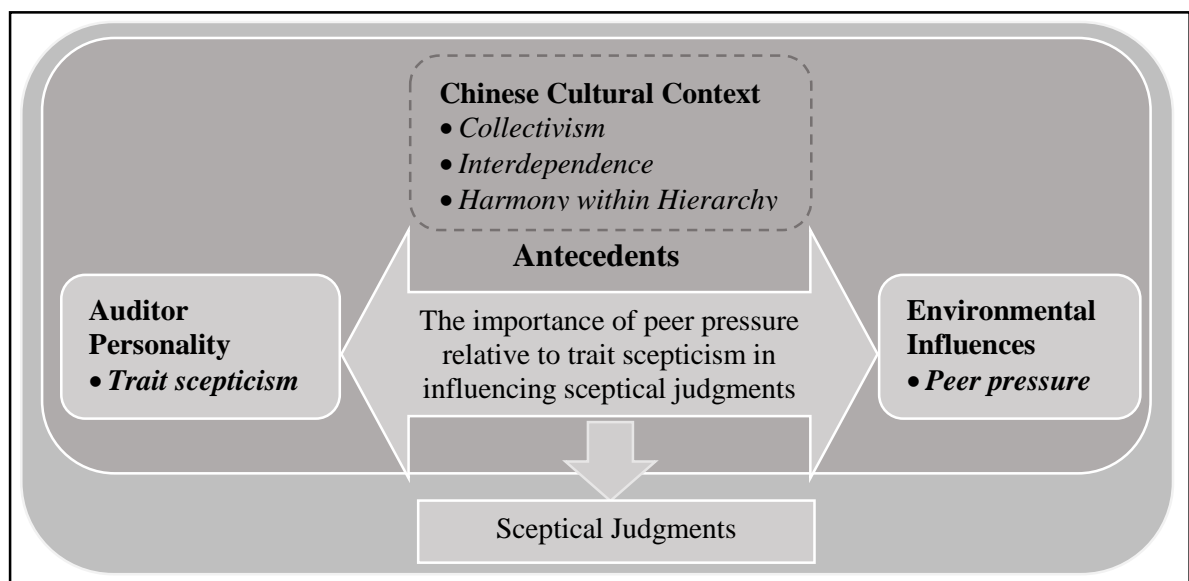


Figure 4.1 The Theoretical Model Based on the Chinese Cultural Context

China is selected for examination because there have been calls for studies to provide richer and deeper understanding of auditors' judgment and decision making (JDM) beyond Anglo-American cultural settings (Hurtt et al., 2013; Nolder & Riley, 2014; Patel, 2006). Research shows that Chinese core cultural values, which emphasise collectivism, interdependence and *harmony within hierarchy*, substantially differ from the individualist and independent cultural values dominant in Anglo-American countries (Hofstede & Bond, 1988; Leung, Brew, Zhang, & Zhang, 2011; Markus & Kitayama, 1991, 1998; Smith et al., 2016; Triandis et al., 1986). Additionally, evidence shows that these salient aspects of Chinese cultural values significantly influence auditors' judgments (Fleming et al., 2010; Li, Rose, Rose, & Tang, 2015; Lin & Fraser, 2008; Patel et al., 2002).

Cultural psychology theory of personality suggests that in individualist and independent cultures, an individual is constructed to be a coherent, stable and consistent being, and is organised by an assortment of traitlike internal attributes (Markus & Kitayama, 1998; Triandis, 2001). This is very distinct from collectivist cultures where personality is flexible and malleable, and its influences are context dependent because individuals are integrated within social contexts and relationships with others (Church & Lonner, 1998; Triandis & Suh, 2002). China is a highly interdependent and collectivist society which emphasises the importance of *harmony within hierarchy*, fitting in and maintaining harmonious interpersonal relationships with others, as well as adjusting and restraining the self (Bond & Hwang, 1986; Lam, 2003; Wong, 2010; Yao, 2000; Yeung & Tung, 1996). Evidence shows that in collectivist cultural contexts, interpersonal relationships are more important than individuals' internal attributes, such as personality, in influencing their judgments (Patel, 2006; Smith et al., 2016). The results of the current study support the hypothesis that peer pressure is likely to be of greater importance than trait scepticism in influencing Chinese auditors' sceptical judgments. This finding suggests that in the Chinese context, which focuses on collectivism and interdependence, the influence of peer pressure overrides the influence of trait scepticism on auditors' sceptical judgments.

Additionally, by examining the influence of peer pressure on auditors' sceptical judgments in a collectivist cultural setting, the current study also responds to the calls for studies to provide a better understanding of the influence of peer pressure on financial reporting and auditing (Cardinaels & Jia, 2015; Lord & DeZoort, 2001; Nasution & Östermark, 2012). Prior research provides contradictory evidence on the influence of peer pressure on auditors' judgments between individualist and collectivist cultural settings (Lord & DeZoort, 2001; Nasution & Östermark, 2012). Specifically, in the US setting, Lord and DeZoort (2001) show that peer pressure does not significantly influence auditors' willingness to sign-off a questionable account balance. In contrast, Nasution and Östermark (2012) replicated Lord and DeZoort (2001) in the Indonesian setting and find that peer pressure significantly influences auditors' judgments in signing-off a questionable account balance. These contradictory results may be attributable to the cultural differences. As discussed earlier, evidence shows that collectivist cultures are more concerned with interpersonal relationships and harmony with others, compared to individualist cultures (Leung et al., 2011; Smith et al., 2016; Triandis, 2001). The hypothesis development based on Chinese cultural values of collectivism, interdependence, and *harmony within hierarchy*, together with evidence from relevant social psychology studies, suggests that auditors will be susceptible to peer pressure and, therefore, their sceptical judgments will be aligned with their peers' views on PS. The results support the hypothesis and show that peers' views that reflect a high (low) emphasis on PS lead to higher (lower) levels of auditors' scepticism.

A 2 X 2 between-subjects experiment was conducted with practising auditors from one Big 4 and one local audit firm in China. In the experiment, peers' views on PS were manipulated between two groups, namely (1) a group in which peers' views reflect a high emphasis on PS; and (2) a group in which peers' views reflect a low emphasis on PS. Participants were randomly assigned to one of these two groups. Furthermore, trait scepticism was measured by Hurtt's

scale (2010). Based on the measured trait scepticism scores, participants were classified into two groups as either high or low trait scepticism.

The findings contribute to the literature in several ways. First, this study extends the Hurtt's Model (2013) by providing evidence that peer pressure is of greater importance than trait scepticism in influencing Chinese auditors' sceptical judgments. It is therefore suggested that when examining auditors' sceptical judgments, it cannot be assumed that both peer pressure and trait scepticism is equally important. Second, the findings support the cultural psychology theory of personality by showing that in the Chinese cultural context, interpersonal relationships are more important than individuals' personality traits in influencing auditors' judgments. The findings also suggest that prior evidence on auditors' judgments predominantly from the US may not be equally applicable to other collectivist cultural contexts. The findings further contribute to international accounting research by showing the importance of taking into account cultural contexts in examining auditors' judgments (Doupnik & Tsakumis, 2004; Harrison & McKinnon, 1986; Heidhues & Patel, 2011; Hopwood, 1983). Moreover, the findings also contribute to the literature by providing a better understanding of the role of peer pressure in influencing auditors' sceptical judgments. This understanding is particularly useful in collectivist cultural contexts, such as China, in developing strategies to mitigate the undesirable effects of this pressure on auditors' abilities to maintain appropriate levels of PS.

The remainder of this chapter is organised as follows. Section two discusses the country selection. Section three develops theory and formulates the hypotheses based on relevant features of core Chinese cultural values and cultural psychology theory of personality. Section four describes the research method. The empirical results are presented in section five. Section six concludes the paper.

4.2 Selection of China

China provides an important and relevant national setting to examine issues related to PS. As the second largest economy in the world, China has growing business interactions with the rest of the world, and accordingly, issues about the quality of financial reporting and auditing in China have attracted growing attention among stakeholders worldwide. An unprecedented large number of accounting scandals involving Chinese-based companies listed in other countries such as the U.S. have caused growing concerns globally about audit quality in China (Ang et al., 2014). Ang et al. (2014) document that during 2011–2012, of 262 US-listed Chinese companies, 97 were identified as having committed fraud. This surge in the number of fraud scandals puts the quality of financial reporting and auditing in China under intense scrutiny. Concerns have been raised about auditors' compromising audit quality in exercising judgments due to cultural influences (Fan, Woodbine, & Scully, 2012; Lin & Fraser, 2008; Liu et al., 2011). To improve audit quality and boost investors' confidence, the national regulators including the Chinese Institute of Certified Public Accountants CICPA and the China Securities Regulatory Commission (CSRC) have stressed the importance of maintaining PS in the audit of financial reports (CICPA 2013; CSRC 2012). Both the worldwide attention and national concerns of audit quality reinforce the importance of examining factors that may influence PS in the Chinese context.

The importance of understanding PS in different national settings is further highlighted by the current focus on international convergence of auditing standards. Given the worldwide thrust towards the convergence, the International Standards on Auditing (ISAs) issued by the IAASB have been adopted by 126 jurisdictions.³⁷ Key auditing concepts in the professional standards, such as PS, conceived in a predominantly Anglo-American context, have been diffused

³⁷ The International Federation of Accountants (IFAC) is a global organisation for the accountancy profession comprising 179 members and associates in 130 countries and jurisdictions. IFAC established the IAASB to develop International Standards on Auditing (ISAs) (IFAC, 2011). According to the IFAC report, *Basis of ISA Adoption*, 126 jurisdictions have adopted ISAs (IFAC, 2015b).

worldwide. However, research shows that accounting and auditing are social and institutional practices deeply embedded in the contextual environment in which they operate, rather than neutral, objective, and value-free technical practices (Harrison & McKinnon, 1999; Heidhues & Patel, 2011; Hopwood, 1983). Also, audit practice is increasingly recognised as a social construction, rather than merely a series of technical steps (Power, 1995, 2003). Contextual environment, including culture, has been identified as an important factor that has the potential to impact audit quality in the new Framework for Audit Quality (IAASB, 2015b). As such, differences in the contextual environment across countries are likely to pose serious challenges for auditors appropriately applying PS across countries. Understanding auditors' sceptical judgments in its national context may assist in providing advice to enhance the appropriate application of PS, which is feasible and compatible with the context.

By examining auditors' sceptical judgments in the Chinese cultural context, this study further extends prior research in auditors' judgment and decision making (JDM) to a cultural setting that differs substantially from that of Anglo-American countries. There has been increasing attention to the changing multicultural environment of audit firms and the shifting cultural makeup of audit staff (Lee, 2012; Nolder & Riley, 2014). According to a report issued by the American Institute of Certified Public Accountants (AICPA) (2015), since 2011, one-third of newly hired employees in US audit firms were non-Caucasians, and half of these were Asian. Similarly, Lee (2012) reports that one-third of Ernst and Young's recruitments from US campuses are non-Caucasians. Given the increasing proportion of non-Caucasian staff in Anglo-American countries such as the US, researchers have called for studies that can contribute to the management of growing cultural diversity in audit firms (Hurt et al., 2013; Nolder & Riley, 2014). As such, examining PS among auditors in collectivist cultural contexts, such as China, is particularly important.

The current study also responds to calls for within-country studies to provide better insights into cultural influences on auditors' JDM. It should not be assumed that any society is

homogeneous and within-country differences can be ignored (Baskerville, 2003; Chand, 2012; Jones, 2007). Evidence has shown that cultural gaps within countries matter more than those between countries (Kirkman et al., 2016). For example, in a meta-analysis of 558 existing studies conducted over the last 35 years on work-related values covering 32 countries from around the world, Kirkman et al. (2016) show that over 80% of the differences in these values were found within countries, and less than 20% of the differences were found between countries. This highlights the importance of within-country studies in understanding cultural influences on auditors' JDM. As such, compared with cross-country studies (Hughes et al., 2009; Lin & Fraser, 2008; Patel et al., 2002; Sweeney et al., 2010), this within-country study allows us to focus on relevant Chinese cultural values in examining the influence of peer pressure and trait scepticism on auditors' sceptical judgments.

4.3 Theory Development and Hypotheses Formulation

4.3.1 Relevant Chinese Cultural Values

To provide holistic and comprehensive insights into Chinese cultural values that are relevant to this study, this section draws on sociology and psychology literature to complement cultural studies in organisational behaviour and accounting that have largely focused on quantified and dimensional approaches. While quantified and dimensional approaches developed by Hofstede (1980, 1991) have been extensively applied to examine cultural influences in accounting and auditing, researchers have called for more holistic approaches drawing on sociology, psychology, and other relevant literature to enrich understanding of the complexity of cultural influences (Harrison & McKinnon, 1999; Heidhues & Patel, 2011; Patel, 2004). This study responds to these calls by drawing on studies in Confucianism, and relevant cultural studies in psychology and sociology to provide additional insights into relevant Chinese culture values that are likely to influence auditors' PS.

Confucianism

Confucianism, the traditional root of Chinese culture, is derived from the teachings of the Chinese philosopher Confucius (551 – 479 B.C.) (Yao, 2000, p. 21). Confucianism is a complex system of moral, social, political, and philosophical thought that has profound influences on the Chinese culture (Bond & Hwang, 1986). Confucianism constitutes the fundamental social values and norms shared within society in ancient China for over 2,000 years (Lin & Ho, 2009; Yao, 2000). In contemporary Chinese society, Confucianism still occupies centre stage in social behaviour and remains powerful and influential (Bell, 2014; Lin & Ho, 2009).

The fundamental assumption of Confucianism is that an individual, as a social or relational being, exists in relation to others (Bond & Hwang, 1986; Yao, 2000). A person is seen “as a relational being, socially situated and defined within an interactive context” (Bond & Hwang, 1986, p. 215). Confucianism believes in the interdependence of people and events in the universe; that is all things can be described only in relation to each other (Yeung & Tung, 1996). Confucianism emphasises the individual as an integrated part of the collective to which he or she belongs (Bond & Hwang, 1986). In other words, no individual or event stands alone; rather, it must be explained in relation to others. Under the influence of Confucianism, Chinese regard themselves as being interdependent of their surrounding social context (Triandis, 1989; Tsui & Farh, 1997). This fundamental concept of interdependence in Confucianism has profound influences on how Chinese view themselves and interact with others.

The fundamental assumption of interdependence is deeply embedded in the ultimate goal of social and familial stability and *harmony within hierarchy*. Harmony (*Hexie* 和谐 in Chinese) refers to a state of being in which there is no conflict or friction, and everything is balanced and at peace (Schaefer-Faix, 2008). *Hexie*, a central theme of Confucianism, is still widely appreciated in contemporary China (Higgins, 2010). For example, the Chinese government outlined a “people-centred” approach to achieving a *hexie shehui* (harmonious society) in its 11th Five Year Plan (2006–2010) (The World Bank, 2011). Confucius called for structural harmony within a group, stressing the importance of *harmony within hierarchy* (Jacobs et al.,

1995). Harmony maintenance within the hierarchically structured social order is central to the Confucian doctrine (Hempel, Zhang, & Tjosvold, 2009; Leung, Koch, & Lu, 2002), which has prominent implications for interpersonal interactions (Leung et al., 2011).

The Confucian principles of interdependence and *harmony within hierarchy* highlight the importance of maintaining harmonious interpersonal relationships in social interactions. “Five Cardinal Relationships” (*wu lun* 五伦) is a key principle of the Confucian moral system that governs how individuals should behave in the family and social context (Hofstede & Bond, 1988; Tan & Chee, 2005). Confucius defined *wu lun* as relationships between ruler and subject, father and son, husband and wife, elder brother and younger brother, as well as friend and friend (Chen & Chen, 2004; Tan & Chee, 2005). Within this relational system of *wu lun*, interpersonal relationship maintenance is of great importance (Tan & Chee, 2005). Due to Confucian influences, social interaction is characterised by strong relational underpinnings that highlight the importance of interpersonal relationship maintenance (Tan & Chee, 2005). Such importance is also evident from the critical role of *guanxi* in Chinese societies (Wong, 2010). *Guanxi*, at individual levels, refers to the immediate dyadic interpersonal relationships between two principal actors to enable the exchange of favours (Yeung & Tung, 1996). *Guanxi* is embedded in every aspect of Chinese social life (Park & Luo, 2001), playing an important role in achieving success for both businesses and individuals (Hwang, 1997–1998; Wong, 2010; Yeung & Tung, 1996). *Guanxi* dynamics play a prominent role in organisations (Zhang & Zhang, 2006). Reflected in the Confucian doctrine of *wu lun* and these cultural values, maintaining interpersonal relationships are important for individuals’ interactions with others both within and outside of the organisation (Zhang & Zhang, 2006).

Interdependent versus Independent Self-construal

The above discussions of core cultural values embedded in Confucianism are also reflective in findings from cultural psychology research, which has classified China as an interdependent

society (Markus & Kitayama, 1991, 1998; Triandis, 1989). Evidence clearly shows that there are important differences in defining “self” across various cultures, and self-construal is extensively used to examine these differences (Markus & Kitayama, 1991, 1998; Singelis, 1994). “Self-construal is conceptualized as a constellation of thoughts, feeling, and actions concerning one’s relationship to others, and the self as distinct from others” (Singelis, 1994, p. 581). Self-construal is broadly classified into two categories, namely interdependent and independent self-construal (Markus & Kitayama, 1991). Interdependent self-construal views self as a constituent of a broader social context where “it is the others or the self-in-relation-to-other that is focal in individual experience”. In contrast, the independent self-construal views self “as an entity containing significant dispositional attributes, and as detached from context”. Extensive research shows that Chinese largely hold an interdependent self-construal, compared to Anglo-Americans who largely hold independent self-construal (Markus & Kitayama, 1991; Triandis, 1989).

Specifically relevant to Chinese cultural values is interdependent self-construal that emphasises connectedness and interdependence with others and social context (Markus & Kitayama, 1991, 1998). It stresses the fundamental connectedness of human beings with others and social context (Markus & Kitayama, 1991, 1998). The principal goals of the interdependent self are maintaining connectedness and harmony with others, and promoting others’ goals (Markus & Kitayama, 1991, 1998; Singelis, 1994). Belonging, attending to, and fitting in with others is largely emphasised (Hannover et al., 2006; Markus & Kitayama, 1998). Self-esteem is gained through harmonious interpersonal relationships, the ability to adjust and restrain self, to be indirect, and to “read other’s mind” (Hannover et al., 2006; Markus & Kitayama, 1991, 1998; Singelis, 1994). As such, Chinese, who are largely interdependent, emphasise the importance of maintaining harmonious interpersonal relationships, fitting in with others, as well as adjusting and restraining self in social interactions.

Collectivism versus Individualism

The preceding examination of the cultural psychology literature complements quantified and dimensional approaches developed by Hofstede (1980, 1991), that have been extensively used to examine cultures in organisational behaviour and accounting research. Interdependent versus independent self-construal examined in the cultural psychology literature is often linked to collectivism versus individualism, which are the most widely used constructs to examine cultural differences in organisational behaviour and accounting research (Boucher & Maslach, 2009; Markus & Kitayama, 1991, 1998; Patel & Psaros, 2000; Singelis, 1994; Triandis, 1989). Collectivism (individualism) is defined as “the degree to which individuals are integrated into groups” (Hofstede, 1980, p. 213). Collectivism is reflective of interdependence cultural values with great concerns about relations with others and social context. Evidence shows that countries with a Chinese background (China, Hong Kong, Taiwan, Singapore) are the most collectivistic societies compared to countries, such as the US, Australia, and the UK, with the highest individualism (Hofstede, 1980, 1991; Hofstede et al., 2010). Chinese and other Asian cultures with high collectivism are especially concerned with individuals’ relationships and harmony with others in interpersonal interactions, in contrast to individualist societies where autonomy and achieving personal goals are primary focuses of individuals (Triandis, 2001).

In summary, the above examination of Confucianism and relevant sociology and psychology studies on culture show that Chinese society has been strongly influenced by the Confucian principles of interdependence, *harmony within hierarchy*, and interpersonal relationship maintenance. Chinese view themselves as being interdependent of others and their surrounding social context and, therefore, are culturally motivated to maintain harmonious interpersonal relationships with others. These core cultural values embedded in Confucianism are reflective in the sociology and psychology findings that classify China as an interdependent and collectivist society. In this cultural context, maintaining harmonious interpersonal relationships, adjusting and restraining self as well as fitting in with others, are paramount in social

interactions. Given these core cultural values, maintaining harmonious relationships with peers is likely to be a major concern of Chinese employees in their interactions within organisations. Research also shows that guided by these cultural motives, Chinese employees tend to focus on maintaining harmonious interpersonal relationships as an important goal in their interactions with colleagues (Chou, Cheng, Huang, & Cheng, 2006; Hempel et al., 2009). These cultural emphases are likely to play an important role in how Chinese auditors interact with their peers, which are invoked to formulate the hypotheses formulation section.

4.3.2 Cultural Psychology Studies of Personality

Cultural psychology studies provide insights into the important link between culture and personality, which further reflects the importance of culture in governing individuals' behaviour intention and behaviour. Cultural influences on the development of personalities have been extensively examined by cultural psychologists, who view culture and personality as inseparable and mutually constitutive (Benet-Martínez & Oishi, 2008; Church, 2000). Cultural psychology studies of personality suggest that culture is one of the most important environmental factors shaping individuals' personalities (Markus & Kitayama, 1998; Triandis & Suh, 2002). As suggested by Markus and Kitayama (1998, p. 66), "people develop their personalities over time through their active participation in the various social worlds in which they engage. A cultural psychological perspective implies that there is no personality without culture".

Cultural psychology studies suggest that Asians are mainly context dependent because they are integrated with social contexts and relationships with others, which is very distinct from the Western mode of personality where the individual is constructed to be a coherent, stable, and consistent being, and is organised by an assortment of traitlike attributes (Benet-Martínez & Oishi, 2008; Church, 2000; Markus & Kitayama, 1998). Trait theory prevalent in the West, which views personality traits as relatively stable or enduring characteristics of an individual,

may not be equally applicable in Asian cultures (Church, 2000). For example, Markus and Kitayama (1998, p. 67) argue that “as typically understood within a European American theoretical framework, personality may be an indigenous concept that works well in the West, but may be of little relevance in other cultural contexts”.

Based on cultural differences in organisation of personality, extensive research clearly shows that there are significant differences between collectivist and individualist cultures in motive structures of individual and behaviour outcomes of personalities (Benet-Martínez & Oishi, 2008; Church, 2000; Markus & Kitayama, 1998). The motive structure of collectivists reflects receptivity to others, adjustment to the needs of others, and restraint of own desires whereas the basic motives structure of individualists reflects their internal needs and capacities (Markus & Kitayama, 1991). These differences in individual motive structures lead to differences in the extent to which personality traits account for behaviour between collectivist and individualist cultures. Triandis (2001) suggests that collectivists see themselves as interdependent with others and social contexts, which provide for them a stable social environment to which they must adjust, therefore their personality is flexible, and their personality traits are not so salient in governing their behaviour. In contrast, individualists think of the self as stable and the social environment as changeable, so they tend to change the social environment to fit their personalities. “Traits exist in all cultures but account for behavior less in collectivist than in individualist cultures” (Triandis, 2001, p. 912). Consistently, evidence shows that when collectivists make dispositional attributions, the traits they used are malleable, whereas when individualists make such attributions they tend to use traits that are fixed (Choi et al., 1999).

In summary, cultural psychology theory suggests the important differences in organisation and behaviour outcome of personality between collectivists and individualists cultures. In collectivist cultures, such as China, personality is flexible and malleable, so its influences are context dependent. Conversely, in individualist cultures, personality is stable and enduring, so its influences are coherent across situations. This study draws on the cultural psychology theory

of personality to formulate the hypothesis on the relative importance of peer pressure and trait scepticism in influencing auditors' sceptical judgments in the following section.

4.3.3 Hypotheses Formulation

Influence of Peer Pressure on Sceptical Judgments

Relevant Chinese cultural values together with social psychology studies on peer pressure are drawn on to develop hypothesis one. Studies in social psychology have shown that individuals may feel pressured to conform to their peers' expectations or behaviour, and exercise their judgments to be consistent with their peers (see Bond & Smith, 1996; Cialdini & Goldstein, 2004, for comprehensive reviews of studies on peer pressure). This pressure to adhere to peers' expectations or behaviour is referred to as peer pressure or conformity pressure (DeZoort & Lord, 1997). Studies on peer pressure originated from the classic work of Asch (1956) who found that a majority of subjects were willing to conform to clearly incorrect views of their peers even in a simple task that required them to assess the length of three lines drawn on a paper. Since Asch (1956), extensive research in social psychology has shown that peer pressure influences individuals' perception, attitude, judgments, and behaviour (Baron, Vandello, & Brunsman, 1996; Lewis et al., 2008; Reysen, 2005).

Despite considerable evidence of peer pressure in social psychology, existing research that examines its influences on auditors' judgments is limited and inconclusive. An earlier study by Ponemon (1992) provides evidence that US auditors are susceptible to peer pressure and show that under-reporting of audit time is greater under peer pressure than when there is no such pressure. This suggests the importance of peer pressure as an antecedent variable in influencing auditors' under-reporting behaviour.

Of particular relevance to this chapter is the contradictory evidence provided by two more recent studies that examine the influence of peer pressure on auditors' ethical judgments in the US and Indonesia respectively (Lord & DeZoort, 2001; Nasution & Östermark, 2012). The US

study by Lord and DeZoort (2001) shows that there are no significant differences in auditors' willingness to sign off on a questionable account balance under peer pressure and under no peer pressure. These findings suggest that in the US context peer pressure does not influence auditors' ethical judgments. Despite their insignificant results, Lord and DeZoort (2001) emphasise that peer pressure is common given that almost one-quarter of the auditors in their study admitted being subject to pressure from someone within their firm.

In contrast, Nasution and Östermark (2012) replicate Lord and DeZoort (2001) in Indonesia, a collectivist cultural setting, but find contradictory results. Using the same research design, they find that auditors under peer pressure signed off on a higher balance for a questionable asset account compared with those under no such pressure. Their findings suggest that peer pressure significantly influences Indonesian auditors' judgments in signing-off a questionable account balance.

The contradictory findings between Lord and DeZoort (2001) and Nasution and Östermark (2012) may be explained by cross-cultural differences on peer pressure. Social psychology research suggests that although individuals often engage in deliberate attempts to gain social approval of others and are driven to conform, the extent to which peer pressure influences their judgments and behaviour differs across cultures (Bond & Smith, 1996; Cialdini & Goldstein, 2004; Cialdini, Wosinska, Barrett, Butner, & Gornik-Durose, 1999). In a meta-analysis of 133 studies across 17 countries, Bond and Smith (1996) conclude that collectivist cultures tend to show higher levels of conformity and stronger tendency to be influenced by peers than individualist cultures. Cialdini et al. (1999) also provide evidence that participants in a collectivist country (Poland) are more likely to be influenced by the actions of their peers than those in an individualist country (the US). Given these cultural differences on peer pressure, it is suggested that culture is an important factor that needs to be taken into account when examining the influence of peer pressure on auditors' JDM in various countries.

As discussed earlier, core Chinese cultural values of interdependence, collectivism, and *harmony within hierarchy* emphasise the importance of maintaining harmonious interpersonal relationships and fitting in with others (Bond & Hwang, 1986; Hofstede, 1980; Yeung & Tung, 1996). Consistent with these cultural values, evidence also shows that Chinese are more inclined to be socially and psychologically dependent on their peers and those with social connections (Markus & Kitayama, 1998; Triandis, 1989) and, therefore, have strong desires for reaching consensus with peers (Xie & Johns, 2000). Disagreement with peers is seen as disruptive to the maintenance of harmonious relationships because of its potential to strain the relationships (Hempel et al., 2009).

In this cultural context, auditors from a Chinese background place a strong emphasis on maintaining harmonious interpersonal relationships within organisations (Fleming et al., 2010; Patel, 2003). Given strong desires for reaching consensus and concerns about straining interpersonal relationships with peers, auditors are likely to be under intense pressure to align their judgments with peers' views. Accordingly, when exposed to peers' views that reflect a high emphasis on PS, auditors are likely to increase their levels of PS to be consistent with their peers. In contrast, when exposed to peers' views that reflect a low emphasis on PS, auditors are likely to decrease their levels of PS to be consistent with their peers. As such, auditors exposed to a high peer emphasis on PS are likely to be more sceptical in their judgments than those exposed to a low peer emphasis on PS. This leads to the following hypotheses:

H1: Peers' views that reflect a high (low) emphasis on professional scepticism will lead to higher (lower) levels of auditors' professional scepticism.

Relative Importance of Peer Pressure and Trait Scepticism in Influencing Sceptical Judgments

Prior studies in individualist cultural contexts, such as the US, have identified trait scepticism as an important factor that influences sceptical judgments (Hurt et al., 2013; Quadackers et al., 2014). Specifically, Hurt (2010) suggests that trait scepticism is a relatively stable, enduring aspect of personality and that auditors who score high on trait scepticism are likely to be more

sceptical, and *vice versa*. Evidence further shows that trait scepticism influences auditors' sceptical judgments (Hurt et al., 2013; Quadackers et al., 2014). For example, in the context of reviewing audit workpaper, Hurt et al. (2012) show that auditors who score high on trait scepticism tend to identify more contradictions in audit evidence and generate more alternative explanations for the contradictions, and *vice versa*. In an analytical procedure task, Quadackers et al. (2014) also find that auditors who score high on trait scepticism tend to assess higher levels of fraud risk and to be less reliant on management explanations, and *vice versa*. Similarly, Popova (2012) provides evidence that auditors who score high on trait scepticism are more sensitive to fraud cues, and *vice versa*. Overall, prior findings, predominantly from individualist and independent cultural contexts of Anglo-American countries, have demonstrated that auditors who score high on trait scepticism tend to be more sceptical in their judgments.

However, whether the above findings regarding the influence of trait scepticism are equally applicable to the collectivist and interdependent cultural contexts, such as China, is questionable. As discussed earlier, cultural psychology theory of personality suggests that in collectivist and interdependent societies, personality is malleable and flexible, so its influences are context dependent. In contrast, in individualist cultures, personality is stable and enduring, so its influences are coherent across situations and contexts (Choi et al., 1999; Church, 2000; Markus & Kitayama, 1991; Triandis, 2001). These cultural differences in personality are consistent with the evidence that Chinese are context-centered and more sensitive to their surrounding environment, whereas Americans are individual-centered and less sensitive to their environment (Chiu, 1972; Hsu, 1970). Similarly, research also shows that East Asians are inclined to focus more on external context, whereas North Americans pay more attention to individuals' internal attributes (Chua, Leu, & Nisbett, 2005; Nisbett, Peng, Choi, & Norenzayan, 2001). Given these cultural differences, it is suggested that findings on the influence of personality traits on judgments from individualist cultures may not be necessarily applicable to collectivist cultures in China.

Chinese cultural values place stronger emphases on interpersonal relationships and social context rather than self and individuals' internal attributes. Self-esteem in Chinese societies is gained through harmonious interpersonal relationships, fitting in with others, and the ability to adjust and restrain self, rather than expressing self and validating internal attributes (Hannover et al., 2006; Markus & Kitayama, 1991, 1998; Singelis & Brown, 1995). These cultural values are likely to result in individual judgments that are not internalised and unique to an individual, but are largely determined by the surrounding social and interpersonal contexts. For example, in examining ethical judgments, Patel (2003) suggests that reference to the context and people involved is more important in determining what is ethical or unethical and, therefore, multiple standards in dealing with ethical issues are seen as morally acceptable in Chinese societies.

The above discussion shows that in the collectivist and interdependent cultural context of China, personality is flexible and malleable, so its influences are context dependent, and social and interpersonal contexts are more important than personality traits in determining individual judgments. In this cultural context, auditors' judgments are more likely to be influenced by the surrounding contexts and people involved, rather than individuals' personality traits. As such, when exposed to peers' views, auditors are likely to feel more pressure to align their judgments with their peers' views than with individuals' trait scepticism. As such, peer pressure is likely to be more important than trait scepticism in influencing auditors' sceptical judgments. It is therefore suggested that the influence of peer pressure is likely to override the influence of trait scepticism on auditors' sceptical judgments. This leads to the following hypothesis:

H2: Peer pressure will be of greater importance than trait scepticism in influencing auditors' sceptical judgments.

4.4 Research Method

4.4.1 Research Design and Variables

To examine the influence of peer pressure and trait scepticism on auditors' PS, a 2 x 2 between-subjects experimental design was used. Consistent with Lord and DeZoort (2001), peer pressure,

the independent variable, was operationalised by exposing auditors to peers' views. Specifically, peers' views on PS were manipulated as reflecting either a high or a low emphasis on PS. Participants were randomly assigned to one of two groups: (1) a group in which a peer's view reflects a low emphasis on PS; or (2) a group in which a peer's view reflects a high emphasis on PS. Each group received one of two versions of the research instrument that only varied in the manipulation section about peers' views. Additional details about the manipulation of peers' views on PS are described in the research instrument section.

Another independent variable, trait scepticism, was measured by Hurtt's scale (2010). This 30-item scale is designed to measure an individual's inherent scepticism by focusing on six primary characteristics, including a questioning mind, suspension of judgment, need to search for knowledge, interpersonal understanding, self-confidence, and self-determination. Each question had a scale from one to six anchored "strongly disagree" and "strongly agree". Based on the measured trait scepticism scores, participants were classified into two groups as either higher or lower trait scepticism using a median split approach. Hurtt's scale (2010) has been extensively used in prior research for examining PS (Carpenter & Reimers, 2013; Farag & Elias, 2012; Hurtt et al., 2012; Popova, 2012; Quadackers et al., 2014).

This study operationalises auditors' levels of PS in judgments, the dependent variable, using three measures that are particularly relevant to the context of evaluating client-provided evidence based on a review of the prior literature. First, prior studies have equated PS with suspicion or distrust of clients (Kerler III & Killough, 2009; Payne & Ramsay, 2005; Shaub & Lawrence, 1996). Accordingly, perceived reliability of client-provided information has been used as a measure of PS (Kim & Trotman, 2015; Payne & Ramsay, 2005). Consistent with these studies, the first measure of auditors' PS used in this study is the likelihood of assessing client-provided evidence as reliable. Second, Quadackers et al. (2014) and Hurtt (2010) posit that an indication of PS is the extent to which auditors would collect additional evidence. Therefore, this study uses the likelihood of collecting additional audit evidence as the second measure of

auditors' PS. Third, a number of studies have shown that auditors' assessed likelihood of an intentional misstatement is an appropriate measure of their PS (Carpenter & Reimers, 2013; Kerler III & Killough, 2009; Popova, 2012; Quadackers et al., 2014). Consistent with these studies, this study also uses auditors' assessed likelihood of an intentional misstatement as the third measure of auditors' PS. Overall, it is expected that auditors with lower (higher) levels of PS in evaluating client-provided audit evidence, would (i) be less (more) likely to assess the audit evidence as reliable, (ii) be more (less) likely to collect additional audit evidence, and (iii) assess a higher (lower) likelihood of an intentional misstatement.

It is important to note that different perspectives of PS have emerged in the literature and in auditing standards, which include neutral and presumptive doubt views (Kang et al., 2015; Nelson, 2009). The *neutral* view refers to a perspective in which an auditor neither assumes that management is dishonest nor assumes unquestioned honesty (Nelson, 2009). The *presumptive doubt* view refers to an auditors' assumption of a level of dishonesty or bias by management, unless evidence indicates otherwise (Bell et al., 2005; Public Oversight Board (POB), 2000). The literature suggests that there is a shift from a *neutral* to *presumptive doubt* perspective of PS (Bell et al., 2005; Kang et al., 2015; Nelson, 2009; Quadackers et al., 2014). Specifically, Nelson (2009, p. 3) concludes that "regulators appear to take more of the 'presumptive doubt' perspective, as they typically refer to PS as something that was missing when an audit failure has occurred". This study adopts a "presumptive doubt" perspective of PS, where being more sceptical relates to a greater need for a more persuasive set of evidence before concluding that an assertion is correct. This view is reflected in the measures of PS described above.

4.4.2 Auditing Scenario

An examination of the literature on PS shows that prior research mainly focused on contexts involving analytical procedures during the audit planning stage (Carpenter & Reimers, 2013;

Kim & Trotman, 2015; Payne & Ramsay, 2005; Quadackers et al., 2014). The current study extends research on PS to a context of debtor confirmation procedures during audit performance stage. It is important to examine PS not only in audit planning procedures but also in tasks during the performance of audits, as auditors are required to maintain PS throughout audit processes. As an important procedure in performing audits of financial statements, confirmation procedure is regarded as an important process in addressing fraud risks relating to revenue recognition, one of the most critical areas of financial reporting that are susceptible to fraud (PCAOB 2010).³⁸ Confirmation is also considered to be among the most persuasive forms of audit evidence particularly for the audits of receivables (Caster et al., 2008).

In this study, a task involving evaluation of client-provided audit evidence is selected because exercising PS is particularly important in such evaluation. Due to increasing attention being placed on auditors' responsibility to detect and prevent fraud, evaluating audit evidence has become more critical in audit procedures (Bell et al., 2005). Specifically, client-provided information, as an essential part of audit evidence, is considered as less reliable than evidence collected directly by auditors (IAASB, 2012a, p. 391; Rennie et al., 2010). If client-provided audit evidence is not assessed with sufficient PS, then the risk of failure to detect fraud will increase. These risks may not be fully mitigated by the reviewing process if auditors fail to identify and report fraud-related issues. As such, the context of evaluating client-provided evidence provides a relevant and important setting for examining auditor's PS.

³⁸ To restore public trust in the financial markets, the US Congress passed the Sarbanes-Oxley Act of 2002. Section 704 of the Sarbanes-Oxley Act directs the Securities and Exchange Commission (SEC) to study enforcement actions over the five years preceding its enactment in order to identify areas of issuer financial reporting that are most susceptible to fraud, inappropriate manipulation, or inappropriate earnings management. In the SEC's Report Pursuant to Section 704 of the Sarbanes-Oxley Act of 2002, 227 enforcement matters were studied and 126 involved improper revenue recognition (SEC, 2003).

4.4.3 Research Instrument

The experimental material contained a cover letter that informed participants about the procedures and emphasised that participation in the study was voluntary and confidential. Participants were also advised that the task would take approximately 30 minutes to complete.

The research instrument attached to the cover page consisted of two parts. Part One was an audit case study involving debtor confirmation procedure. The case scenario was adapted from D'Aquila and Capriotti (2011) and based on a fraud case compiled by the Securities and Exchange Commission (SEC) of the US. The introductory section of the case explained to participants that they were assuming the role of a senior auditor working for a large public accounting firm, and were recently assigned to the year-end audit for a listed company. The instrument then described the hypothetical audit client that designed and sold semiconductors and provided information about several changes relating to the client's sales. Participants were further informed that they were performing debtor confirmation for the client and that a discrepancy on a trade receivable balance was found between a returned confirmation from a customer and the audit client's record. Further, the case material described evidence, including shipping documents and delivery notes, which were provided by the client's Chief Financial Officer to support their assertion about the trade receivable balance.

The experimental material then presented information about a peer's view on PS. The peer's views were manipulated between two experimental groups, namely, a low peer emphasis on PS and a high peer emphasis on PS. Each group received one of two versions of the research instrument that only varied in the information about peers' views on PS. In the group with a low peer emphasis on PS, participants were informed that a senior auditor with whom they started their career at the firm "commented that there is precedent for auditors to accept client-provided explanations as given, and suggested that auditors should fully utilise the client's insights about business transactions to improve the efficiency of the audit". Alternatively, in the group with a high peer emphasis on PS, participants were informed that a senior auditor with

whom they started their career at the firm “expressed concerns about the potential for auditors to accept, without adequate justification, client-provided explanations, and suggested that auditors should approach client-provided explanations with a sufficient attitude of professional scepticism”. The manipulation of a high or a low peer emphasis on PS was adapted from prior studies (Peecher, 1996; Turner, 2001).

After reading the case details and information about the peer’s views, participants were asked to provide judgments for each of three questions on a 7-point Likert scale. Specifically, participants were asked to evaluate: (1) the likelihood that the explanation provided by the client’s CFO is reliable; (2) the likelihood that they would collect additional audit evidence concerning the client’s trade receivable balance; and (3) the likelihood that there was an intentional misstatement concerning the client’s trade receivable balance. As discussed earlier, these questions were used to measure participants’ levels of PS when evaluating client-provided audit evidence.

Part Two of the research instrument contained a post-experiment questionnaire that included three sections. The first section presented four questions related to the case and asked participants to provide their answers on a 7-point Likert scale for each question. The first question measured the intensity of participants’ perceived pressure from their peer by asking how much pressure they would feel to follow the peer’s suggestion if the situation was real on a scale anchored “no pressure at all” and “a great deal of pressure”. This measure was adopted from prior studies on pressure effects (DeZoort et al., 2006; Lord & DeZoort, 2001). The second question as a manipulation check asked participants about their perceptions of the peer’s attitude of professional scepticism on a scale anchored “not at all sceptical” and “highly sceptical”. This question was used to determine whether the manipulation of peers’ views as either a low or a high emphasis on PS was successful. In the third question, participants were asked how familiar they were with the audit task described in the case, trade receivable confirmation, on a scale anchored “not at all familiar” and “highly familiar”. In the fourth

question, participants were asked how confident they are in their ability to perform the audit task on a scale anchored “not at all confidence” and “highly confident”. These last two questions were included to assess and control for differences in participants’ familiarity and confidence in performing the case-specific task.

The second section of the post-experiment questionnaire collected demographic details about participants, including gender, age, nationality, organisational position, general audit experience, and task-specific experience. The third section of the post-experiment questionnaire contained Hurtt’s scale (2010) of trait scepticism.

4.4.4 Pilot Tests

The pilot testing of the research instrument comprised three stages. First, the instrument initially designed in English was pilot tested among five senior accounting academics, two auditors, and 22 postgraduate accounting students in Australia. The purpose of the pilot testing was to seek comments on the realism of the case scenario and understandability of the research instrument. The pilot test indicated that case realism was not a problem. However, based on the feedback, a number of ambiguous sentences were identified and rectified. The second stage was to develop an equivalent Chinese version of the research instrument using back translation. Back translation has been widely used in social science to test accuracy and to detect errors in translation (Brislin, 1980). Specifically, the original English version of the research instrument was firstly translated into Simplified Chinese by an experienced accounting academic who was proficient in both English and Simplified Chinese. The Simplified Chinese version was then translated back into English by a qualified independent translator. All discrepancies between the original and back-translated English versions were then identified and resolved to the mutual satisfaction of the translators. Finally, the Chinese version of the research instrument was reviewed by three senior auditing academics and two audit partners in China, and then pre-

tested with 25 postgraduate accounting students in China. Based on the feedback from this final stage, minor editorial changes to the instrument were made to improve clarity.

4.4.5 Participants and Procedure

Participants were practising auditors employed by one Big 4 firm and one local audit firm operating in mainland China.³⁹ Consistent with Shafer (2009), local Chinese audit firms are defined as firms that have no operations outside mainland China. Participants' positions ranged from associate auditors to partners.

The experiment was conducted at training sessions of the participating firms. One of the researchers attended two experimental sessions to ensure consistency in procedures for administering the research instrument. At each session, the contact audit partner of the firm introduced the researcher and expressed support for the research project. Before administering the experimental material, the researcher provided a brief introduction to the study and emphasised that participation was voluntary and responses would be treated with strict confidence. After the introduction, participants were randomly assigned to one of two treatments. Each participant received randomly one of two versions of the research instrument that only varied in the manipulation information about peers' views. The distribution and collection of the research instrument involved the following steps. First, each participant received an envelope containing Part One (the case study) of the research instrument. To ensure that all participants received the same instruction and in the same format, all relevant instructions about experimental tasks were provided in a cover letter attached to the envelope. After completing Part One and placing it in the envelope provided, participants received and completed Part Two (the post-experiment questionnaire). In addition, to mitigate potential demand effects during the administration, after providing instructions, the researcher left the training rooms. Participants were required to leave their completed responses together with the

³⁹ The local and Big 4 audit firms are located in Shenzhen and Shanghai respectively. These cities are among the most important commercial centres in China.

envelope on the desk. The researcher collected all the responses after participants had left the training rooms.⁴⁰

4.5 Results

4.5.1 Demographic Summary and Descriptive Statistics

A total of 115 completed responses were received from 136 auditors who participated in the between-subject experiment, representing a response rate of 85%. A summary of demographic information for the respondents is shown in Table 4.1. Approximately 49% of respondents were from a local audit firm and the remaining half were employed by a Big 4 audit firm. Approximately 49% of the respondents were females. A majority of respondents were aged 25–29 (47%), or 30–34 (15%). On average, the participants had 3.5 years (SD 3.85) of general auditing experience. Approximately 24% of the respondents were at the associate level, 42% were audit seniors, 30% were managers, and 4% were partners. A majority (86%) of respondents reported that they had task-specific experience in conducting audits of accounts receivable.⁴¹ Both general experience and task-specific experience indicate that the participants possess the requisite task knowledge.

Statistical tests show that the demographic variables including age, organisational positions, general audit experience, and task-specific experience did not significantly affect respondents' sceptical judgments. In addition, there were no significant differences in responses between the two participating firms. Therefore, the responses were aggregated for further analyses. As gender significantly affected one of the three dependent variables, additional analyses were

⁴⁰ All research materials used in the project and the experimental procedures were approved by the Human Research Ethics Committee at the researchers' university. According to the ethical approval, the researcher was not present at the training room when participants were completing their responses in order to mitigate potential coercion during the administration of the research instrument.

⁴¹ As the full sample also contains responses from 16 participants who reported no experience on audits of accounts receivable, additional statistical tests excluding these responses were also conducted. The inference of the results is consistent with the results from the full sample. As such, only the results from the full sample are reported.

Table 4.1. Demographic Statistics (n=115)

Gender	N	
Male	59	51.3%
Female	56	48.7%
Age		
20–24	16	13.9%
25–29	57	46.9%
30–34	17	14.8%
35–39	9	7.8%
40–49	11	9.6%
50–59	4	3.5%
60 or over	1	0.9%
Highest education level		
Undergraduate diploma	13	11.3%
Bachelor's degree	85	73.9%
Master's degree or above	17	14.8%
Current position		
Associate auditor	27	23.5%
Senior auditor	48	41.7%
Manager	35	30.4%
Partner	5	4.3%
Audit work experience: Range (mean)		
Associate auditor	0.5–3	(1.1)
Senior auditor	1–10	(2.6)
Manager	2–30	(5.6)
Partner	8–14	(10.4)
Total	0.5–30	(3.5)
Current organisation		
Local audit firm	56	48.7%
International audit firm	59	51.3%
Task-specific experience – audits of accounts receivable		
None	16	13.9%
1–5 times	60	52.2%
6–10 times	17	14.8%
More than 10 times	22	19.1%
Professional qualification		
Member of the Chinese Institute of Certified Public Accountants (CICPA)	59	51.8%
Currently studying for the CICPA examination	41	36.0%
Currently not studying for the CICPA examination	14	12.3%

conducted by including gender as covariates. The inference of the results is consistent with the main results. Also, participants' familiarity and confidence in performing the case-specific task were included as covariates. After controlling for familiarity and confidence, the inferences

from the results are the same as those from the main analyses. As such, only the results from the main analyses are reported.

As noted earlier, the dependent variable, the levels of PS, was measured by three items, including the likelihood of assessing client-provided audit evidence as reliable, the likelihood of collecting additional audit evidence, and the likelihood of an intentional misstatement. Descriptive statistics presented in Table 4.2 show that patterns of cell means are consistent with the expectations of the main effects of peer pressure on all three dependent variables. Specifically, the cell means of the group with a low peer emphasis on PS are smaller than those of the group with a high peer emphasis on PS, which is consistent with the expectation of H1. Detailed statistical tests for the hypotheses are reported in the hypotheses tests section.

4.5.2 Manipulation Check

To assess the effectiveness of the experimental manipulation for peers' views as either a low or a high emphasis on PS, the participants were asked about their perceptions of the peer's attitude of PS. These perceptions were measured by a 7-point Likert scale from 1 "no at all sceptical" to 7 "highly sceptical". The mean score of 3.73 (SD = 1.74) in the group with a low peer emphasis on PS is significantly lower ($p = 0.000$) than the mean score of 5.08 (SD = 1.47) in the group with a high peer emphasis on PS. This indicates the manipulation of peer pressure was successful.

In addition, to assess the intensity of participants' perceived pressure, participants were asked how much pressure they would feel to follow the peer's suggestion. These perceptions were measured by a 7-point Likert scale from 1 "no pressure at all" and 7 "a great deal of pressure". In the group with a low peer emphasis on PS, the mean score is 3.49 (SD = 1.71), and in the group with a high peer emphasis on PS, the mean score is 3.53 (SD = 1.69). This indicates that auditors in both groups perceived a certain amount of pressure from the peer. Further analysis

shows that there is no significant difference in the intensity of perceived pressure between these two experimental groups ($p > 0.05$).

4.5.3 Preliminary Tests

As noted earlier, auditors' levels of PS are measured by three dependent variables, namely, the likelihood of assessing client-provided audit evidence as reliable, the likelihood of collecting additional audit evidence, and the likelihood of an intentional misstatement. Multivariate

Table 4.2. Descriptive Statistics for Each Dependent Variable

Mean (S.D.) [<i>n</i>]	Trait Scepticism	Peer Pressure		Row total
		Low peer emphasis on PS	High peer emphasis on PS	
<i>Likelihood of assessing client-provided audit evidence as reliable</i>	Low scepticism	4.04 (1.629) [27]	4.58 (1.032) [33]	4.33 (1.349) [60]
	High scepticism	4.04 (1.488) [24]	4.97 (1.251) [31]	4.56 (1.424) [55]
	Column total	4.04 (1.549) [51]	4.77 (1.151) [64]	
<i>Likelihood of collecting additional audit evidence</i>	Low scepticism	4.78 (1.423) [27]	5.70 (1.287) [33]	5.28 (1.415) [60]
	High scepticism	5.25 (1.675) [24]	6.03 (1.084) [31]	5.69 (1.399) [55]
	Column total	5.00 (1.549) [51]	5.86 (1.180) [64]	
<i>Likelihood of an intentional misstatement</i>	Low scepticism	4.19 (1.520) [27]	4.67 (0.990) [33]	4.45 (1.268) [60]
	High scepticism	4.21 (1.382) [24]	5.10 (1.326) [31]	4.71 (1.410) [55]
	Column total	4.20 (1.442) [51]	4.88 (1.175) [64]	

analysis of variance (MANOVA) was firstly used to test the influence of the independent variables on the combination of the three dependent variables measuring PS. An important preliminary test for MANOVA is to examine the correlation of the three dependent variables that measure PS as there would be no reason to use MANOVA if the dependent variables were not correlated. The correlations shown in Table 4.3 indicate that the three dependent variables were significantly correlated with each other ($p < 0.01$). This suggests that it is appropriate to use MANOVA.

Table 4.3. Correlations Among Dependent Variables

		<i>Likelihood of assessing client- provided audit evidence as reliable</i>	<i>Likelihood of collecting additional audit evidence</i>	<i>Likelihood of an intentional misstatement</i>
<i>Likelihood of assessing client-provided audit evidence as reliable</i>	Pearson Correlation (Sig.)	1		
<i>Likelihood of collecting additional audit evidence</i>	Pearson Correlation (Sig.)	.240** (.010)	1	
<i>Likelihood of an intentional misstatement</i>	Pearson Correlation (Sig.)	.382** (.000)	.479 ** (.000)	1

** denotes significance at the 0.01 level (2-tailed).

4.5.4 Hypotheses Tests

Influence of Peer Pressure on Sceptical judgments

To test the influence of peer pressure, multivariate analysis of variance (MANOVA) was firstly used to test the differences in the combination of the three dependent variables between a low and a high peer emphasis on PS. The MANOVA results reported in Table 4.4, Panel A, show significant main effects of peer pressure on the level of auditors' PS for the three dependent variables combined ($F = 5.72$, $p = 0.001$ based on Wilks' Lambda). Follow-up univariate tests were used to further examine the influence of peer pressure on each dependent variable separately. The results of the univariate tests reported in Table 4.4, Panel B, also show significant differences ($p < 0.01$) between two groups on all of the three dependent variables. The results indicate that there is a significant effect of peer pressure on auditors' PS.

Hypothesis H1 predicts that when the peer's view reflects a low (or high) emphasis on PS, auditors will be less (or more) sceptical in their judgments. It is therefore expected that participants in the group of a high peer emphasis on PS are likely to score higher on levels of PS than those in the group of a low peer emphasis on PS. To test Hypothesis H1, pairwise comparisons for each dependent variable between two treatment groups were conducted. The results in Table 4.4, Panel C, show that the auditors' levels of PS are significantly higher in the group with a high peer emphasis on PS than in the group with a low peer emphasis on PS. These results support H1 showing that peers' views that reflect a high (low) emphasis on PS lead to higher (lower) levels of auditors' PS in evaluating client-provided audit evidence. This suggests that when a peer places either a high or a low emphasis on PS, auditors' sceptical judgments are consistent with the peer's view.

Relative Importance of Peer Pressure and Trait Scepticism in Influencing Sceptical Judgments

As discussed earlier, this study uses Hurtt's scale (2010) to measure auditors' trait scepticism. Consistent with the scoring method of Hurtt (2010), each question had a scale from one to six. Thus, the scores can range from 30 to 180, and the theoretical midpoint is 105. Higher scores mean greater trait scepticism and vice versa. The auditors' trait scepticism scores obtained in this study ranged from 69 to 177 with a mean of 132.46 (SD = 16.43). These scores are consistent with auditors' trait scepticism reported in prior studies. Statistical analysis also shows that there are no significant differences in trait scepticism between two treatment groups ($t = 0.324, p = 0.746$).

Hypothesis H2 expects that peer pressure will be of greater importance than trait scepticism in influencing auditors' sceptical judgments. The MANOVA results reported in Table 4.4, Panel A, show that the main effect of trait scepticism on the level of auditors' PS is not significant for the three dependent variables combined ($F = 0.921, p = 0.433$ based on Wilks' Lambda). Further, the results of follow-up univariate tests reported in Table 4.4, Panel B, also show that

the influence of trait scepticism on auditors' levels of PS is not significant for any of three dependent variables ($p > 0.05$). Together with the results that peer pressure significantly influences auditors' sceptical judgments, these results support hypothesis H2 suggesting that peer pressure is of greater importance than trait scepticism in influencing auditors' sceptical judgments.

4.6 Conclusions

Responding to the need for understanding PS beyond Anglo-American countries, this study examines auditors' sceptical judgments in the Chinese cultural context. China offers a unique cultural setting because its collectivist and interdependent cultural values substantially differ from individualist and independent cultural values dominant in Anglo-American countries (Hofstede & Bond, 1988; Markus & Kitayama, 1991, 1998; Triandis et al., 1986). The Chinese cultural values of interdependence, collectivism, and *harmony within hierarchy* emphasise the importance of fitting in and maintaining harmonious interpersonal relationships with others, as well as adjusting and restraining self.

This study extends the literature by providing experimental evidence on the importance of peer pressure relative to trait scepticism in influencing Chinese auditors' sceptical judgments. The hypothesis development drawing on the Chinese core cultural values, together with cultural psychology theory of personality suggests that in collectivist cultures, personality is flexible and malleable, and its influences are context dependent, in contrast to individualist cultures where personality is stable and enduring, so its influences are coherent across situations and

Table 4.4. Hypotheses Tests

Panel A: MANOVA		Wilks' Lambda	Hypothesis df	Error df	<i>F</i> -statistic	Significance
Peer Pressure ^a		0.864	3	109	5.743	0.001**
Trait Scepticism		0.975	3	109	0.921	0.433
Peer Pressure x Trait Scepticism		0.987	3	109	0.482	0.696
Panel B: Follow-up univariate tests		Type III Sum of Squares	df	Mean Square	<i>F</i> -statistic	Significance
Peer Pressure	1) likelihood of assessing client-provided audit evidence as reliable	15.189	1	15.189	8.320	0.005**
	2) likelihood of collecting additional audit evidence	20.493	1	20.493	11.200	0.001**
	3) likelihood of an intentional misstatement	13.085	1	13.085	7.841	0.006**
Trait Scepticism	1) likelihood of assessing client-provided audit evidence as reliable	1.114	1	1.114	0.615	0.435
	2) likelihood of collecting additional audit evidence	4.616	1	4.616	2.523	0.115
	3) likelihood of an intentional misstatement	1.454	1	1.454	0.858	0.356
Error	1) likelihood of assessing client-provided audit evidence as reliable	200.950	111	1.810		
	2) likelihood of collecting additional audit evidence	203.104	111	1.830		
	3) likelihood of an intentional misstatement	188.075	111	1.694		
Panel C: Pairwise comparisons			Mean differences	Significance	Hypotheses supported	
High versus low peer emphasis on PS	1) likelihood of assessing client-provided audit evidence as reliable	0.726	0.005**	Yes		
	2) likelihood of collecting additional audit evidence	0.859	0.001**	Yes		
	3) likelihood of an intentional misstatement	0.679	0.006**	Yes		
High versus low trait scepticism	1) likelihood of assessing client-provided audit evidence as reliable	0.198	0.435			
	2) likelihood of collecting additional audit evidence	0.404	0.115			
	3) likelihood of an intentional misstatement	0.227	0.356			

^a The manipulation of peer pressure for two treatment groups is: a low peer emphasis on PS and a high peer emphasis on PS.
** denotes significance at $p<0.01$.

contexts (Choi et al., 1999; Church, 2000; Markus & Kitayama, 1991; Triandis, 2001). The results show that peer pressure is of greater importance than trait scepticism in influencing auditors' sceptical judgments. The findings suggest that in the Chinese cultural context, the influence of peer pressure overrides the influence of trait scepticism on auditors' sceptical judgments. The findings demonstrate that it is crucial to take into account the importance of peer pressure relative to trait scepticism in influencing sceptical judgments particularly in collectivist and interdependent cultural contexts.

Furthermore, this study also contributes to the literature by providing a better understanding of the influence of peer pressure on auditors' judgments in collectivist cultures. Based on the core Chinese cultural values, the hypothesis development suggests that auditors are susceptible to peer pressure and, therefore, align their judgments with their peers' views on PS. The results show that peers' views reflecting a high (low) emphasis on PS lead to higher (lower) levels of auditors' scepticism in their judgments. The findings contribute to the literature by showing the importance of understanding the role of peer pressure in influencing auditors' sceptical judgments in collectivist and interdependent cultures.

The findings also contribute to the literature by showing the importance of understanding the cultural context in examining auditors' JDM and PS. The results show the importance of peer pressure in influencing Chinese auditors' judgments, even though evidence on such influence is limited in individualist Anglo-American contexts. Furthermore, while prior research from individualist cultures provides considerable evidence on the importance of auditors' trait scepticism in influencing sceptical judgments, these previous findings are not supported in the current study. The findings of the current study suggest that when examining antecedents to auditors' sceptical judgments, findings from individualist cultural contexts cannot be assumed to be equally applicable to collectivist cultural contexts. Therefore, it is advocated that caution needs to be exercised when generalising findings from individualist to collectivist cultures.

The findings have implications for global standard setters, Chinese regulators, and international audit firms. Global standard setters such as the International Auditing and Assurance Standards Board (IAASB) have recognised that PS may be influenced by various factors at the firm, engagement and individual levels (IAASB, 2012b). However, global standard setters have paid very little attention to cultural contexts associated with PS. It is suggested that standard setters need to take into account cultural differences across countries and stress the importance of understanding PS in its cultural context in order to address the challenges that arise in various cultural settings in maintaining PS.

The findings also have implications for Chinese regulators including the Ministry of Finance (MOF), the Chinese Institute of Certified Public Accountants (CICPA), and the China Securities Regulatory Commission (CSRC). Understanding the importance of peer pressure relative to trait scepticism in influencing auditors' judgments is vital in developing strategies and allocating resources with focuses on those factors of greater importance. Furthermore, given the importance of peer pressure in influencing auditors' PS, it is important to foster and reinforce interactions among peer auditors that value PS, and to constrain peer influence that may impair auditors' scepticism. These findings may assist Chinese regulators in designing policies that stress the importance of peer influences in enhancing auditors' abilities to maintain PS and in improving audit quality.

The findings may also benefit international audit firms either operating in China or employing auditors with a Chinese cultural background. In response to increasing cultural diversity and the shifting cultural makeup of audit staff, it is important to understand judgments among auditors from different cultures. In cultures where maintaining harmonious interpersonal relationships and fitting in with others are paramount, auditors are likely to be under intense pressure to align their judgments with peers' views. Therefore, understanding the influence of peer pressure on judgments among auditors from these cultures is particularly important. Audit firms should also be aware that dynamic functioning of antecedents to sceptical judgments may

vary among auditors from different cultures. Thus, a “one size fits all” approach to training that aims to enhance PS may not be effective. Specifically, training focusing on individual auditors’ internal traits to enhance PS that works among auditors from individualist cultures may not be effective among those from collectivist cultures. Rather, for auditors from collectivist cultures, it may be more important to address contextual issues associated with PS in designing training programs. The findings may assist audit firms in designing policies and training programs that are compatible with cultural values of auditors to enhance their abilities to maintain PS.

The findings of this study should be considered in light of its limitations. This study focuses on a single country, China. While China is often used to represent collectivist cultural settings, it should not be assumed that all collectivist cultures are homogeneous. As such, it may also be beneficial to further examine whether the findings of this study can be generalised to other collectivist cultures. Furthermore, drawing on core Chinese cultural values this study demonstrates the importance of understanding cultural contexts in examining PS. However, this single-country study does not empirically examine the influence of cultural differences on PS. Given that dynamic functioning of antecedents to sceptical judgments may vary in different cultures, future research may use comparative studies to explore cross-cultural differences in the extent to which peer pressure and trait scepticism influence auditors’ sceptical judgments between individualist and collectivist cultures.

Chapter 5: Conclusions

5.1 Introduction

The aim of this dissertation is to provide empirical evidence on various antecedent factors that may influence auditors' sceptical judgments by taking into account relevant Chinese cultural values and within cultural differences in individual auditors' personality. The research consists of three separate papers that empirically examine the influence of three important antecedents to Chinese auditors' PS judgments, namely, self-construal, partners' views, and peer pressure respectively. These factors have been selected because of their particular relevance to the Chinese cultural features of interdependence, collectivism and *harmony within hierarchy*. Specifically, the three studies have the following objectives:

1. to provide empirical evidence on the influence of self-construal on sceptical judgments of Chinese accounting students, as proxies for entry-level auditors, in Australia and China;
2. to provide empirical evidence on the influence of partners' views on Chinese auditors' sceptical judgments; and
3. to provide empirical evidence on the importance of peer pressure relative to trait scepticism in influencing Chinese auditors' sceptical judgments.

Paper 1 (Chapter 2) addresses the first objective by providing empirical evidence to show that self-construal is a relevant and important personality variable that influences sceptical judgments. Specifically, the results show that Chinese accounting students, as proxies for entry-level auditors, educated in two distinctive learning and cultural environments, namely Australia and China, differ in their self-construal, and these differences influence their sceptical judgments. This chapter contributes to the literature by showing that accounting education is not only a process of transferring technical knowledge and skills, but also involves complex cognitive processes associated with self-construal, which may influence subjects' sceptical judgments.

This paper has been accepted for publication in a forthcoming (2016) issue of the *Journal of International Accounting Research* (This is an American Accounting Association journal ranked A by the Australian Business Deans Council [ABDC] Journal ranking). An earlier version of this paper was presented at *the 26th Asian-Pacific Conference on International Accounting Issues*, Taipei, October 26–29, 2014.

Paper 2 (Chapter 3) addresses the second objective of this dissertation by showing that Chinese auditors are under intense pressure to align their judgments with partners given their core cultural values, which emphasise the importance of submission, subordination, obedience, and loyalty towards superiors. The paper contributes to the literature by providing empirical evidence that auditors' sceptical judgments are influenced by both known and unknown views of partners, as well as individual differences in the intensity of auditors' perceived pressure from partners. The findings stress the importance of partners' setting proper "tone at the top", particularly in countries such as China. The findings further suggest that it is important to take into account both relevant cultural values and within cultural individual differences in examining the influence of partners' views on auditors' sceptical judgments.

This paper was presented at *the 2015 Business & Management Conference of the International Institute of Social and Economic Sciences*, Vienna, 21–24 June.⁴² This paper will be submitted to the *Auditing: A Journal of Practice & Theory*. (This is an American Accounting Association journal ranked A* by ABDC.)

Finally, Paper 3 (Chapter 4) addresses the third objective of this dissertation by providing empirical evidence that peer pressure is of greater importance than trait scepticism in influencing Chinese auditors' sceptical judgments. The paper contributes to the literature by showing that in the Chinese cultural context where fitting in and maintaining harmonious

⁴² The citation information of the conference paper is: Ying, S. X. and C. Patel. (2015) "The Influence of partners' views on Chinese auditors' judgments related to professional scepticism", the *2015 Business & Management Conference of the International Institute of Social and Economic Sciences*, Vienna, 21-24 June.

interpersonal relationships with others as well as adjusting and restraining self are paramount, the influence of peer pressure overrides the influence of trait scepticism on auditors' sceptical judgments. The paper further contributes to the literature by showing that peer pressure influences Chinese auditors' sceptical judgments. The paper demonstrates the importance of understanding the role of peer pressure in influencing auditors' sceptical judgments in China, a collectivist cultural setting.

This paper has been accepted for presentation at *the 28th Asian-Pacific Conference on International Accounting Issues* to be held in Maui, November 6-9, 2016. This paper has been submitted to the *European Accounting Review*. (This is a European Accounting Association journal ranked A* by ABDC.)

By addressing and examining the aforementioned objectives through three separate empirical studies, this dissertation aims to make a number of original and significant contributions to the auditing literature and particularly to research on auditors' PS and JDM. First, this dissertation responds to the calls for more attention to continuing research opportunities on PS, as one of the core issues of auditing (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009; Trotman, 2011). Prior studies on PS have been predominantly conducted in Anglo-American countries, particularly the US (Carpenter & Reimers, 2013; Hurtt, 2010; Kim & Trotman, 2015; Payne & Ramsay, 2005; Quadackers et al., 2014; Shaub & Lawrence, 1996), and very little is known about auditors' PS in other national contexts. This dissertation contributes to the literature on PS by examining various antecedents to auditors' sceptical judgments in China, a country that is often examined in contrast to the Anglo-American cluster in terms of national cultures.

Second, this dissertation also responds to calls for more studies on auditors' JDM in countries where core cultural values substantially differ from Anglo-American contexts (Humphrey, 2008; Trotman, 1999; Wu & Patel, 2015). Both the current focus on the international convergence of auditing standards and increasing cultural diversity of audit firms have urged a

better understanding of JDM among auditors from different cultures. However, prior studies on auditors' JDM have largely been conducted in Anglo-American countries and research in other cultural contexts is scant (Nelson & Tan, 2005; Nolder & Riley, 2014). To address the need of understanding auditors' JDM beyond Anglo-American contexts, this dissertation contributes to the literature by taking into account core Chinese cultural values to examine auditors' judgments from a cultural perspective.

Furthermore, this research also responds to the calls for more rigorous examinations into the influence of personality in accounting and auditing. It is suggested that while personality is a relatively identifiable, stable, and measurable area of scientific enquiry that is crucial to understanding behaviours in workplace and other situations, accounting research has failed to rigorously examine the influence of personality on JDM of auditors and accountants (Briggs et al., 2007; Kovar et al., 2003; So & Smith, 2003; Taggar & Parkinson, 2007; Wheeler, 2001). More importantly, this dissertation draws on the cultural psychology theory of personality, which views culture and personality as inseparable and mutually constitutive. By integrating both cultural and personality perspectives, this dissertation contributes to the literature by providing better insights into psychological functioning underlying auditors' JDM.

The remainder of this chapter is organised as follows. Section 5.2 provides summaries, implications, and contributions of the three separate empirical studies comprising the main part of this dissertation. Section 5.3 draws overall conclusions and further implications for auditing research and practice. Section 5.4 outlines the limitations of this dissertation and provides suggestions for future research.

5.2 Summaries, Implications and Contributions of Individual Empirical Studies

This section provides a summary and a review of the contributions for each of the three papers comprising the main part of this dissertation. The collective contribution and further implications of this dissertation are discussed in section 5.3.

5.2.1 Paper 1: “Sceptical Judgments and Self-construal: A Comparative Study between Chinese Accounting Students in Australia and China”

The objective of this paper is to provide empirical evidence on the influence of a relevant personality variable, namely, self-construal on sceptical judgments of Chinese accounting students, as proxies for entry-level auditors, in Australia and China. In contrast to studies applying the trait approach that focuses on enduring, fixed, and static aspects of personality, this paper adopts the dynamic approach that views personality as changeable and malleable, which provides better insights into complexity and dynamics associated with personality influences.

Using a survey questionnaire administered to 336 final year undergraduate accounting students, this chapter provides evidence that Chinese accounting students, educated in two distinctive learning and cultural environments, namely Australia and China, differ in their self-construal, and these differences influence their sceptical judgments. Attributable to differences in learning and cultural environments between China and Australia, the results show that Chinese accounting students in Australia scored higher on measures of independent self-construal and lower on measures of interdependent self-construal than their counterparts in China. The results further show that independents are less sceptical than interdependents, suggesting that interdependents are more concerned with pleasing and maintaining harmonious relationships with their superiors and, therefore, they are more cautious and more rigorous in carrying out their audit duties in order to ensure that they are not criticised by superiors.

This paper makes three main contributions to the auditing literature. First, the paper contributes to the literature on PS by showing that self-construal is a relevant and important personality variable that influences sceptical judgments. While individual differences in trait scepticism and predisposition to trust as antecedents to sceptical judgment have been examined in prior research (Hurt, 2010; Quadackers et al., 2014; Rose, 2007), very little attention has been drawn to the influence of relevant personality variables on sceptical judgments. The findings suggest

that greater insights could be gained by adopting the dynamic approach, which may facilitate a better understanding of the influence of personality on auditors' judgments. Second, the findings further contribute to the literature by showing that personality, such as self-construal, is influenced by cultural and educational experiences. Such complexity and dynamics associated with personality variables as antecedents to sceptical judgments have been largely ignored in prior research relying on the "trait" approach in which individual differences in personalities are viewed as enduring, fixed, and static. Third, in the context of increased global movement and cross-cultural interactions among auditing practitioners and students across countries, this paper responds to calls for examining the audit judgments of subjects who are exposed to two different cultural environments (Hurt et al., 2013; Nolder & Riley, 2014), and contributes to the literature by providing evidence of significant differences in judgments of subjects from the same cultural origin but undertaking accounting education in different learning and cultural environments.

The findings have a number of implications. First, the findings may benefit global standard setters, such as the International Accounting Education Standards Board (IAESB), in improving international convergence of accounting education. The paper argues that there is no one "best practice" that could be applied to all countries and cultures. It is suggested that additional empirical research should be conducted to examine differences in students' judgments as they move from a teacher-centred to a learner-centred educational environment, and the influence of such changes in their learning outcomes. Furthermore, the findings may be of interest to auditing educators. The findings suggest that accounting education is not only a process of transferring technical knowledge and skills, but also involves complex cognitive processes associated with self-construal, which may influence subjects' judgments. It is suggested that, besides technical aspects, greater attention should also be paid to complex cognitive processes that students may experience in different learning and cultural environments. Additionally, the

findings may assist audit firms in forming audit teams of members with varying intercultural educational experience, and also in designing and conducting entry-level training programs.

5.2.2 Paper 2: “The Influence of Partners’ Views on Chinese Auditors’ Judgments of Professional Scepticism”

The objective of this paper is to provide empirical evidence on the influence of partners’ views on Chinese auditors’ sceptical judgments. It is important to examine auditors’ sceptical judgments in countries, such as China, where prevalent cultural values significantly differ from those of Anglo-American countries in order to address the changing multicultural environment of audit firms and the shifting cultural makeup of audit staff. Furthermore, understanding the influence of partners’ views on auditors’ sceptical judgments is particularly important because such influence may eliminate meaningful discussion generated by the tension between different points of view during audits.

The hypotheses development based on the rigid hierarchical cultural values in China, which emphasise the importance of submission, subordination, obedience, and loyalty towards superiors, together with social contingency theory, suggests that auditors are likely to be under intense pressure to align their judgments with partners’ views. The results from a between-subjects experiment with 154 practising auditors show that both a high partner emphasis on PS and unknown views of partners, lead to higher levels of auditors’ scepticism, and that a low partner emphasis on PS leads to lower levels of scepticism. Furthermore, this paper measures the intensity of auditors’ perceived pressure when partners’ views are known and examines the influence of such pressure on sceptical judgments. The results show that a high (low) intensity of perceived pressure strengthens (weakens) the influence of partners’ known views on sceptical judgments of auditors.

This paper makes a number of contributions to auditing research. First, prior research from Anglo-American settings has shown that auditors’ sceptical judgments are influenced by partners’ known views on PS. This paper contributes to the literature by showing that auditors’

sceptical judgments are influenced by both known and unknown views of partners. These findings reflect the importance of partners' setting proper "tone at the top", particularly in countries such as China where auditors are under intense cultural pressure to align their judgments with partners. Furthermore, the literature recognises the importance of understanding pressure effects generated within firms on auditors' JDM because dealing with pressure is an important part of auditing (Lord & DeZoort, 2001; Nasution & Östermark, 2012). This paper contributes to the literature by examining within cultural individual differences on the intensity of perceived pressure of Chinese auditors when partners' views are known and its influence on their sceptical judgments. The findings show the importance of understanding within cultural individual differences in the intensity of perceived pressure as antecedents to sceptical judgments of Chinese auditors. Taken together, this paper suggests that a better understanding of both relevant cultural values and individual differences are important in understanding the influence of partners' views on Chinese auditors' sceptical judgments. Such understanding may be useful in developing strategies to mitigate undesirable influences from partners.

The findings have implications for both international and Chinese regulators, as well as audit firms either operating in China or employing auditors with Chinese cultural background for enhancing auditors' abilities to maintain PS and to improve audit quality. First, the IAASB has recognised that PS may be influenced by various factors at the firm level, engagement level and individual level (IAASB, 2012b). However, very little attention has been paid to cultural contexts associated with PS. This paper suggests that standard setters need to stress the importance of understanding PS in its cultural context. Moreover, the findings highlight the importance of both known and unknown views of partners, as well as the intensity of perceived pressure in influencing Chinese auditors' sceptical judgments. These findings may assist Chinese regulators, including the Ministry of Finance (MOF), the Chinese Institute of Certified Public Accountants (CICPA), and the China Securities Regulatory Commission (CSRC), in

designing policies to enhance auditors' abilities to maintain PS and to improve audit quality. Finally, the findings may also benefit international audit firms in responding to the growing cultural diversity and changing multicultural environment given a significant increase in the number of Asian audit staff in Anglo-American countries such as the US and Australia. In Asian cultures, such as China, where subordinates have a strong tendency to follow authoritative supervisors' directions without question, auditors are likely to be under intense pressure to align their judgments with partners' views. Audit firms either operating in China or employing auditors with a Chinese cultural background should recognise the importance of understanding auditors' cultural values underlying their judgments.

5.2.3 Paper 3: “The Importance of Peer Pressure Relative to Trait Scepticism in Influencing Chinese Auditors’ Judgments of Professional Scepticism”

The main objective of this paper is to provide empirical evidence on the importance of peer pressure relative to trait scepticism in influencing Chinese auditors' sceptical judgments. Specifically, drawing on core Chinese cultural values, which emphasise the importance of fitting in and maintaining harmonious interpersonal relationships with others, this paper identifies peer pressure as an important factor that may influence auditors' sceptical judgments. A better understanding of the role of peer pressure in influencing auditors' sceptical judgments is particularly useful in developing strategies to mitigate the undesirable effects of this pressure on auditors' abilities to maintain appropriate levels of PS. The hypotheses development, based on core Chinese cultural values of collectivism, interdependence, and *harmony within hierarchy*, suggests that auditors will be susceptible to peer pressure, and therefore their sceptical judgments will be aligned with their peers' views on PS. The results from a between-subjects experiment with 115 practising auditors show that peers' views that reflect a high (low) emphasis on PS lead to higher (lower) levels of auditors' scepticism.

Furthermore, this paper extends prior research by examining the relative importance of peer pressure and trait scepticism in influencing auditors' sceptical judgments. Prior studies,

predominantly from individualist cultures, have identified auditors' trait scepticism, a relatively stable, enduring aspect of personality, as an important antecedence to their sceptical judgments (Hurt, 2010; Popova, 2012; Quadackers et al., 2014). However, these findings from individualist cultures may not be equally applicable in collectivist cultures, such as China, because cultural psychology theory of personality has suggested that the extent to which behaviour is determined by personality traits may vary across cultures (Church & Lonner, 1998; Triandis & Suh, 2002). The hypotheses development based on the Chinese cultural values, which emphasise maintaining harmonious interpersonal relationships, fitting in with others, adjusting and restraining self, suggests that auditors are likely to have strong concerns about aligning their judgments with peers' views, rather than validating their internal attributes. The results show that while peer pressure influences auditors' sceptical judgments, trait scepticism does not, which supports the hypothesis that peer pressure is of greater importance in influencing auditors' sceptical judgements than trait scepticism. The findings suggest that in the Chinese cultural context, the influence of peer pressure may override the influence of trait scepticism on auditors' sceptical judgments.

This paper contributes to the literature by showing the importance of understanding the role of peer pressure in influencing auditors' sceptical judgments in China. The findings also demonstrate that it is crucial to take into account the relative importance of peer pressure versus trait scepticism as antecedents to sceptical judgments particularly in collectivist cultural contexts where personality influences are context dependent and may not be as salient as in individualist cultures. Taken together, the findings suggest that in the Chinese cultural context, auditors' judgments are largely determined by the surrounding social and interpersonal contexts rather than individuals' personality traits. These findings support the social psychology theory of personality suggesting that in collectivist cultures, personality is flexible and malleable, so its influences are context dependent (Choi et al., 1999; Church, 2000; Markus & Kitayama, 1991; Triandis, 2001).

This paper also contributes to the literature by showing the importance of understanding the cultural context in examining auditors' JDM and PS. The results show the importance of peer pressure in influencing Chinese auditors' judgments, even though evidence on such influence is limited in individualist Anglo-American contexts. Furthermore, while prior research from individualist cultures provides considerable evidence on the importance of auditors' trait scepticism in influencing sceptical judgments, these previous findings are not supported in the paper. These findings suggest that when examining antecedents to auditors' sceptical judgments, findings from individualist cultural contexts cannot be assumed to be equally applicable to collectivist cultural contexts. Therefore, it is suggested that caution needs to be exercised when generalising findings from individualist to collectivist cultures.

The findings have implications for global standard setters, Chinese regulators, and international audit firms. First, global standard setters such as the IAASB have recognised that PS may be influenced by various factors at the firm level, engagement level and individual level (IAASB, 2012b). However, global standard setters have paid very little attention to cultural contexts associated with PS. It is suggested that standard setters need to take into account cultural differences across countries and stress the importance of understanding PS in its cultural context in order to address the challenges that arise in various cultural settings in maintaining PS. Furthermore, given the influence of peer pressure in influencing auditors' PS, it is important to foster and reinforce interactions among peer auditors who value PS and to constrain peer influence that may impair auditors' scepticism. These findings may assist Chinese regulators, including MOF, CICPA, and CSRC, in designing policies stressing the importance of peer influences in enhancing auditors' abilities to maintain PS and in improving audit quality. Finally, the findings may assist audit firms in designing policies and training programs that are compatible with the cultural values of auditors in order to enhance their abilities to maintain PS. In response to increasing cultural diversity and the shifting cultural makeup of audit staff, it is important to understand judgments among auditors from different cultures. In cultures

where fitting in and maintaining harmonious interpersonal relationships with others are paramount, auditors are likely to be under intense pressure to align their judgments with peers' views. Audit firms should also be aware that the dynamic functioning of antecedents to sceptical judgments may vary among auditors from different cultures. Therefore, a "one size fits all" approach to training for auditors from different cultures may not be effective.

5.3 Overall Conclusions and Further Implications

This dissertation provides an empirical examination of various antecedents to Chinese auditors' sceptical judgments from cultural and personality perspectives. The findings of this dissertation broadly show that audit JDM research benefits from both cultural and personality perspectives because they provide great insights into the psychological functioning underlying auditors' JDM processes. The findings provide evidence that the Chinese cultural values of collectivism, interdependence, and *harmony within hierarchy* have important implications in understanding antecedents to auditors' sceptical judgments. In particular, the cultural emphases on fitting in and maintaining harmonious relationships with others, adjusting and restraining self, subordination, obedience, and loyalty towards superiors provides in-depth understandings of the influence of peer pressure and partners' views on auditors' judgments.

Furthermore, the findings provide evidence that individual differences in personality also play an important role in influencing auditors' sceptical judgments. In contrast to Anglo-American studies on auditors' JDM that predominantly apply the trait approach and focus on enduring, fixed, and static aspects of personality, this dissertation employs the dynamic approach that views personality as changeable and malleable. The dynamic approach enables this study to provide better insights into the complexity and dynamics associated with the influence of personality on auditors' JDM. The dynamic approach to the understanding of personality provides useful insights into the influence of self-construal on auditors' JDM.

The findings from the preceding empirical examination of Chinese auditors' judgments based on both cultural and personality perspectives have important implications for the ongoing international convergence of auditing standards. While the adoption of a single set of international auditing standards ("de jure" convergence) provides a uniform guideline for the audit profession globally, significant differences in auditors' JDM across and within countries may pose serious challenges in achieving global consistency of audit practices ("de factor" convergence). The new Framework for Audit Quality issued by the IAASB recognises the importance of various contextual factors including cultural factors, which have the potential to impact audit quality (IAASB, 2014b). The findings of this dissertation show that both core cultural values and individual personality, which relate to two distinctive and interrelated levels of mental programming, play vital roles in influencing auditors' JDM. It is therefore suggested that attention needs to be given to cultural and personality factors and their dynamic interrelations in influencing auditors' JDM. Greater insights into the influence of cultural and personality factors on auditors' JDM would benefit the convergence in enhancing quality and consistency in audit practices across and within countries.

The understanding of auditors' JDM from both cultural and personality perspectives may be particularly important for countries where cultures are substantially different from individualist and independent cultures dominant in Anglo-American contexts. This dissertation shows that when examining auditors' JDM, findings from individualist cultural contexts cannot be assumed to be equally applicable to collectivist cultural contexts. In particular, the findings support the cultural psychology theory of personality suggesting that the extent to which behaviour is determined by personality may vary across cultures (Church & Lonner, 1998; Triandis & Suh, 2002). Therefore, it is suggested that caution needs to be exercised when generalising findings from individualist to collectivist cultures. Moreover, the findings of this dissertation further show that factors influencing auditors' JDM are very complex and their influences cannot be understood in isolation from the contextual environment. This dissertation

suggests that auditors do not exercise their judgments in a vacuum. Rather, how their JDM are influenced by various factors is largely shaped by the surrounding environment, including the cultural context. As such, it is important to take into account the relevant cultural context in designing policies and training programs to improve auditors' JDM. It is further suggested that contextual factors cannot be ignored in examining auditors' JDM.

The findings of this dissertation also have implications for auditing education. The findings show that auditing education is not only a process of transferring technical knowledge and skills, but also involves dynamic and complex cognitive processes of individuals that are associated with the cultural and educational context. It is suggested that, besides the technical aspects of auditing, greater attention should also be paid to complex cognitive processes that students may experience in different learning and cultural environments. Furthermore, students' learning experiences could also be enhanced by understanding auditing as a social and institutional practice deeply embedded in the contextual environment in which it operates rather than a series of technical steps being neutral, objective, and value-free. Students would benefit from greater knowledge about various factors that influence auditors' JDM at both cultural and personality levels.

5.4 Limitations and Suggestions for Future Research

The findings of this dissertation should be considered in light of their limitations. First, this study focuses on a single country, China. It is important to note that, given the significant cultural differences between China and Anglo-American countries, the findings may not be generalizable to other countries where cultural contexts are substantially different. Drawing on core Chinese cultural values, this dissertation demonstrates the importance of understanding the culture in examining auditors' sceptical judgments. However, it is important to note that the dynamic functioning of antecedents to sceptical judgments may vary in different cultures. Future research may use comparative studies to explore cross-cultural differences in the extent to which various factors influence auditors' sceptical judgments between collectivist countries,

such as China and individualist countries such as the US and Australia. Furthermore, while China is often used to represent collectivist cultural settings, it should not be assumed that all collectivist cultures are homogeneous. It may also be beneficial to further examine whether the findings of this study can be generalised to other collectivist cultures.

Survey and experimental research methods were adopted to examine various antecedents to Chinese auditors' sceptical judgments. While this hypothetico-deductive quantitative approach allows the relations between the variables of interest to be rigorously studied, the limitations of this research approach need to be recognised. Given that only a limited number of factors associated with the hypothesised relationships are examined, this approach does not help the researcher to identify what other factors may exist as antecedents to auditors' sceptical judgments. Although in addition to factors particularly relevant to Chinese core cultural values as the focus of this dissertation, the research instrument included factors such as gender, age, and work experience, the list of variables is not exhaustive. Other relevant environmental factors and individual characteristics may provide further explanations for differences in Chinese auditors' JDM. Future studies may use qualitative methods, such as interview, to explore other factors that may be important in influencing Chinese auditors' JDM in order to gain additional insights into the complexity and dynamics associated with the influence of culture and personality on auditors' JDM.

The findings of this dissertation warrant further research on auditors' JDM from both cultural and personality perspectives. In addition to cross-cultural studies, audit research would benefit from rigorous examinations of auditors' JDM with a particular focus on core cultural values underpinning the JDM processes. This focus may facilitate a better understanding of various factors influencing auditors' JDM that are particularly relevant to the cultural context in which auditing operates. Moreover, greater insights into personality influences could be gained by including interdisciplinary perspectives and measures from other disciplines such as social psychology. Future research is needed to adopt this interdisciplinary perspective in order to

better understand the influence of personality on auditors' PS and JDM. Furthermore, this dissertation focuses on individual auditors' sceptical judgments. It would also be important to examine cultural and personality factors that may influence audit team judgments. As such, another promising avenue of research is auditors' PS and JDM in team settings from cultural and personality perspectives.

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Appendix 1: Research Instrument of Study 1

Research Instrument of Study 1
Survey on Audit Judgments – English Version



Survey on Audit Judgments

Dear participant,

My name is Xiaoyan Ying, and I am from Macquarie University in Sydney, Australia. I would like to invite you to participate in this survey, which is conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Accounting under the supervision of Professor Chris Patel and Associate Professor Parmod Chand. The purpose of this questionnaire survey is to examine the influence of various factors on audit judgments.

The questionnaire consists of 3 sections. In Section 1, you are asked to provide your judgments on an auditing case scenario. Section 2 is comprised of questions about personal values. Section 3 collects demographic data about the respondents. The auditing case is related to an important audit procedure, debtor confirmation, which is used to audit the trade receivable accounts. I appreciate that normally you would require more information than provided in the case to make audit judgment. However, for the purpose of this study, you are required to make your judgment based on the relevant information provided in the case. It will take you approximately 20 minutes to complete the questionnaire.

Please note that participation in this survey is voluntary and questionnaires are anonymous. If you do not wish to participate you may simply not return the questionnaire. Any information you provide will be treated in strict confidence. Data will be analysed in aggregate form and will be used for research purposes only. The results of the data analysis will be included as part of my dissertation. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. For any more details of this study, please do not hesitate to contact us.

Yours sincerely,

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Please answer all questions. Your responses are very important for the success of our research.

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone +61 (0) 2 9850 7854; email ethics@mq.edu.au).

You may also contact this research's Local Contact Person in China through Ms. Fang, Ping (telephone +86 (0) 21 – 6580 7858, email: fp1101@126.com), should you wish to confirm the identity of the researchers or express any concerns. Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

SECTION 1: AUDTING CASE STUDY

Instructions

Below is a hypothetical auditing scenario about which you will be required to assess the information provided to you and answer some questions related to audit judgments. There are no “right” or “wrong” answers for any of these questions.

Summary Information on the Auditing Case

Assume that you are an auditor working for a large public accounting firm. You have recently been assigned to a four-person audit team that will be performing the year-end audit for ABC Corp. ABC Corp. is a medium-size retailer of computer equipment and supplies, and have been your firm’s client for over three years. ABC’s financial year is from 1st of January to 31st of December each year.

ABC’s management which reports to the Board of Directors is comprised of six individuals, each with a Bachelor’s or Master’s degree and over five years of management experience at ABC. Three are Certified Public Accountants, each with over eight years accounting experience.

A few days before the audit commenced, you met with the audit team to be briefed on the upcoming engagement. A senior auditor has performed all the planning work for the job, including the budget and staff assignments.

One of your assignments relates to the audit of trade receivables. A confirmation letter has been sent to each of the selected debtors requesting them to confirm that the amount outstanding is correct. Among 54 selected debtors, one customer, GSS, confirmed a balance of \$233,017 out of the total amount outstanding of \$348,067. GSS reported that the discrepancy was because they had no record of two shipments with invoices totalling \$115,050. The amount is material. You take up the matter with ABC’s finance manager. The finance manager informs you that there must be some errors in GSS record. He presents you the copies of purchase orders for these two shipments showing that GSS placed the orders in November last year. The shipping documents and delivery notes that the finance manager provides to you also show that \$115,050 of the orders have been shipped to and received by GSS prior to the year-end.

Questions for the Auditing Case

You are requested to exercise a judgment on the matter by providing a response on the scale of each question.

(Please put only one “√” for each question).

1. What is the likelihood that you would **trust the evidence** provided by the ABC’s finance manager?

Highly unlikely				Highly likely		
1	2	3	4	5	6	7

2. What is the likelihood that you would **question the truthfulness of the evidence** provided by the ABC’s finance manager?

Highly unlikely				Highly likely		
1	2	3	4	5	6	7

3. What is the likelihood that you would **search for additional evidence**?

Highly unlikely				Highly likely		
1	2	3	4	5	6	7

4. What is the likelihood that ABC’s trade receivable accounts have been **intentionally misstated**?

Highly unlikely				Highly likely		
1	2	3	4	5	6	7

5. To what extent do you disagree or agree that ABC’s management is competent?

Strongly disagree				Strongly agree		
1	2	3	4	5	6	7

SECTION 2: PERSONAL VALUES

Please indicate how much you agree or disagree with each of the following statements?

(Please put only one “√” in each row across).

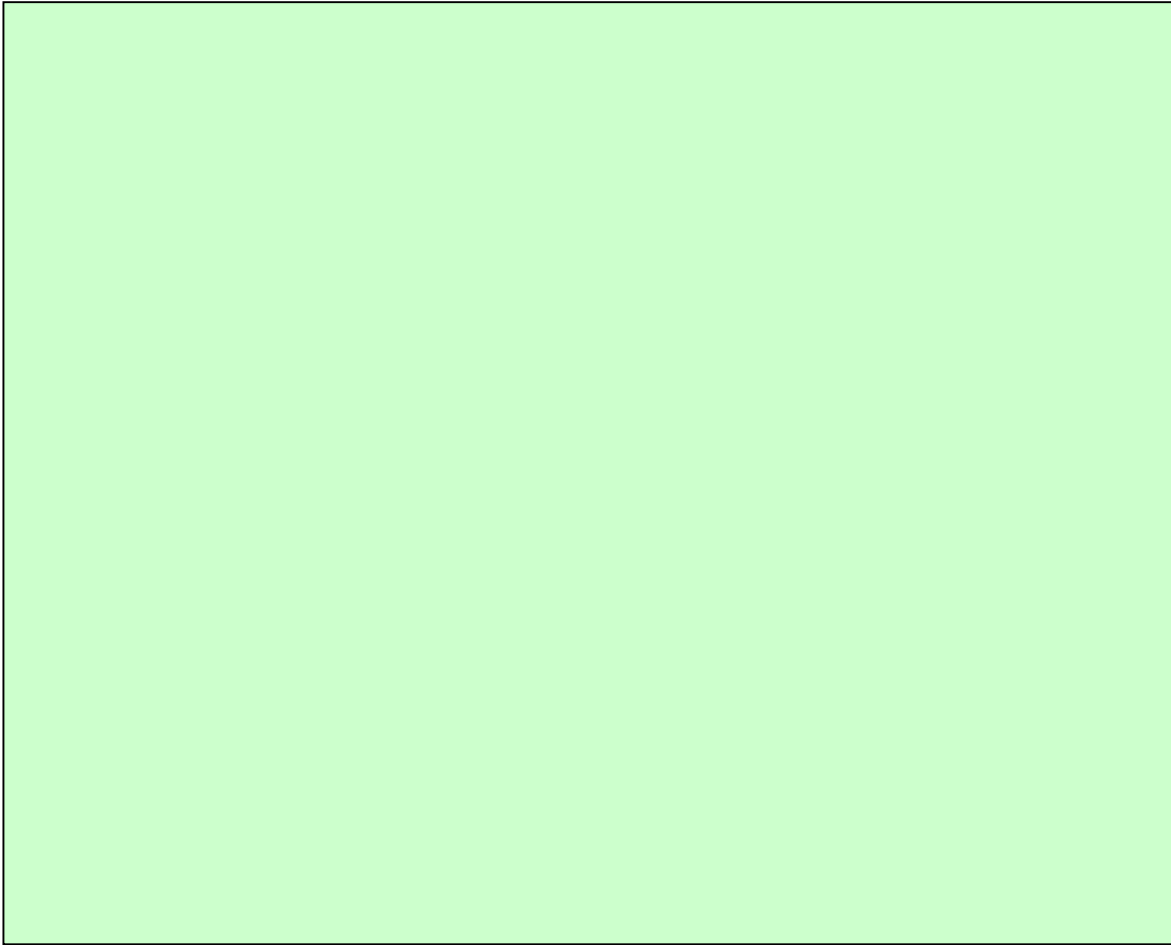
	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
I have respect for the authority figures with whom I interact.					
It is important for me to maintain harmony within my group.					
My happiness depends on the happiness of those around me.					
I would offer my seat in a bus to my professor.					
I'd rather say “No” directly, than risk being misunderstood.					
Speaking up during a class is not a problem for me.					
Having a lively imagination is important to me.					
I am comfortable with being singled out for praise or rewards.					
I respect people who are modest about themselves.					
I will sacrifice my self - interest for the benefit of the group I am in.					
I often have the feeling that my relationships with others are more important than my own accomplishments.					
I should take into consideration my parents' advice when making education/career plans.					
I am the same person at home that I am at school.					
Being able to take care of myself is a primary concern for me.					
I act the same way no matter who I am with.					
I feel comfortable using someone's first name soon after I meet them, even when they are much older than I am.					
It is important to me to respect decisions made by the group.					
I will stay in a group if they need me, even when I am not happy with the group.					
If my brother or sister fails, I feel responsible.					
Even when I strongly disagree with group members, I avoid an argument.					
I prefer to be direct and forthright when dealing with people I've just met.					
I enjoy being unique and different from others in many respects.					
My personal identity independent of others is very important to me.					
I value being in good health above everything.					

SECTION 3: DEMOGRAPHICS

Please respond to the following questions relating to your personal profile.

1. Are you:	<input type="checkbox"/> Male	<input type="checkbox"/> Female
2. How old are you?	<input type="checkbox"/> Under 20 <input type="checkbox"/> 20-24 <input type="checkbox"/> 25-29 <input type="checkbox"/> 30-34 <input type="checkbox"/> 35-39 <input type="checkbox"/> 40-49 <input type="checkbox"/> 50-59 <input type="checkbox"/> 60 or over	
3. What is your nationality?	<input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify_____	
4. In which country were you born (if different)?	Please specify_____	
5. What is your first language?	<input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify_____	
6. Have you ever studies overseas?	<input type="checkbox"/> Yes, in which country_____	<input type="checkbox"/> No
7. If you have studies overseas, how long have you been overseas?	_____years	
8. What are you currently studying?	<input type="checkbox"/> undergraduate <input type="checkbox"/> postgraduate <input type="checkbox"/> Other, please specify_____	
9. Are you currently studying Auditing subject?	<input type="checkbox"/> Yes <input type="checkbox"/> No, I have already completed Auditing subject. <input type="checkbox"/> No, I have never studied Auditing subject.	
10. Have you learnt the concept of professional skepticism in your auditing subject?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure	
11. Do you believe you have an adequate / inadequate understanding of the concept of professional skepticism?	<input type="checkbox"/> Very inadequate <input type="checkbox"/> inadequate <input type="checkbox"/> Not sure <input type="checkbox"/> adequate <input type="checkbox"/> Very adequate	
12. How many years of work experience in auditing do you have?	<input type="checkbox"/> None <input type="checkbox"/> Less than 1 year <input type="checkbox"/> 1-4 years <input type="checkbox"/> above 4 years	

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If there is any other comment you would like to make relating to the survey or auditors' judgments, please do so in the space provided below.



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Research Instrument of Study 1
Survey on Audit Judgments – Chinese Version



关于审计判断的问卷调查

您好，

我是应笑艳，来自澳大利亚悉尼的麦考瑞大学 (Macquarie University)。我诚意邀请您参与此项问卷调查。该研究是我在 Chris Patel 教授及 Parmod Chand 副教授指导下，为了满足会计博士学位的要求而进行的。这份问卷主要是考察可能影响审计职业判断的因素。

该份问卷由三部分组成。第一部分需要您对一个审计案例提供判断。第二部分是关于个人价值的问题。第三部分收集回答者的一些基本信息。问卷中的审计案例是关于一个重要的审计程序——函证——用于审计应收帐款。我理解在实际工作中，您通常需要更多的信息来做相关的判断。但是对于这份问卷，我们仅要求您考虑案例中提供的信息来做出您的专业判断。您大约需要 20 分钟来完成这份问卷。

参与该问卷调查是自愿且匿名的。如果您不想参与，只需要不返还问卷即可。您在问卷中提供的任何信息都会得到严格保密。收集的数据会在整合后进行分析，分析结果只用于学术研究。分析结果将会成为我的论文的一部分。您也可以联系我索取分析结果摘要。

非常感谢您参与我们的问卷调查及对我们的研究项目的支持。如果您需要更多关于这个研究项目的信息，请随时联系我。

此致，

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请您尽可能回答所有问题。您的回答对我们的研究项目的成功非常重要。

该研究项目道德方面已经通过麦考瑞大学人文研究道德委员会的评估，如果您对参与该研究项目有任何道德方面的投诉或保留意见，您可以联系该委员会的研究道德董事（电话+61 (0) 2 9850 7854；电子邮箱：ethics@mq.edu.au）。

如果您想确认研究人员的身份或有任何担忧想要表达，您也可以联系该研究项目在中国的本地联系人：方萍女士（电话+86 (0) 21 - 6580 7858；电子邮箱：fp1101@126.com）。您的任何投诉都会被保密。我们会对您投诉的事件进行调查并知会您调查的结果。

第一部分：审计案例

说明

在以下的一个假设的审计情景中，您需要对提供给您的信息进行评价并回答一些与审计判断有关的问题。对于所有的问题，您的答案没有正确和错误之分。

基本信息

假设你是一家大型会计师事务所的审计师。最近你被分派到一个由四个人组成的审计项目小组。你们将要对 ABC 公司进行年终审计。ABC 公司是一家中型的经营计算机设备及配件的零售商。你们事务所已经连续三年审计该公司。ABC 公司的会计年度为每年的 1 月 1 日至 12 月 31 日。

ABC 公司的管理层共包括六个人，他们都有本科或硕士学位并在 ABC 有超过五年的管理经验。其中有三个人是注册会计师并有八年以上的会计从业经验。

在审计工作开始之前，审计项目小组开会通报了即将进行的这个审计项目的大概情况。其中一个高级审计师已完成了所有的审计计划工作，包括预算及任务分配。

你的一项工作是应收帐款审计。你将询证函发给所选择的一些客户。你要求每个客户确认询证函所列金额是否正确，并将确认后的询证函回寄给你。在所选择的 54 个应收帐款账户中，一个客户 GSS 公司确认其欠款余额为 ¥ 233,017，而 ABC 公司账面显示该客户应收帐款余额为 ¥ 348,067。GSS 公司在回函上注明以上差异是由于他们没有其中两笔货物的记录，发票金额总计 ¥ 115,050。此金额超过了重要性水平。你进一步询问 ABC 公司的财务经理。财务经理告诉你一定是 GSS 公司记录上的错误。他接着提交给你 GSS 公司在去年 11 月下的这两笔货物的采购订单。他也提供了相应的发货单据及运输单据显示这 ¥ 115,050 的货物已经在年底发给了 GSS 公司。

有关审计案例的问题

请您根据案例提供的信息回答以下问题。请在您选择的数字上画“√”，每道题只画一个“√”。

1. 您可能会**相信** ABC 公司财务经理提供给您**的证据**吗？

可能性非常小					可能性非常大	
1	2	3	4	5	6	7

2. 您可能会对 ABC 公司财务经理提供给您**的证据的真实性提出质疑**吗？

可能性非常小					可能性非常大	
1	2	3	4	5	6	7

3. 您可能会继续**收集更多的证据**吗？

可能性非常小					可能性非常大	
1	2	3	4	5	6	7

4. 您认为 ABC 公司的**应收帐款账户被故意错报**的可能性有多大？

可能性非常小					可能性非常大	
1	2	3	4	5	6	7

5. 您是否同意 ABC 公司的**管理层是有能力胜任他们的工作的**。

非常不同意					非常同意	
1	2	3	4	5	6	7

第二部分：个人价值

请您根据下面的情景作出判断，并在合适的框内画“√”（每一行请只画一个“√”）。

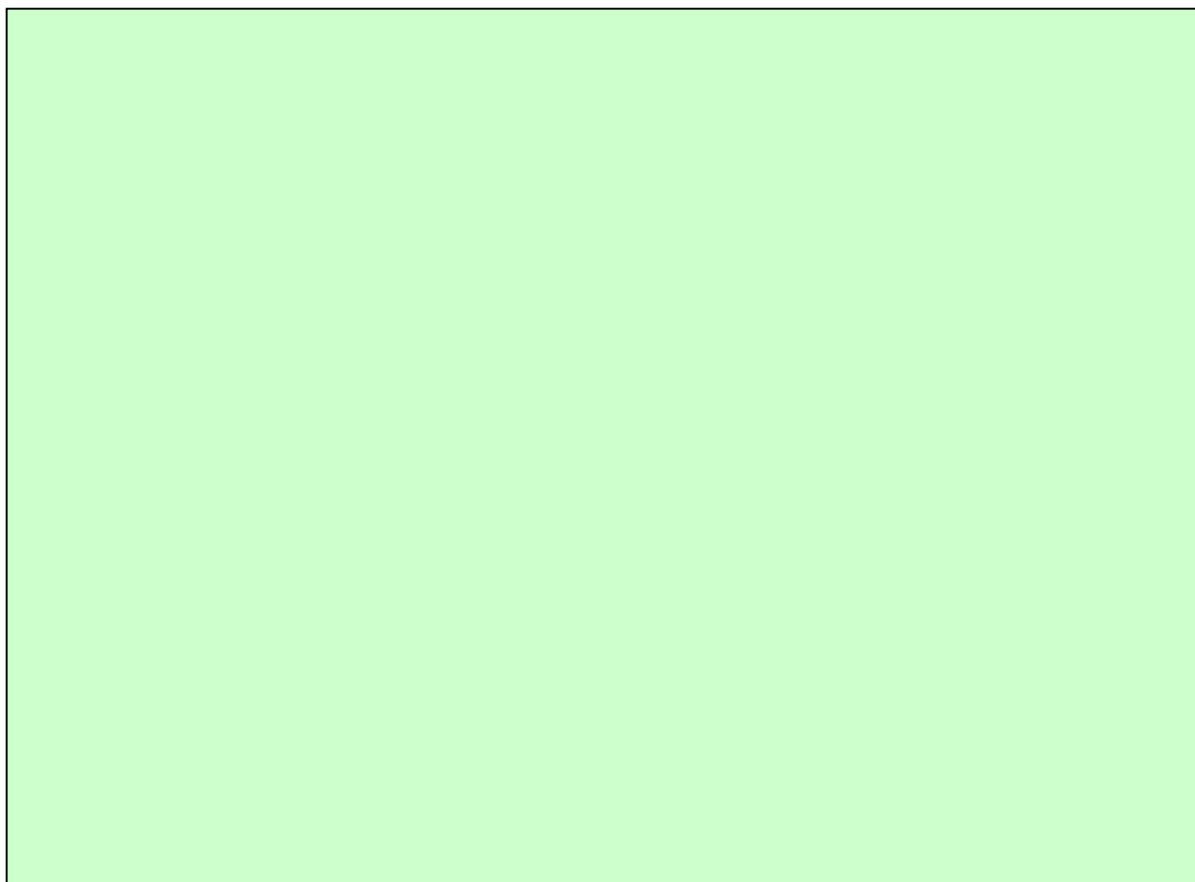
	完全 同意	同意	无法决定	反对	完全 反对
我尊重我认识的权威人士。					
对我而言，维系团队中的和谐很重要。					
我的快乐与否会受周围人的影响。					
在公共汽车上，我会给我的教授让座。					
我宁愿说“不”，也不愿意被人误解。					
在课堂上发言对我来说没有一点问题。					
拥有活跃的想象力对我来说很重要。					
当我被选出来接受表扬或奖赏时，我感觉自在。					
我尊敬谦虚的人。					
我会为团队的利益牺牲自己的利益					
我常常觉得维系我和其他人的关系比我自己的成就更重要。					
在我做出学习和工作的规划时候，我应该考虑父母的意见。					
在家和学校我表现一致。					
能照顾好自己是我首要关心的事情。					
无论我跟谁在一起，我的表现都是一样的。					
当我认识一个人以后，直接称呼其名字让我感觉自在，即使这个人的年纪比我大很多。					
尊重团体做出的决定对我来说很重要。					
如果团队需要我，我会一直留在团队中，即使我和这个团队在一起并不愉快。					
如果我的兄弟姐妹没有成功，我会觉得我有责任。					
即使我的意见和团体其他人的意见不一致，我也不会与其他人争论。					
我倾向于用坦率的方式和刚认识的人交往					
我很喜欢在各个方面和其他人不一样。					
我与其他人不同的独特个性对我很重要。					
和其他所有东西比，我觉得健康最重要。					

第三部分：个人信息

请回答以下关于您的个人信息。

1. 性别： <input type="checkbox"/> 男 <input type="checkbox"/> 女			
2. 年龄			
<input type="checkbox"/> 不到 20	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34
<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-49	<input type="checkbox"/> 50-59	<input type="checkbox"/> 60 或者以上
3. 国籍 <input type="checkbox"/> 中国 <input type="checkbox"/> 其它，请注明_____			
4. 出生地：（如果与以上不同），请注明_____			
5. 第一语言： <input type="checkbox"/> 中文 <input type="checkbox"/> 其他语言，请注明_____			
6. 您曾经有过留学经历么？ <input type="checkbox"/> 有，在哪个国家_____ <input type="checkbox"/> 没有			
7. 如果您曾经有过留学经历，您在海外的时间有多长？ _____年			
8. 您正在读的课程是： <input type="checkbox"/> 本科 <input type="checkbox"/> 研究生 <input type="checkbox"/> 其它，请注明_____			
9. 您是否正在学习“审计”这门课？			
<input type="checkbox"/> 是			
<input type="checkbox"/> 不，我已经学过“审计”这门课			
<input type="checkbox"/> 不，我从未学过“审计”这门课			
10. 您在审计课程中有学过“职业怀疑态度”这个概念吗？			
<input type="checkbox"/> 有 <input type="checkbox"/> 没有 <input type="checkbox"/> 不清楚			
11. 您认为您对职业怀疑态度有足够的理解吗？			
<input type="checkbox"/> 非常不足 <input type="checkbox"/> 不足 <input type="checkbox"/> 不确定 <input type="checkbox"/> 足够 <input type="checkbox"/> 非常足够			
12. 您有多少年审计工作经历？			
<input type="checkbox"/> 没有 <input type="checkbox"/> 不到一年 <input type="checkbox"/> 1-4 年 <input type="checkbox"/> 4 年以上			

非常感谢您完成这份问卷，您的帮助对我们的研究项目的成功非常重要。您在这份问卷中的所有回答会严格保密。如果您对这份问卷，或者对审计师职业判断有什么评论，请留下您的宝贵意见。



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Appendix 2: Research Instrument of Study 2

Research Instrument of Study 2

English Version

For the Experimental Group with Unknown Views of Partners



Survey on Audit Judgments

Dear Participant,

My name is Xiaoyan Ying, and I am from Macquarie University in Sydney, Australia. I would like to invite you to participate in this survey. The purpose of this survey is to examine various factors that might influence audit judgments. This research is being conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Accounting under the supervision of Professor Chris Patel and Associate Professor Parmod Chand.

The questionnaire consists of two parts. Part 1 is in the attached envelop. Part 1 describes a case relating to an audit of trade receivables on which respondents are asked to provide judgments. After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2 to complete. Part 2 contains three sections. Section 1 includes questions about the case. Section 2 collects demographic data about the respondents. Section 3 is comprised of questions about personal attributes. After completing Part 2, please also place it in the envelope. I appreciate that normally you would require more information to make an audit judgement than is provided in this case. However, for the purpose of this study, you are asked to make your judgment based only on the relevant information provided. Please do not discuss the content with anyone else while completing the survey. The questionnaire will take approximately 30 minutes to complete.

Please note that participation in this survey is voluntary and questionnaires are anonymous. You are not obligated to participate. If you do not agree to participate, simply do not return the questionnaire. Completion and return of the questionnaire will denote your consent to participate. Any information you provide will be treated in strict confidence. The data will be analysed in aggregate form and will be used only for research purposes. Any information gathered in the course of this study is for research purposes, and no attempt will be made to identify any individuals or institutions. Also, your responses to the survey will not be considered as being representative of any organisations. The results of the data analysis will be included as part of my PhD dissertation, which will be available from the Department of Accounting and Corporate Governance, Macquarie University. The results may also be published in the form of a journal article or a conference paper. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. If you have any question about this research project, please feel free to contact me.

Yours sincerely,

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Please answer all questions. Your assistance is much appreciated and will be valuable for the successful completion of this research.

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone +61 (0) 2 9850 7854; email ethics@mq.edu.au).

You may also contact this research's Local Contact Person in China through Ms. Fang, Ping (telephone +86 (0) 21 – 6580 7858, email: fp1101@126.com), should you wish to confirm the identity of the researchers or express any concerns. Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

PART 1: AUDITING CASE STUDY

Instruction:

You are asked to provide judgments on an audit issue pertaining to trade receivables of a hypothetical client. There are no right or wrong answers for any of these questions. Please answer the questions as if you were conducting the actual audit.

Assume that you are a senior auditor working in a large accounting firm and your career has been advancing rapidly. You expect to have a very good chance of being promoted next year which would be at least one year ahead of your peers. You have been assigned to the audit team to perform the 2014 fiscal year audit for New Technologies Inc. (hereafter, NT), a listed company. You have not previously worked on NT's audit team. Your firm has audited NT for the past four years, and has always given standard, unqualified opinions for both its financial statements and internal controls.

NT is a growing company in the fast-changing technology industry. The company, which was formed in 2005, designs and sells semiconductors. NT is a relatively small player in this industry. It relies on a few core markets for the bulk of its sales, including mobile handsets, personal computing, and digital consumer electronics markets. These markets are characterized by intense competition. NT sells its products to original equipment manufacturers, such as Dell, Inc., Hewlett-Packard Company, and Sony Corporation.

The audit team is aware of several changes for this year relating to NT's customers. The bad news is that NT lost a large customer, Apple Computer, Inc. This customer represented 32 percent of product sales during the fiscal year 2013 and only 6 percent of sales during the first half of the fiscal year 2014. The good news is that NT just entered into a new agreement to license new technology to Hitachi Metals Ltd. Accordingly, the revenue from this licence (i.e., non-product sales) will offset the lost revenue from Apple Computer, Inc.. In addition to the new agreement with Hitachi, NT has also started selling more goods to foreign customers, many of whom are located in Southeast Asia and Africa.

The audit team also notices certain issues during prior audits. Historically, NT has recognized 70 to 90 percent of sales in the last month of each quarter. The audit team is sure to focus on trade receivables, since it is a critical area in this audit.

You have been assigned to the audit of trade receivables. One of your tasks relates to trade receivable confirmation. You are reviewing a trade receivable confirmation that has been returned from a domestic customer, Company JIA. You find that JIA has confirmed only part of the balance claimed by NT, and the amount of the discrepancy is material. You take up the matter with NT's Chief Financial Officer (CFO). The CFO states that the item being noted by JIA as a discrepancy was "in-transit" at year-end, and as all the goods were shipped out before the year-end, the sales and trade receivables are properly recorded. The CFO also provides you with copies of the invoice and shipping documents to verify the shipping dates.

Please exercise your judgments by providing a response for each of the following questions.
(Please tick “√” only one box for each question).

1. What is the likelihood that the above explanation provided by the CFO of NT is reliable?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
2. What is the likelihood that there was an intentional misstatement concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
3. What is the likelihood that you would collect additional audit evidence concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7

After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2.

PART 2

SECTION 1: ABOUT THE CASE

Complete the following questions by providing a response for each question. (Please tick “√” only one box for each question).

1. How familiar are you with the audit task in the case – trade receivable confirmation?

Not at All
Familiar

1

2

3

4

5

6

7

Highly
Familiar

2. How confident are you in your ability to perform the audit task in the case – trade receivable confirmation?

Not at All
Confident

1

2

3

4

5

6

7

Highly
Confident

SECTION 2: DEMOGRAPHICS

The following questions are for classification purposes only; no attempts will be made to identify you or your institution.

1. Are you: <input type="checkbox"/> Male <input type="checkbox"/> Female					
2. How old are you?					
<input type="checkbox"/> Under 20	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44
<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 or over	
3. What is your nationality? <input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify _____					
4. In which country were you born (if different from your nationality)? Please specify _____					
5. What is your first language? <input type="checkbox"/> Chinese <input type="checkbox"/> Other (please specify) _____					
6. Your highest education level (completed or in process)					
<input type="checkbox"/> High School Certificate <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's or above					
7. How many years of audit experience do you have? _____ years					
8. Which of the following best describes the organisation that you are currently working with:					
<input type="checkbox"/> domestic audit firm		<input type="checkbox"/> Big 4 international audit firm			
<input type="checkbox"/> non-Big 4 international audit firm		<input type="checkbox"/> Other (please specify) _____			
9. Which of the following best describes your current job position?					
<input type="checkbox"/> Associate	<input type="checkbox"/> Senior	<input type="checkbox"/> Manager	<input type="checkbox"/> Partner	<input type="checkbox"/> Other (please specify) _____	
10. Which section are you currently working in?					
<input type="checkbox"/> Financial Audit	<input type="checkbox"/> Tax	<input type="checkbox"/> Consulting	<input type="checkbox"/> Other (please specify) _____		
11. How many times have you conducted audits of Accounts Receivable?					
<input type="checkbox"/> None	<input type="checkbox"/> 1- 5	<input type="checkbox"/> 6-10	<input type="checkbox"/> more than 10		
12. How many audit engagements have you conducted where fraud was discovered?					
<input type="checkbox"/> None	<input type="checkbox"/> 1- 5	<input type="checkbox"/> 6-10	<input type="checkbox"/> more than 10		
13. What is your professional qualification?					
<input type="checkbox"/> I am a member of the Chinese Institute of Certified Public Accountants (CICPA)					
<input type="checkbox"/> I am not a member of the CICPA					
<input type="checkbox"/> If you have any other accounting professional qualification, please specify _____					
14. Are you currently preparing for CICPA examination?					
<input type="checkbox"/> Yes		<input type="checkbox"/> No			

SECTION 3: PERSONAL ATTRIBUTES

This section lists a number of statements that people might use to describe themselves. Please tick the response that indicates how you *generally* feel about each statement as it relates to you. There are no right or wrong answers. Do not spend too much time on any one statement.

(Please tick “√” only one number in each row)

		Strongly Disagree					Strongly Agree
1	I often accept other people's explanations without further thought.	1	2	3	4	5	6
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Thank you very much for your participation!

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If you would like to make any further comments, please do so in the space provided below.



Please make sure that you have answered all questions, otherwise we are not able to perform statistical analyses.

Thank you very much for your participation!

Research Instrument of Study 2

English Version

For the Experimental Group with Partners' Views Reflecting a Low

Emphasis on Professional Scepticism



Survey on Audit Judgments

Dear Participant,

My name is Xiaoyan Ying, and I am from Macquarie University in Sydney, Australia. I would like to invite you to participate in this survey. The purpose of this survey is to examine various factors that might influence audit judgments. This research is being conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Accounting under the supervision of Professor Chris Patel and Associate Professor Parmod Chand.

The questionnaire consists of two parts. Part 1 is in the attached envelop. Part 1 describes a case relating to an audit of trade receivables on which respondents are asked to provide judgments. After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2 to complete. Part 2 contains three sections. Section 1 includes questions about the case. Section 2 collects demographic data about the respondents. Section 3 is comprised of questions about personal attributes. After completing Part 2, please also place it in the envelope. I appreciate that normally you would require more information to make an audit judgement than is provided in this case. However, for the purpose of this study, you are asked to make your judgment based only on the relevant information provided. Please do not discuss the content with anyone else while completing the survey. The questionnaire will take approximately 30 minutes to complete.

Please note that participation in this survey is voluntary and questionnaires are anonymous. You are not obligated to participate. If you do not agree to participate, simply do not return the questionnaire. Completion and return of the questionnaire will denote your consent to participate. Any information you provide will be treated in strict confidence. The data will be analysed in aggregate form and will be used only for research purposes. Any information gathered in the course of this study is for research purposes, and no attempt will be made to identify any individuals or institutions. Also, your responses to the survey will not be considered as being representative of any organisations. The results of the data analysis will be included as part of my PhD dissertation, which will be available from the Department of Accounting and Corporate Governance, Macquarie University. The results may also be published in the form of a journal article or a conference paper. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. If you have any question about this research project, please feel free to contact me.

Yours sincerely,

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Please answer all questions. Your assistance is much appreciated and will be valuable for the successful completion of this research.

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You may also contact this research's Local Contact Person in China through Ms. Fang, Ping (telephone +86 (0) 21 – 6580 7858, email: fp1101@126.com), should you wish to confirm the identity of the researchers or express any concerns. Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

PART 1: AUDITING CASE STUDY

Instruction:

You are asked to provide judgments on an audit issue pertaining to trade receivables of a hypothetical client. There are no right or wrong answers for any of these questions. Please answer the questions as if you were conducting the actual audit.

Assume that you are a senior auditor working in a large accounting firm and your career has been advancing rapidly. You expect to have a very good chance of being promoted next year which would be at least one year ahead of your peers. You have been assigned to the audit team to perform the 2014 fiscal year audit for New Technologies Inc. (hereafter, NT), a listed company. You have not previously worked on NT's audit team. Your firm has audited NT for the past four years, and has always given standard, unqualified opinions for both its financial statements and internal controls.

NT is a growing company in the fast-changing technology industry. The company, which was formed in 2005, designs and sells semiconductors. NT is a relatively small player in this industry. It relies on a few core markets for the bulk of its sales, including mobile handsets, personal computing, and digital consumer electronics markets. These markets are characterized by intense competition. NT sells its products to original equipment manufacturers, such as Dell, Inc., Hewlett-Packard Company, and Sony Corporation.

The audit team is aware of several changes for this year relating to NT's customers. The bad news is that NT lost a large customer, Apple Computer, Inc. This customer represented 32 percent of product sales during the fiscal year 2013 and only 6 percent of sales during the first half of the fiscal year 2014. The good news is that NT just entered into a new agreement to license new technology to Hitachi Metals Ltd. Accordingly, the revenue from this licence (i.e., non-product sales) will offset the lost revenue from Apple Computer, Inc.. In addition to the new agreement with Hitachi, NT has also started selling more goods to foreign customers, many of whom are located in Southeast Asia and Africa.

The audit team also notices certain issues during prior audits. Historically, NT has recognized 70 to 90 percent of sales in the last month of each quarter. The audit team is sure to focus on trade receivables, since it is a critical area in this audit.

You have been assigned to the audit of trade receivables. One of your tasks relates to trade receivable confirmation. You are reviewing a trade receivable confirmation that has been returned from a domestic customer, Company JIA. You find that JIA has confirmed only part of the balance claimed by NT, and the amount of the discrepancy is material. You take up the matter with NT's Chief Financial Officer (CFO). The CFO states that the item being noted by JIA as a discrepancy was "in-transit" at year-end, and as all the goods were shipped out before the year-end, the sales and trade receivables are properly recorded. The CFO also provides you with copies of the invoice and shipping documents to verify the shipping dates.

Additional Information:

During a meeting at your audit firm today, you met with Chenran, the audit partner who is in charge of NT's engagement. You asked Chenran for advice on the issue of Company JIA's trade receivable confirmation. The partner Chenran commented that there is precedent for auditors to accept client-provided explanations as given, and suggested that auditors should fully utilize the client's insights about business transactions to improve the efficiency of the audit.

Please exercise your judgments by providing a response for each of the following questions.
(Please tick “√” only one box for each question).

1. What is the likelihood that the above explanation provided by the CFO of NT is reliable?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
2. What is the likelihood that there was an intentional misstatement concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
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3. What is the likelihood that you would collect additional audit evidence concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7

After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2.

PART 2

SECTION 1: ABOUT THE CASE

Complete the following questions by providing a response for each question. (Please tick “√” only one box for each question).

1. How much pressure you would feel to follow Chenran’s suggestion if the situation was real?

No Pressure
at all

A Great Deal
of Pressure

1

2

3

4

5

6

7

2. According to your impression of Chenran’s suggestion, what is your perception of Chenran’s attitude of professional skepticism?

Not at all
Sceptical

Highly
Sceptical

1

2

3

4

5

6

7

3. How familiar are you with the audit task in the case – trade receivable confirmation?

Not at All
Familiar

Highly
Familiar

1

2

3

4

5

6

7

4. How confident are you in your ability to perform the audit task in the case – trade receivable confirmation?

Not at All
Confident

Highly
Confident

1

2

3

4

5

6

7

SECTION 2: DEMOGRAPHICS

The following questions are for classification purposes only; no attempts will be made to identify you or your institution.

1. Are you: <input type="checkbox"/> Male <input type="checkbox"/> Female
2. How old are you? <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> Under 20 <input type="checkbox"/> 20-24 <input type="checkbox"/> 25-29 <input type="checkbox"/> 30-34 <input type="checkbox"/> 35-39 <input type="checkbox"/> 40-44 </div> <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> 45-49 <input type="checkbox"/> 50-54 <input type="checkbox"/> 55-59 <input type="checkbox"/> 60-64 <input type="checkbox"/> 65 or over </div>
3. What is your nationality? <input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify _____
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5. What is your first language? <input type="checkbox"/> Chinese <input type="checkbox"/> Other (please specify) _____
6. Your highest education level (completed or in process) <input type="checkbox"/> High School Certificate <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's or above
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8. Which of the following best describes the organisation that you are currently working with: <input type="checkbox"/> domestic audit firm <input type="checkbox"/> Big 4 international audit firm <input type="checkbox"/> non-Big 4 international audit firm <input type="checkbox"/> Other (please specify) _____
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10. Which section are you currently working in? <input type="checkbox"/> Financial Audit <input type="checkbox"/> Tax <input type="checkbox"/> Consulting <input type="checkbox"/> Other (please specify) _____
11. How many times have you conducted audits of Accounts Receivable? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
12. How many audit engagements have you conducted where fraud was discovered? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
13. What is your professional qualification? <input type="checkbox"/> I am a member of the Chinese Institute of Certified Public Accountants (CICPA) <input type="checkbox"/> I am not a member of the CICPA <input type="checkbox"/> If you have any other accounting professional qualification, please specify _____
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SECTION 3: PERSONAL ATTRIBUTES

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(Please tick “√” only one number in each row)

		Strongly Disagree					Strongly Agree
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English Version

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Yours sincerely,

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Additional Information:

During a meeting at your audit firm today, you met with Chenran, the audit partner who is in charge of NT's engagement. You asked Chenran for advice on the issue of Company JIA's trade receivable confirmation. The partner Chenran expressed concerns about the potential for auditors to accept, without adequate justification, client-provided explanations, and suggested that auditors should approach client-provided explanations with a sufficient attitude of professional scepticism.

Please exercise your judgments by providing a response for each of the following questions.
(Please tick “√” only one box for each question).

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Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
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3. What is the likelihood that you would collect additional audit evidence concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7

After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2.

PART 2

SECTION 1: ABOUT THE CASE

Complete the following questions by providing a response for each question. (Please tick “√” only one box for each question).

1. How much pressure you would feel to follow Chenran’s suggestion if the situation was real?

No Pressure
at all

A Great Deal
of Pressure

1

2

3

4

5

6

7

2. According to your impression of Chenran’s suggestion, what is your perception of Chenran’s attitude of professional skepticism?

Not at all
Sceptical

Highly
Sceptical

1

2

3

4

5

6

7

3. How familiar are you with the audit task in the case – trade receivable confirmation?

Not at All
Familiar

Highly
Familiar

1

2

3

4

5

6

7

4. How confident are you in your ability to perform the audit task in the case – trade receivable confirmation?

Not at All
Confident

Highly
Confident

1

2

3

4

5

6

7

SECTION 2: DEMOGRAPHICS

The following questions are for classification purposes only; no attempts will be made to identify you or your institution.

1. Are you: <input type="checkbox"/> Male <input type="checkbox"/> Female
2. How old are you? <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> Under 20 <input type="checkbox"/> 20-24 <input type="checkbox"/> 25-29 <input type="checkbox"/> 30-34 <input type="checkbox"/> 35-39 <input type="checkbox"/> 40-44 </div> <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> 45-49 <input type="checkbox"/> 50-54 <input type="checkbox"/> 55-59 <input type="checkbox"/> 60-64 <input type="checkbox"/> 65 or over </div>
3. What is your nationality? <input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify _____
4. In which country were you born (if different from your nationality)? Please specify _____
5. What is your first language? <input type="checkbox"/> Chinese <input type="checkbox"/> Other (please specify) _____
6. Your highest education level (completed or in process) <input type="checkbox"/> High School Certificate <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's or above
7. How many years of audit experience do you have? _____ years
8. Which of the following best describes the organisation that you are currently working with: <input type="checkbox"/> domestic audit firm <input type="checkbox"/> Big 4 international audit firm <input type="checkbox"/> non-Big 4 international audit firm <input type="checkbox"/> Other (please specify) _____
9. Which of the following best describes your current job position? <input type="checkbox"/> Associate <input type="checkbox"/> Senior <input type="checkbox"/> Manager <input type="checkbox"/> Partner <input type="checkbox"/> Other (please specify) _____
10. Which section are you currently working in? <input type="checkbox"/> Financial Audit <input type="checkbox"/> Tax <input type="checkbox"/> Consulting <input type="checkbox"/> Other (please specify) _____
11. How many times have you conducted audits of Accounts Receivable? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
12. How many audit engagements have you conducted where fraud was discovered? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
13. What is your professional qualification? <input type="checkbox"/> I am a member of the Chinese Institute of Certified Public Accountants (CICPA) <input type="checkbox"/> I am not a member of the CICPA <input type="checkbox"/> If you have any other accounting professional qualification, please specify _____
14. Are you currently preparing for CICPA examination? <input type="checkbox"/> Yes <input type="checkbox"/> No

SECTION 3: PERSONAL ATTRIBUTES

This section lists a number of statements that people might use to describe themselves. Please tick the response that indicates how you *generally* feel about each statement as it relates to you. There are no right or wrong answers. Do not spend too much time on any one statement.

(Please tick “√” only one number in each row)

		Strongly Disagree					Strongly Agree
1	I often accept other people's explanations without further thought.	1	2	3	4	5	6
2	I feel good about myself	1	2	3	4	5	6
3	I wait to decide on issues until I can get more information	1	2	3	4	5	6
4	The prospect of learning excites me.	1	2	3	4	5	6
5	I am interested in what causes people to behave the way that they do.	1	2	3	4	5	6
6	I am confident of my abilities.	1	2	3	4	5	6
7	I often reject statements unless I have proof that they are true.	1	2	3	4	5	6
8	Discovering new information is fun	1	2	3	4	5	6
9	I take my time when making decisions.	1	2	3	4	5	6
10	I tend to immediately accept what other people tell me.	1	2	3	4	5	6
11	Other people's behaviour does not interest me.	1	2	3	4	5	6
12	I am self-assured	1	2	3	4	5	6
13	My friends tell me that I usually question things that I see or hear.	1	2	3	4	5	6
14	I like to understand the reason for other people's behaviour.	1	2	3	4	5	6
15	I think that learning is exciting.	1	2	3	4	5	6
16	I usually accept things I see, read, or hear at face value.	1	2	3	4	5	6
17	I do not feel sure of myself.	1	2	3	4	5	6
18	I usually notice inconsistencies in explanations.	1	2	3	4	5	6
19	Most often I agree with what the others in my group think.	1	2	3	4	5	6
20	I dislike having to make decisions quickly.	1	2	3	4	5	6
21	I have confidence in myself.	1	2	3	4	5	6
22	I do not like to decide until I've looked at all of the readily available information.	1	2	3	4	5	6
23	I like searching for knowledge.	1	2	3	4	5	6
24	I frequently question things that I see or hear.	1	2	3	4	5	6
25	It is easy for other people to convince me.	1	2	3	4	5	6
26	I seldom consider why people behave in a certain way.	1	2	3	4	5	6
27	I like to ensure that I've considered most available information before making a decision.	1	2	3	4	5	6
28	I enjoy trying to determine if what I read or hear is true.	1	2	3	4	5	6
29	I relish learning.	1	2	3	4	5	6
30	The actions people take and the reasons for those actions are fascinating.	1	2	3	4	5	6

Thank you very much for your participation!

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If you would like to make any further comments, please do so in the space provided below.



Please make sure that you have answered all questions, otherwise we are not able to perform statistical analyses.

Thank you very much for your participation!

Research Instrument of Study 2

Chinese Version

For the Experimental Group with Unknown Views of Partners



关于审计判断的问卷调查

您好，

我是应笑艳，来自澳大利亚悉尼的麦考瑞大学（Macquarie University）。我诚意邀请您参与此项问卷调查。这份问卷是用于考察可能影响审计师职业判断的各种因素。该研究是我在Chris Patel教授及Parmod Chand副教授指导下，为了满足博士学位的要求而进行的。

问卷由两部分组成。第一部分放在所附的信封内。当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您填写。请您在完成第二部分后也放入信封内。第一部分描述了一个关于应收账款审计的案例，需要您作出判断；第二部分包括三小节。第一节是几个关于案例的问题；第二节收集关于调查对象的统计数据；第三节包括一些关于个人特质的问题。我理解在实际工作中，您通常需要更多信息来作出您的判断；但为了该研究项目，我们要求您仅根据我们提供的信息来作判断。在填写问卷时，请不要和其他人讨论问卷的内容。您大约需要30分钟来完成这份问卷。

请注意参与该问卷调查是自愿的，且问卷是匿名的。您提供的任何信息都会得到严格保密，且不会用来识别任何个人或单位。收集的数据会进行整体分析，并只用于研究目的。分析结果将会成为我的博士论文的一部分。我的博士论文将会在麦考瑞大学会计与公司治理系存档。研究结果也可能以学术刊物论文或会议论文形式发表。您可以直接联系我索取分析结果的摘要。

非常感谢您对我们研究项目的配合。如果您有任何疑问，或者想要了解任何关于该研究项目的信息，请随时联系我。

此致，

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请您尽量回答所有问题。您的帮助对我们研究项目的成功非常重要。

该研究项目道德方面已经通过麦考瑞大学人文研究道德委员会的评估，如果您对参与该研究项目有任何道德方面的投诉或保留意见，您可以联系该委员会的研究道德董事（电话+61 (0) 2 9850 7854；电子邮箱：ethics@mq.edu.au）。

如果您想确认研究人员的身份或有任何担忧想要表达，您也可以联系该研究项目在中国的本地联系人：方萍女士（电话+86 (0) 21 - 6580 7858；电子邮箱：fp1101@126.com）。您的任何投诉都会被保密。我们会对您投诉的事件进行调查并知会您调查的结果。

第一部分：审计案例

说明

在以下的审计案例中，您会对一个假定的客户进行应收账款账户审计并提供一些相关的审计判断。答案没有正确和错误之分。请假定您是在真正的审计过程中来回答以下问题。

假设你在一个大型的会计师事务所担任高级审计员。你的职业发展地非常顺利，并有很大的机会在明年得到升职。这会让你至少比和你一起进公司的同事要早一年。你被安排到“新科技公司”（以下简称“新科技”）的审计项目组对该公司进行 2014 年度审计。该公司是一家上市公司。你之前从未参与过“新科技”的审计项目。该公司以往四年都是由你所在的事务所进行审计的。在过去四年的审计报告中，你们对“新科技”的财务报表及内部控制，都出具的是标准的，无保留的审计意见。

“新科技”是在瞬息万变的科技行业中的一家快速发展的企业。该公司成立于 2005 年，主营设计和销售半导体材料。“新科技”在行业中属于规模相对较小的企业。它主要面向几个核心市场的批发业务，包括手机，私人电脑，数字化电子产品市场。这些市场竞争都非常激烈。“新科技”销售其产品给电子设备生产商，例如戴尔，惠普及索尼公司。

审计团队注意到今年“新科技”客户的一些变化。坏消息是“新科技”丢失了一个按时付款的大客户-苹果电脑公司。对该客户的销售在 2013 年度占了总销售额的 32%，而在 2014 年上半年才占了 6%。好消息是“新科技”刚和日立公司签署了一项转让新技术的合同。由此合同带来的销售收入（即非产品销售收入）将会抵消对苹果电脑公司销售的减少。另外，“新科技”也开始向海外客户销售产品，包括很多东南亚及非洲地区的客户。

今年审计团队留意到了往年审计中存在的一些事项。以往记录显示，通常“新科技”每个季度最后一个月的销售额占了整个季度销售额的 70%-90%。审计团队将应收账款列为此次审计的重点，因为这是一个关键的审计范畴。

你负责应收账款的审计。你的一项审计任务是关于应收账款的函证。你正在审核一个国内客户“甲公司”回复的应收账款函证。你发现“甲公司”只确认了“新科技”应收账款余额的一部分，其差异超过了重要性水平。你进一步询问“新科技”公司的财务总监。财务总监解释说，“公司甲”所注明的差异是那些年底的时候还在运输途中的货物。因为货物在年底已经发货出去，所以销售和应收账款的记录是正确的。财务总监还提供了相应的发票和发货单据来证明发货日期。

请就以下每个问题提供您的判断。（请在每个问题的选项上只打一个勾“√”）

1. 有多大可能性“新科技”财务总监的解释是可靠的？

非常不可能

非常可能

1

2

3

4

5

6

7

2. 有多大可能性“新科技”的应收账款余额存在蓄意错报？

非常不可能

非常可能

1

2

3

4

5

6

7

3. 就“甲公司”所欠的应收账款余额，有多大可能性你会收集更多的审计证据？

非常不可能

非常可能

1

2

3

4

5

6

7

当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您.

第二部分

第一节：关于这个案例

请回答以下问题。（请在每个问题的选项上只打一个勾“√”）

1. 你对案例中的审计任务——应收账款函证——熟悉吗？

完全不熟悉

非常熟悉

1

2

3

4

5

6

7

2. 你对自己有能力完成案例中的审计任务——应收账款函证——自信吗？

完全不自信

非常自信

1

2

3

4

5

6

7

第二节：统计数据

以下问题用于分类的目的，不会用来识别您或者您所在单位。

1. 性别: <input type="checkbox"/> 男 <input type="checkbox"/> 女					
2. 年龄:					
<input type="checkbox"/> 20 岁以下	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44
<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 岁或以上	
3. 您的国籍: <input type="checkbox"/> 中国 <input type="checkbox"/> 如不是中国, 请注明: _____					
4. 您的出生地: (如与国籍不同), 请注明: _____					
5. 您的母语: <input type="checkbox"/> 中文 <input type="checkbox"/> 如不是中文, 请注明: _____					
6. 您的最高学历 (毕业或在读): <input type="checkbox"/> 高中 <input type="checkbox"/> 大学本科 <input type="checkbox"/> 研究生及以上					
7. 您有多少年审计相关工作经验? _____ 年					
8. 以下哪一项描述您现在所工作的单位 最合适 ?					
<input type="checkbox"/> 国内会计师事务所		<input type="checkbox"/> 四大国际会计师事务所			
<input type="checkbox"/> 非四大国际会计师事务所		<input type="checkbox"/> 其他, 请注明: _____			
9. 以下哪一项描述您现在的职务 最合适 ?					
<input type="checkbox"/> 助理审计员	<input type="checkbox"/> 高级审计员	<input type="checkbox"/> 经理	<input type="checkbox"/> 合伙人	<input type="checkbox"/> 其他, 请注明: _____	
10. 您现在的工作领域? <input type="checkbox"/> 审计 <input type="checkbox"/> 税务 <input type="checkbox"/> 咨询 <input type="checkbox"/> 其他, 请注明: _____					
11. 您有多少次审计应收账款的经验? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
12. 您审计过的项目, 有多少次发现舞弊的情况? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
13. 您的职业资格:					
<input type="checkbox"/> 中国注册会计师协会 (注协) 会员					
<input type="checkbox"/> 还未获得注协会员资格					
<input type="checkbox"/> 其他会计职业资格, 也请注明: _____					
14. 您是否正在准备注协考试?					
<input type="checkbox"/> 是 <input type="checkbox"/> 否					

第三节：个人特质

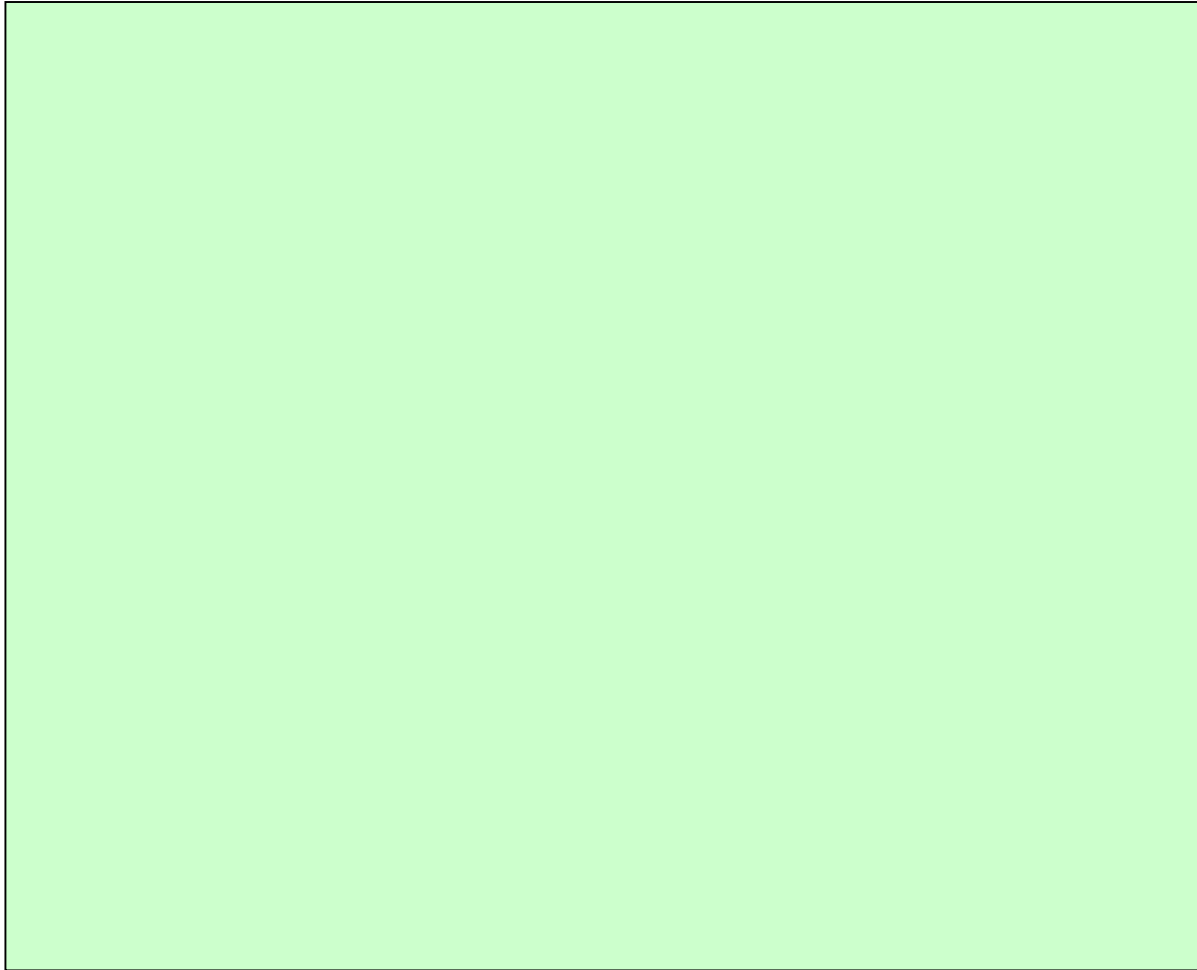
以下是一些人们用来描述自己的陈述。请根据您对每个陈述的大体感觉进行选择。没有正确或错误的答案，也不需要任何一个陈述上花太多时间。

（每一行请只勾选“√”一个数字）

	非常 不同意					非常 同意
我经常不加思索就接受其他人的解释。	1	2	3	4	5	6
我自我感觉良好。	1	2	3	4	5	6
我要等到有更多的信息后才作决定。	1	2	3	4	5	6
学习的景象令我振奋。	1	2	3	4	5	6
我对导致人们不同行为方式的原因感兴趣。	1	2	3	4	5	6
我对我的能力有信心。	1	2	3	4	5	6
我经常不接受一些陈述，除非有证据证明其真实性。	1	2	3	4	5	6
发现新信息很有趣。	1	2	3	4	5	6
我会给自己充分的时间去作决定。	1	2	3	4	5	6
我倾向于立即接受他人所言。	1	2	3	4	5	6
我对他人的行为不感兴趣。	1	2	3	4	5	6
我自信心强。	1	2	3	4	5	6
我的朋友说我通常会质疑所见所闻。	1	2	3	4	5	6
我乐于了解他人行为的起因。	1	2	3	4	5	6
我认为学习是令人振奋的事。	1	2	3	4	5	6
我通常会接受所见所闻或所读到的事物的表象。	1	2	3	4	5	6
我不太自信。	1	2	3	4	5	6
我通常能注意到解释中不一致的地方。	1	2	3	4	5	6
绝大多数情况下，我同意同组人员的想法。	1	2	3	4	5	6
我不喜欢草率作决定。	1	2	3	4	5	6
我对自己有信心。	1	2	3	4	5	6
在没有查看所有现有信息的情况下，我不会作决定。	1	2	3	4	5	6
我乐于探索更多知识。	1	2	3	4	5	6
我频繁地对所见所闻提出质疑。	1	2	3	4	5	6
我容易被他人说服。	1	2	3	4	5	6
我很少会思考为什么人们会有一些特定的行为方式。	1	2	3	4	5	6
在作决定前，我喜欢确保所有信息都考虑到了。	1	2	3	4	5	6
我喜欢去判定所读所听是否真实。	1	2	3	4	5	6
我爱好学习。	1	2	3	4	5	6
了解人们的行为及其原因是很令人着迷的。	1	2	3	4	5	6

非常感谢您的参与!

非常感谢您完成这份问卷，您的参与对我们的研究项目非常重要。您在这份问卷中的所有回答会严格保密。如果您有什么评论，请留下您的宝贵意见。



敬请回答所有问题，否则我们将无法进行统计分析。

非常感谢您的参与!

Research Instrument of Study 2

Chinese Version

For the Experimental Group with Partners' Views Reflecting a Low

Emphasis on Professional Scepticism



关于审计判断的问卷调查

您好，

我是应笑艳，来自澳大利亚悉尼的麦考瑞大学（Macquarie University）。我诚意邀请您参与此项问卷调查。这份问卷是用于考察可能影响审计师职业判断的各种因素。该研究是我在Chris Patel教授及Parmod Chand副教授指导下，为了满足博士学位的要求而进行的。

问卷由两部分组成。第一部分放在所附的信封内。当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您填写。请您在完成第二部分后也放入信封内。第一部分描述了一个关于应收账款审计的案例，需要您作出判断；第二部分包括三小节。第一节是几个关于案例的问题；第二节收集关于调查对象的统计数据；第三节包括一些关于个人特质的问题。我理解在实际工作中，您通常需要更多信息来作出您的判断；但为了该研究项目，我们要求您仅根据我们提供的信息来作判断。在填写问卷时，请不要和其他人讨论问卷的内容。您大约需要30分钟来完成这份问卷。

请注意参与该问卷调查是自愿的，且问卷是匿名的。您提供的任何信息都会得到严格保密，且不会用来识别任何个人或单位。收集的数据会进行整体分析，并只用于研究目的。分析结果将会成为我的博士论文的一部分。我的博士论文将会在麦考瑞大学会计与公司治理系存档。研究结果也可能以学术刊物论文或会议论文形式发表。您可以直接联系我索取分析结果的摘要。

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第一部分：审计案例

说明

在以下的审计案例中，您会对一个假定的客户进行应收账款账户审计并提供一些相关的审计判断。答案没有正确和错误之分。请假定您是在真正的审计过程中来回答以下问题。

假设你在一个大型的会计师事务所担任高级审计员。你的职业发展地非常顺利，并有很大的机会在明年得到升职。这会让你至少比和你一起进公司的同事要早一年。你被安排到“新科技公司”（以下简称“新科技”）的审计项目组对该公司进行 2014 年度审计。该公司是一家上市公司。你之前从未参与过“新科技”的审计项目。该公司以往四年都是由你所在的事务所进行审计的。在过去四年的审计报告中，你们对“新科技”的财务报表及内部控制，都出具的是标准的，无保留的审计意见。

“新科技”是在瞬息万变的科技行业中的一家快速发展的企业。该公司成立于 2005 年，主营设计和销售半导体材料。“新科技”在行业中属于规模相对较小的企业。它主要面向几个核心市场的批发业务，包括手机，私人电脑，数字化电子产品市场。这些市场竞争都非常激烈。“新科技”销售其产品给电子设备生产商，例如戴尔，惠普及索尼公司。

审计团队注意到今年“新科技”客户的一些变化。坏消息是“新科技”丢失了一个按时付款的大客户-苹果电脑公司。对该客户的销售在 2013 年度占了总销售额的 32%，而在 2014 年上半年才占了 6%。好消息是“新科技”刚和日立公司签署了一项转让新技术的合同。由此合同带来的销售收入（即非产品销售收入）将会抵消对苹果电脑公司销售的减少。另外，“新科技”也开始向海外客户销售产品，包括很多东南亚及非洲地区的客户。

今年审计团队留意到了往年审计中存在的一些事项。以往记录显示，通常“新科技”每个季度最后一个月的销售额占了整个季度销售额的 70%-90%。审计团队将应收账款列为此次审计的重点，因为这是一个关键的审计范畴。

你负责应收账款的审计。你的一项审计任务是关于应收账款的函证。你正在审核一个国内客户“甲公司”回复的应收账款函证。你发现“甲公司”只确认了“新科技”应收账款余额的一部分，其差异超过了重要性水平。你进一步询问“新科技”公司的财务总监。财务总监解释说，“公司甲”所注明的差异是那些年底的时候还在运输途中的货物。因为货物在年底已经发货出去，所以销售和应收账款的记录是正确的。财务总监还提供了相应的发票和发货单据来证明发货日期。

附加信息：

在今天的公司会议上，你遇到负责“新科技”审计项目的合伙人，陈然。你就“甲公司”的应收账款回函向陈然寻求建议。合伙人陈然认为审计人员接受客户提供的解释是有前例可援的，并建议审计人员应该充分利用客户对业务的了解来有效提高审计效率。

请就以下每个问题提供您的判断。（请在每个问题的选项上只打一个勾“√”）

1. 有多大可能性“新科技”财务总监的解释是可靠的？

非常不可能

非常可能

1

2

3

4

5

6

7

2. 有多大可能性“新科技”的应收账款余额存在蓄意错报？

非常不可能

非常可能

1

2

3

4

5

6

7

3. 就“甲公司”所欠的应收账款余额，有多大可能性你会收集更多的审计证据？

非常不可能

非常可能

1

2

3

4

5

6

7

当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您.

第二部分

第一节：关于这个案例

请回答以下问题。（请在每个问题的选项上只打一个勾“√”）

1. 如果发生在实际工作中，你会觉得有多大压力要听从陈然的建议？

完全没有
压力

非常大的
压力

1

2

3

4

5

6

7

2. 在你的印象中，陈然的职业怀疑态度如何？

完全没有
职业怀疑态度

非常高的
职业怀疑态度

1

2

3

4

5

6

7

3. 你对案例中的审计任务——应收账款函证——熟悉吗？

完全不熟悉

非常熟悉

1

2

3

4

5

6

7

4. 你对自己有能力完成案例中的审计任务——应收账款函证——自信吗？

完全不自信

非常自信

1

2

3

4

5

6

7

第二节：统计数据

以下问题用于分类的目的，不会用来识别您或者您所在单位。

1. 性别:	<input type="checkbox"/> 男	<input type="checkbox"/> 女									
2. 年龄:	<input type="checkbox"/> 20 岁以下	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44	<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 岁或以上
3. 您的国籍:	<input type="checkbox"/> 中国	<input type="checkbox"/> 如不是中国, 请注明: _____									
4. 您的出生地: (如与国籍不同), 请注明:	_____										
5. 您的母语:	<input type="checkbox"/> 中文	<input type="checkbox"/> 如不是中文, 请注明: _____									
6. 您的最高学历 (毕业或在读):	<input type="checkbox"/> 高中	<input type="checkbox"/> 大学本科	<input type="checkbox"/> 研究生及以上								
7. 您有多少年审计相关工作经验?	_____ 年										
8. 以下哪一项描述您现在所工作的单位最合适?	<input type="checkbox"/> 国内会计师事务所 <input type="checkbox"/> 四大国际会计师事务所 <input type="checkbox"/> 非四大国际会计师事务所 <input type="checkbox"/> 其他, 请注明: _____										
9. 以下哪一项描述您现在的职务最合适?	<input type="checkbox"/> 助理审计员 <input type="checkbox"/> 高级审计员 <input type="checkbox"/> 经理 <input type="checkbox"/> 合伙人 <input type="checkbox"/> 其他, 请注明: _____										
10. 您现在的工作领域?	<input type="checkbox"/> 审计	<input type="checkbox"/> 税务	<input type="checkbox"/> 咨询	<input type="checkbox"/> 其他, 请注明: _____							
11. 您有多少次审计应收账款的经验?	<input type="checkbox"/> 无	<input type="checkbox"/> 1-5 次	<input type="checkbox"/> 6-10 次	<input type="checkbox"/> 10 次以上							
12. 您审计过的项目, 有多少次发现舞弊的情况?	<input type="checkbox"/> 无	<input type="checkbox"/> 1-5 次	<input type="checkbox"/> 6-10 次	<input type="checkbox"/> 10 次以上							
13. 您的职业资格:	<input type="checkbox"/> 中国注册会计师协会 (注协) 会员 <input type="checkbox"/> 还未获得注协会员资格 <input type="checkbox"/> 其他会计职业资格, 也请注明: _____										
14. 您是否正在准备注协考试?	<input type="checkbox"/> 是 <input type="checkbox"/> 否										

第三节：个人特质

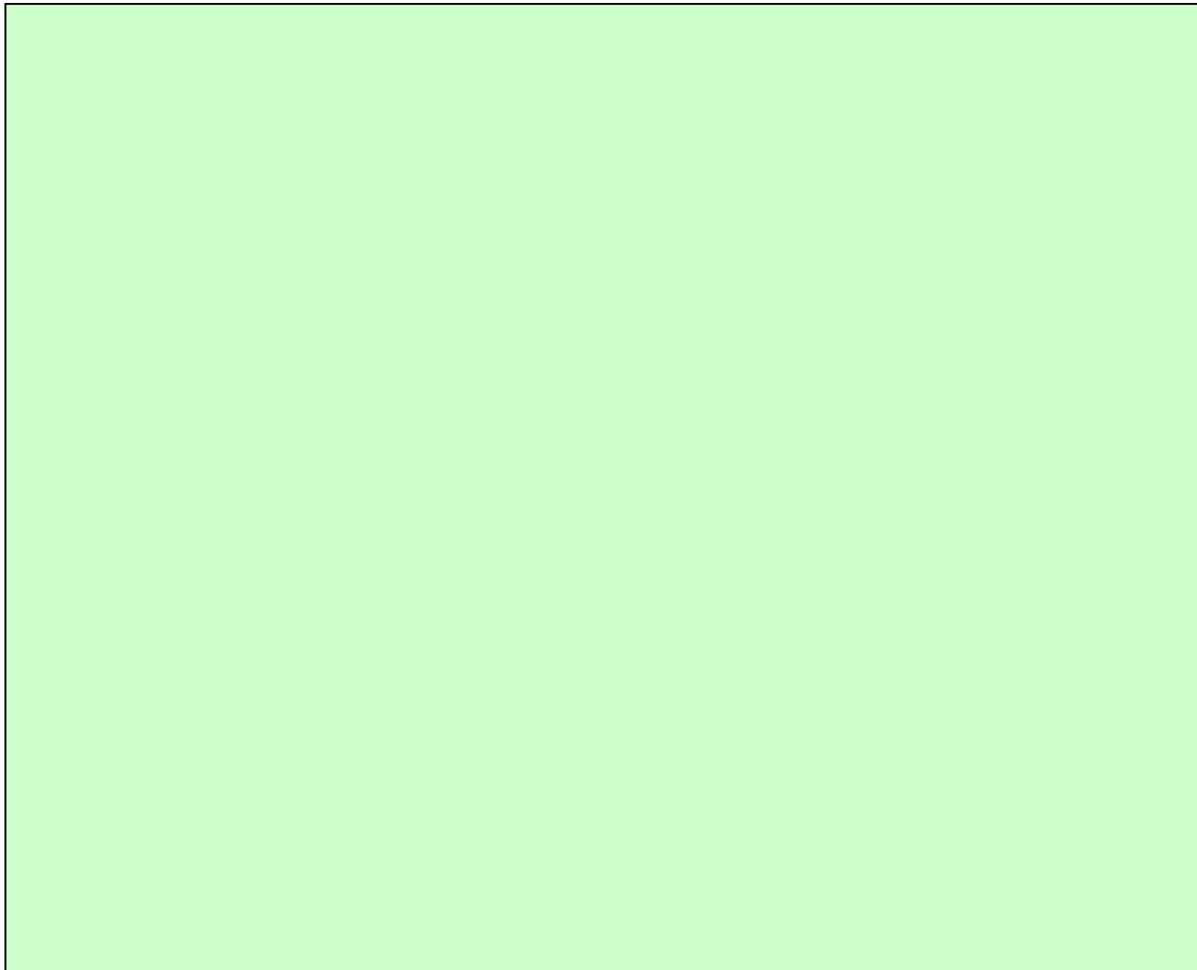
以下是一些人们用来描述自己的陈述。请根据您对每个陈述的大体感觉进行选择。没有正确或错误的答案，也不需要任何一个陈述上花太多时间。

（每一行请只勾选“√”一个数字）

	非常 不同意					非常 同意
我经常不加思索就接受其他人的解释。	1	2	3	4	5	6
我自我感觉良好。	1	2	3	4	5	6
我要等到有更多的信息后才作决定。	1	2	3	4	5	6
学习的景象令我振奋。	1	2	3	4	5	6
我对导致人们不同行为方式的原因感兴趣。	1	2	3	4	5	6
我对我的能力有信心。	1	2	3	4	5	6
我经常不接受一些陈述，除非有证据证明其真实性。	1	2	3	4	5	6
发现新信息很有趣。	1	2	3	4	5	6
我会给自己充分的时间去作决定。	1	2	3	4	5	6
我倾向于立即接受他人所言。	1	2	3	4	5	6
我对他人的行为不感兴趣。	1	2	3	4	5	6
我自信心强。	1	2	3	4	5	6
我的朋友说我通常会质疑所见所闻。	1	2	3	4	5	6
我乐于了解他人行为的起因。	1	2	3	4	5	6
我认为学习是令人振奋的事。	1	2	3	4	5	6
我通常会接受所见所闻或所读到的事物的表象。	1	2	3	4	5	6
我不太自信。	1	2	3	4	5	6
我通常能注意到解释中不一致的地方。	1	2	3	4	5	6
绝大多数情况下，我同意同组人员的想法。	1	2	3	4	5	6
我不喜欢草率作决定。	1	2	3	4	5	6
我对自己有信心。	1	2	3	4	5	6
在没有查看所有现有信息的情况下，我不会作决定。	1	2	3	4	5	6
我乐于探索更多知识。	1	2	3	4	5	6
我频繁地对所见所闻提出质疑。	1	2	3	4	5	6
我容易被他人说服。	1	2	3	4	5	6
我很少会思考为什么人们会有一些特定的行为方式。	1	2	3	4	5	6
在作决定前，我喜欢确保所有信息都考虑到了。	1	2	3	4	5	6
我喜欢去判定所读所听是否真实。	1	2	3	4	5	6
我爱好学习。	1	2	3	4	5	6
了解人们的行为及其原因是很令人着迷的。	1	2	3	4	5	6

非常感谢您的参与!

非常感谢您完成这份问卷，您的参与对我们的研究项目非常重要。您在这份问卷中的所有回答会严格保密。如果您有什么评论，请留下您的宝贵意见。



敬请回答所有问题，否则我们将无法进行统计分析。

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Research Instrument of Study 2

Chinese Version

**For the Experimental Group with Partners' Views Reflecting a High
Emphasis on Professional Scepticism**



关于审计判断的问卷调查

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审计团队注意到今年“新科技”客户的一些变化。坏消息是“新科技”丢失了一个按时付款的大客户-苹果电脑公司。对该客户的销售在 2013 年度占了总销售额的 32%，而在 2014 年上半年才占了 6%。好消息是“新科技”刚和日立公司签署了一项转让新技术的合同。由此合同带来的销售收入（即非产品销售收入）将会抵消对苹果电脑公司销售的减少。另外，“新科技”也开始向海外客户销售产品，包括很多东南亚及非洲地区的客户。

今年审计团队留意到了往年审计中存在的一些事项。以往记录显示，通常“新科技”每个季度最后一个月的销售额占了整个季度销售额的 70%-90%。审计团队将应收账款列为此次审计的重点，因为这是一个关键的审计范畴。

你负责应收账款的审计。你的一项审计任务是关于应收账款的函证。你正在审核一个国内客户“甲公司”回复的应收账款函证。你发现“甲公司”只确认了“新科技”应收账款余额的一部分，其差异超过了重要性水平。你进一步询问“新科技”公司的财务总监。财务总监解释说，“公司甲”所注明的差异是那些年底的时候还在运输途中的货物。因为货物在年底已经发货出去，所以销售和应收账款的记录是正确的。财务总监还提供了相应的发票和发货单据来证明发货日期。

附加信息：

在今天的公司会议上，你遇到负责“新科技”审计项目的合伙人，陈然。你就“甲公司”的应收账款回函向陈然寻求建议。合伙人陈然对审计人员在没有足够依据的情况下接受客户提供的解释颇表担心，并建议审计人员应该对客户提供的解释保持足够的职业怀疑态度。

请就以下每个问题提供您的判断。（请在每个问题的选项上只打一个勾“√”）

1. 有多大可能性“新科技”财务总监的解释是可靠的？

非常不可能

非常可能

1

2

3

4

5

6

7

2. 有多大可能性“新科技”的应收账款余额存在蓄意错报？

非常不可能

非常可能

1

2

3

4

5

6

7

3. 就“甲公司”所欠的应收账款余额，有多大可能性你会收集更多的审计证据？

非常不可能

非常可能

1

2

3

4

5

6

7

当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您。

第二部分

第一节：关于这个案例

请回答以下问题。（请在每个问题的选项上只打一个勾“√”）

1. 如果发生在实际工作中，你会觉得有多大压力要听从陈然的建议？

完全没有
压力

非常大的
压力

1

2

3

4

5

6

7

2. 在你的印象中，陈然的职业怀疑态度如何？

完全没有
职业怀疑态度

非常高的
职业怀疑态度

1

2

3

4

5

6

7

3. 你对案例中的审计任务——应收账款函证——熟悉吗？

完全不熟悉

非常熟悉

1

2

3

4

5

6

7

4. 你对自己有能力完成案例中的审计任务——应收账款函证——自信吗？

完全不自信

非常自信

1

2

3

4

5

6

7

第二节：统计数据

以下问题用于分类的目的，不会用来识别您或者您所在单位。

1. 性别: <input type="checkbox"/> 男 <input type="checkbox"/> 女					
2. 年龄:					
<input type="checkbox"/> 20 岁以下	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44
<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 岁或以上	
3. 您的国籍: <input type="checkbox"/> 中国 <input type="checkbox"/> 如不是中国, 请注明: _____					
4. 您的出生地: (如与国籍不同), 请注明: _____					
5. 您的母语: <input type="checkbox"/> 中文 <input type="checkbox"/> 如不是中文, 请注明: _____					
6. 您的最高学历 (毕业或在读): <input type="checkbox"/> 高中 <input type="checkbox"/> 大学本科 <input type="checkbox"/> 研究生及以上					
7. 您有多少年审计相关工作经验? _____ 年					
8. 以下哪一项描述您现在所工作的单位 最合适 ?					
<input type="checkbox"/> 国内会计师事务所		<input type="checkbox"/> 四大国际会计师事务所			
<input type="checkbox"/> 非四大国际会计师事务所		<input type="checkbox"/> 其他, 请注明: _____			
9. 以下哪一项描述您现在的职务 最合适 ?					
<input type="checkbox"/> 助理审计员	<input type="checkbox"/> 高级审计员	<input type="checkbox"/> 经理	<input type="checkbox"/> 合伙人	<input type="checkbox"/> 其他, 请注明: _____	
10. 您现在的工作领域? <input type="checkbox"/> 审计 <input type="checkbox"/> 税务 <input type="checkbox"/> 咨询 <input type="checkbox"/> 其他, 请注明: _____					
11. 您有多少次审计应收账款的经验? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
12. 您审计过的项目, 有多少次发现舞弊的情况? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
13. 您的职业资格:					
<input type="checkbox"/> 中国注册会计师协会 (注协) 会员					
<input type="checkbox"/> 还未获得注协会员资格					
<input type="checkbox"/> 其他会计职业资格, 也请注明: _____					
14. 您是否正在准备注协考试?					
<input type="checkbox"/> 是 <input type="checkbox"/> 否					

第三节：个人特质

以下是一些人们用来描述自己的陈述。请根据您对每个陈述的大体感觉进行选择。没有正确或错误的答案，也不需要任何一个陈述上花太多时间。

（每一行请只勾选“√”一个数字）

	非常 不同意					非常 同意
我经常不加思索就接受其他人的解释。	1	2	3	4	5	6
我自我感觉良好。	1	2	3	4	5	6
我要等到有更多的信息后才作决定。	1	2	3	4	5	6
学习的景象令我振奋。	1	2	3	4	5	6
我对导致人们不同行为方式的原因感兴趣。	1	2	3	4	5	6
我对我的能力有信心。	1	2	3	4	5	6
我经常不接受一些陈述，除非有证据证明其真实性。	1	2	3	4	5	6
发现新信息很有趣。	1	2	3	4	5	6
我会给自己充分的时间去作决定。	1	2	3	4	5	6
我倾向于立即接受他人所言。	1	2	3	4	5	6
我对他人的行为不感兴趣。	1	2	3	4	5	6
我自信心强。	1	2	3	4	5	6
我的朋友说我通常会质疑所见所闻。	1	2	3	4	5	6
我乐于了解他人行为的起因。	1	2	3	4	5	6
我认为学习是令人振奋的事。	1	2	3	4	5	6
我通常会接受所见所闻或所读到的事物的表象。	1	2	3	4	5	6
我不太自信。	1	2	3	4	5	6
我通常能注意到解释中不一致的地方。	1	2	3	4	5	6
绝大多数情况下，我同意同组人员的想法。	1	2	3	4	5	6
我不喜欢草率作决定。	1	2	3	4	5	6
我对自己有信心。	1	2	3	4	5	6
在没有查看所有现有信息的情况下，我不会作决定。	1	2	3	4	5	6
我乐于探索更多知识。	1	2	3	4	5	6
我频繁地对所见所闻提出质疑。	1	2	3	4	5	6
我容易被他人说服。	1	2	3	4	5	6
我很少会思考为什么人们会有一些特定的行为方式。	1	2	3	4	5	6
在作决定前，我喜欢确保所有信息都考虑到了。	1	2	3	4	5	6
我喜欢去判定所读所听是否真实。	1	2	3	4	5	6
我爱好学习。	1	2	3	4	5	6
了解人们的行为及其原因是很令人着迷的。	1	2	3	4	5	6

非常感谢您的参与!

非常感谢您完成这份问卷，您的参与对我们的研究项目非常重要。您在这份问卷中的所有回答会严格保密。如果您有什么评论，请留下您的宝贵意见。



敬请回答所有问题，否则我们将无法进行统计分析。

非常感谢您的参与!

Appendix 3: Research Instrument of Study 3

Research Instrument of Study 3

English Version

**For the Experimental Group with a Low Peer Emphasis on Professional
Scepticism**

Survey on Audit Judgments

Dear Participant,

My name is Xiaoyan Ying, and I am from Macquarie University in Sydney, Australia. I would like to invite you to participate in this survey. The purpose of this survey is to examine various factors that might influence audit judgments. This research is being conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Accounting under the supervision of Professor Chris Patel and Associate Professor Parmod Chand.

The questionnaire consists of two parts. Part 1 is in the attached envelop. Part 1 describes a case relating to an audit of trade receivables on which respondents are asked to provide judgments. After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2 to complete. Part 2 contains three sections. Section 1 includes questions about the case. Section 2 collects demographic data about the respondents. Section 3 is comprised of questions about personal attributes. After completing Part 2, please also place it in the envelope. I appreciate that normally you would require more information to make an audit judgement than is provided in this case. However, for the purpose of this study, you are asked to make your judgment based only on the relevant information provided. Please do not discuss the content with anyone else while completing the survey. The questionnaire will take approximately 30 minutes to complete.

Please note that participation in this survey is voluntary and questionnaires are anonymous. You are not obligated to participate. If you do not agree to participate, simply do not return the questionnaire. Completion and return of the questionnaire will denote your consent to participate. Any information you provide will be treated in strict confidence. The data will be analysed in aggregate form and will be used only for research purposes. Any information gathered in the course of this study is for research purposes, and no attempt will be made to identify any individuals or institutions. Also, your responses to the survey will not be considered as being representative of any organisations. The results of the data analysis will be included as part of my PhD dissertation, which will be available from the Department of Accounting and Corporate Governance, Macquarie University. The results may also be published in the form of a journal article or a conference paper. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. If you have any question about this research project, please feel free to contact me.

Yours sincerely,

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Please answer all questions. Your assistance is much appreciated and will be valuable for the successful completion of this research.

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone +61 (0) 2 9850 7854; email ethics@mq.edu.au).

You may also contact this research's Local Contact Person in China through Ms. Fang, Ping (telephone +86 (0) 21 – 6580 7858, email: fp1101@126.com), should you wish to confirm the identity of the researchers or express any concerns. Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

PART 1: AUDITING CASE STUDY

Instruction:

You are asked to provide judgments on an audit issue pertaining to trade receivables of a hypothetical client. There are no right or wrong answers for any of these questions. Please answer the questions as if you were conducting the actual audit.

Assume that you are a senior auditor working in a large accounting firm and your career has been advancing rapidly. You expect to have a very good chance of being promoted next year which would be at least one year ahead of your peers. You have been assigned to the audit team to perform the 2014 fiscal year audit for New Technologies Inc. (hereafter, NT), a listed company. You have not previously worked on NT's audit team. Your firm has audited NT for the past four years, and has always given standard, unqualified opinions for both its financial statements and internal controls.

NT is a growing company in the fast-changing technology industry. The company, which was formed in 2005, designs and sells semiconductors. NT is a relatively small player in this industry. It relies on a few core markets for the bulk of its sales, including mobile handsets, personal computing, and digital consumer electronics markets. These markets are characterized by intense competition. NT sells its products to original equipment manufacturers, such as Dell, Inc., Hewlett-Packard Company, and Sony Corporation.

The audit team is aware of several changes for this year relating to NT's customers. The bad news is that NT lost a large customer, Apple Computer, Inc. This customer represented 32 percent of product sales during the fiscal year 2013 and only 6 percent of sales during the first half of the fiscal year 2014. The good news is that NT just entered into a new agreement to license new technology to Hitachi Metals Ltd. Accordingly, the revenue from this licence (i.e., non-product sales) will offset the lost revenue from Apple Computer, Inc.. In addition to the new agreement with Hitachi, NT has also started selling more goods to foreign customers, many of whom are located in Southeast Asia and Africa.

The audit team also notices certain issues during prior audits. Historically, NT has recognized 70 to 90 percent of sales in the last month of each quarter. The audit team is sure to focus on trade receivables, since it is a critical area in this audit.

You have been assigned to the audit of trade receivables. One of your tasks relates to trade receivable confirmation. You are reviewing a trade receivable confirmation that has been returned from a domestic customer, Company JIA. You find that JIA has confirmed only part of the balance claimed by NT, and the amount of the discrepancy is material. You take up the matter with NT's Chief Financial Officer (CFO). The CFO states that the item being noted by JIA as a discrepancy was "in-transit" at year-end, and as all the goods were shipped out before the year-end, the sales and trade receivables are properly recorded. The CFO also provides you with copies of the invoice and shipping documents to verify the shipping dates.

Additional Information:

During a meeting at your audit firm today, you met with Chenran, a senior auditor with whom you started your career at the firm. Chenran worked on NT's engagement for the past three years, and has been assigned to the audit of inventory this year. You asked Chenran for advice on the issue of Company JIA's trade receivable confirmation. The partner Chenran commented that there is precedent for auditors to accept client-provided explanations as given, and suggested that auditors should fully utilize the client's insights about business transactions to improve the efficiency of the audit.

Please exercise your judgments by providing a response for each of the following questions.
(Please tick “√” only one box for each question).

1. What is the likelihood that the above explanation provided by the CFO of NT is reliable?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
2. What is the likelihood that there was an intentional misstatement concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
3. What is the likelihood that you would collect additional audit evidence concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7

After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2.

PART 2

SECTION 1: ABOUT THE CASE

Complete the following questions by providing a response for each question. (Please tick “√” only one box for each question).

1. How much pressure you would feel to follow Chenran’s suggestion if the situation was real?

No Pressure
at all

A Great Deal
of Pressure

1

2

3

4

5

6

7

2. According to your impression of Chenran’s suggestion, what is your perception of Chenran’s attitude of professional skepticism?

Not at all
Sceptical

Highly
Sceptical

1

2

3

4

5

6

7

3. How familiar are you with the audit task in the case – trade receivable confirmation?

Not at All
Familiar

Highly
Familiar

1

2

3

4

5

6

7

4. How confident are you in your ability to perform the audit task in the case – trade receivable confirmation?

Not at All
Confident

Highly
Confident

1

2

3

4

5

6

7

SECTION 2: DEMOGRAPHICS

The following questions are for classification purposes only; no attempts will be made to identify you or your institution.

1. Are you: <input type="checkbox"/> Male <input type="checkbox"/> Female
2. How old are you? <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> Under 20 <input type="checkbox"/> 20-24 <input type="checkbox"/> 25-29 <input type="checkbox"/> 30-34 <input type="checkbox"/> 35-39 <input type="checkbox"/> 40-44 </div> <div style="display: flex; justify-content: space-between; padding: 0 10px;"> <input type="checkbox"/> 45-49 <input type="checkbox"/> 50-54 <input type="checkbox"/> 55-59 <input type="checkbox"/> 60-64 <input type="checkbox"/> 65 or over </div>
3. What is your nationality? <input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify _____
4. In which country were you born (if different from your nationality)? Please specify _____
5. What is your first language? <input type="checkbox"/> Chinese <input type="checkbox"/> Other (please specify) _____
6. Your highest education level (completed or in process) <input type="checkbox"/> High School Certificate <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's or above
7. How many years of audit experience do you have? _____ years
8. Which of the following best describes the organisation that you are currently working with: <input type="checkbox"/> domestic audit firm <input type="checkbox"/> Big 4 international audit firm <input type="checkbox"/> non-Big 4 international audit firm <input type="checkbox"/> Other (please specify) _____
9. Which of the following best describes your current job position? <input type="checkbox"/> Associate <input type="checkbox"/> Senior <input type="checkbox"/> Manager <input type="checkbox"/> Partner <input type="checkbox"/> Other (please specify) _____
10. Which section are you currently working in? <input type="checkbox"/> Financial Audit <input type="checkbox"/> Tax <input type="checkbox"/> Consulting <input type="checkbox"/> Other (please specify) _____
11. How many times have you conducted audits of Accounts Receivable? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
12. What is your professional qualification? <input type="checkbox"/> I am a member of the Chinese Institute of Certified Public Accountants (CICPA) <input type="checkbox"/> I am not a member of the CICPA <input type="checkbox"/> If you have any other accounting professional qualification, please specify _____
13. Are you currently preparing for CICPA examination? <input type="checkbox"/> Yes <input type="checkbox"/> No

SECTION 3: PERSONAL ATTRIBUTES

This section lists a number of statements that people might use to describe themselves. Please tick the response that indicates how you *generally* feel about each statement as it relates to you. There are no right or wrong answers. Do not spend too much time on any one statement.

(Please tick “√” only one number in each row)

		Strongly Disagree					Strongly Agree
1	I often accept other people's explanations without further thought.	1	2	3	4	5	6
2	I feel good about myself	1	2	3	4	5	6
3	I wait to decide on issues until I can get more information	1	2	3	4	5	6
4	The prospect of learning excites me.	1	2	3	4	5	6
5	I am interested in what causes people to behave the way that they do.	1	2	3	4	5	6
6	I am confident of my abilities.	1	2	3	4	5	6
7	I often reject statements unless I have proof that they are true.	1	2	3	4	5	6
8	Discovering new information is fun	1	2	3	4	5	6
9	I take my time when making decisions.	1	2	3	4	5	6
10	I tend to immediately accept what other people tell me.	1	2	3	4	5	6
11	Other people's behaviour does not interest me.	1	2	3	4	5	6
12	I am self-assured	1	2	3	4	5	6
13	My friends tell me that I usually question things that I see or hear.	1	2	3	4	5	6
14	I like to understand the reason for other people's behaviour.	1	2	3	4	5	6
15	I think that learning is exciting.	1	2	3	4	5	6
16	I usually accept things I see, read, or hear at face value.	1	2	3	4	5	6
17	I do not feel sure of myself.	1	2	3	4	5	6
18	I usually notice inconsistencies in explanations.	1	2	3	4	5	6
19	Most often I agree with what the others in my group think.	1	2	3	4	5	6
20	I dislike having to make decisions quickly.	1	2	3	4	5	6
21	I have confidence in myself.	1	2	3	4	5	6
22	I do not like to decide until I've looked at all of the readily available information.	1	2	3	4	5	6
23	I like searching for knowledge.	1	2	3	4	5	6
24	I frequently question things that I see or hear.	1	2	3	4	5	6
25	It is easy for other people to convince me.	1	2	3	4	5	6
26	I seldom consider why people behave in a certain way.	1	2	3	4	5	6
27	I like to ensure that I've considered most available information before making a decision.	1	2	3	4	5	6
28	I enjoy trying to determine if what I read or hear is true.	1	2	3	4	5	6
29	I relish learning.	1	2	3	4	5	6
30	The actions people take and the reasons for those actions are fascinating.	1	2	3	4	5	6

Thank you very much for your participation!

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If you would like to make any further comments, please do so in the space provided below.



Please make sure that you have answered all questions, otherwise we are not able to perform statistical analyses.

Thank you very much for your participation!

Research Instrument of Study 3

English Version

**For the Experimental Group with a High Peer Emphasis on Professional
Scepticism**



Survey on Audit Judgments

Dear Participant,

My name is Xiaoyan Ying, and I am from Macquarie University in Sydney, Australia. I would like to invite you to participate in this survey. The purpose of this survey is to examine various factors that might influence audit judgments. This research is being conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Accounting under the supervision of Professor Chris Patel and Associate Professor Parmod Chand.

The questionnaire consists of two parts. Part 1 is in the attached envelope. Part 1 describes a case relating to an audit of trade receivables on which respondents are asked to provide judgments. After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2 to complete. Part 2 contains three sections. Section 1 includes questions about the case. Section 2 collects demographic data about the respondents. Section 3 is comprised of questions about personal attributes. After completing Part 2, please also place it in the envelope. I appreciate that normally you would require more information to make an audit judgement than is provided in this case. However, for the purpose of this study, you are asked to make your judgment based only on the relevant information provided. Please do not discuss the content with anyone else while completing the survey. The questionnaire will take approximately 30 minutes to complete.

Please note that participation in this survey is voluntary and questionnaires are anonymous. You are not obligated to participate. If you do not agree to participate, simply do not return the questionnaire. Completion and return of the questionnaire will denote your consent to participate. Any information you provide will be treated in strict confidence. The data will be analysed in aggregate form and will be used only for research purposes. Any information gathered in the course of this study is for research purposes, and no attempt will be made to identify any individuals or institutions. Also, your responses to the survey will not be considered as being representative of any organisations. The results of the data analysis will be included as part of my PhD dissertation, which will be available from the Department of Accounting and Corporate Governance, Macquarie University. The results may also be published in the form of a journal article or a conference paper. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. If you have any question about this research project, please feel free to contact me.

Yours sincerely,

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Please answer all questions. Your assistance is much appreciated and will be valuable for the successful completion of this research.

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone +61 (0) 2 9850 7854; email ethics@mq.edu.au).

You may also contact this research's Local Contact Person in China through Ms. Fang, Ping (telephone +86 (0) 21 – 6580 7858, email: fp1101@126.com), should you wish to confirm the identity of the researchers or express any concerns. Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

PART 1: AUDITING CASE STUDY

Instruction:

You are asked to provide judgments on an audit issue pertaining to trade receivables of a hypothetical client. There are no right or wrong answers for any of these questions. Please answer the questions as if you were conducting the actual audit.

Assume that you are a senior auditor working in a large accounting firm and your career has been advancing rapidly. You expect to have a very good chance of being promoted next year which would be at least one year ahead of your peers. You have been assigned to the audit team to perform the 2014 fiscal year audit for New Technologies Inc. (hereafter, NT), a listed company. You have not previously worked on NT's audit team. Your firm has audited NT for the past four years, and has always given standard, unqualified opinions for both its financial statements and internal controls.

NT is a growing company in the fast-changing technology industry. The company, which was formed in 2005, designs and sells semiconductors. NT is a relatively small player in this industry. It relies on a few core markets for the bulk of its sales, including mobile handsets, personal computing, and digital consumer electronics markets. These markets are characterized by intense competition. NT sells its products to original equipment manufacturers, such as Dell, Inc., Hewlett-Packard Company, and Sony Corporation.

The audit team is aware of several changes for this year relating to NT's customers. The bad news is that NT lost a large customer, Apple Computer, Inc. This customer represented 32 percent of product sales during the fiscal year 2013 and only 6 percent of sales during the first half of the fiscal year 2014. The good news is that NT just entered into a new agreement to license new technology to Hitachi Metals Ltd. Accordingly, the revenue from this licence (i.e., non-product sales) will offset the lost revenue from Apple Computer, Inc.. In addition to the new agreement with Hitachi, NT has also started selling more goods to foreign customers, many of whom are located in Southeast Asia and Africa.

The audit team also notices certain issues during prior audits. Historically, NT has recognized 70 to 90 percent of sales in the last month of each quarter. The audit team is sure to focus on trade receivables, since it is a critical area in this audit.

You have been assigned to the audit of trade receivables. One of your tasks relates to trade receivable confirmation. You are reviewing a trade receivable confirmation that has been returned from a domestic customer, Company JIA. You find that JIA has confirmed only part of the balance claimed by NT, and the amount of the discrepancy is material. You take up the matter with NT's Chief Financial Officer (CFO). The CFO states that the item being noted by JIA as a discrepancy was "in-transit" at year-end, and as all the goods were shipped out before the year-end, the sales and trade receivables are properly recorded. The CFO also provides you with copies of the invoice and shipping documents to verify the shipping dates.

Additional Information:

During a meeting at your audit firm today, you met with Chenran, a senior auditor with whom you started your career at the firm. Chenran worked on NT's engagement for the past three years, and has been assigned to the audit of inventory this year. You asked Chenran for advice on the issue of Company JIA's trade receivable confirmation. The partner Chenran expressed concerns about the potential for auditors to accept, without adequate justification, client-provided explanations, and suggested that auditors should approach client-provided explanations with a sufficient attitude of professional scepticism.

Please exercise your judgments by providing a response for each of the following questions.
(Please tick “√” only one box for each question).

1. What is the likelihood that the above explanation provided by the CFO of NT is reliable?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
2. What is the likelihood that there was an intentional misstatement concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7
3. What is the likelihood that you would collect additional audit evidence concerning the trade receivable balance owed by Company JIA?							
Highly Unlikely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Highly Likely
	1	2	3	4	5	6	7

After Part 1 is completed and placed in the envelope, please let us know then we will give you Part 2.

PART 2

SECTION 1: ABOUT THE CASE

Complete the following questions by providing a response for each question. (Please tick “√” only one box for each question).

1. How much pressure you would feel to follow Chenran’s suggestion if the situation was real?

No Pressure
at all

A Great Deal
of Pressure

1

2

3

4

5

6

7

2. According to your impression of Chenran’s suggestion, what is your perception of Chenran’s attitude of professional skepticism?

Not at all
Sceptical

Highly
Sceptical

1

2

3

4

5

6

7

3. How familiar are you with the audit task in the case – trade receivable confirmation?

Not at All
Familiar

Highly
Familiar

1

2

3

4

5

6

7

4. How confident are you in your ability to perform the audit task in the case – trade receivable confirmation?

Not at All
Confident

Highly
Confident

1

2

3

4

5

6

7

SECTION 2: DEMOGRAPHICS

The following questions are for classification purposes only; no attempts will be made to identify you or your institution.

1. Are you: <input type="checkbox"/> Male <input type="checkbox"/> Female
2. How old are you? <div style="display: flex; flex-wrap: wrap; justify-content: space-between; padding: 0 10px;"> <div><input type="checkbox"/> Under 20</div> <div><input type="checkbox"/> 20-24</div> <div><input type="checkbox"/> 25-29</div> <div><input type="checkbox"/> 30-34</div> <div><input type="checkbox"/> 35-39</div> <div><input type="checkbox"/> 40-44</div> <div><input type="checkbox"/> 45-49</div> <div><input type="checkbox"/> 50-54</div> <div><input type="checkbox"/> 55-59</div> <div><input type="checkbox"/> 60-64</div> <div><input type="checkbox"/> 65 or over</div> </div>
3. What is your nationality? <input type="checkbox"/> Chinese <input type="checkbox"/> Other, please specify _____
4. In which country were you born (if different from your nationality)? Please specify _____
5. What is your first language? <input type="checkbox"/> Chinese <input type="checkbox"/> Other (please specify) _____
6. Your highest education level (completed or in process) <input type="checkbox"/> High School Certificate <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's or above
7. How many years of audit experience do you have? _____ years
8. Which of the following best describes the organisation that you are currently working with: <input type="checkbox"/> domestic audit firm <input type="checkbox"/> Big 4 international audit firm <input type="checkbox"/> non-Big 4 international audit firm <input type="checkbox"/> Other (please specify) _____
9. Which of the following best describes your current job position? <input type="checkbox"/> Associate <input type="checkbox"/> Senior <input type="checkbox"/> Manager <input type="checkbox"/> Partner <input type="checkbox"/> Other (please specify) _____
10. Which section are you currently working in? <input type="checkbox"/> Financial Audit <input type="checkbox"/> Tax <input type="checkbox"/> Consulting <input type="checkbox"/> Other (please specify) _____
11. How many times have you conducted audits of Accounts Receivable? <input type="checkbox"/> None <input type="checkbox"/> 1- 5 <input type="checkbox"/> 6-10 <input type="checkbox"/> more than 10
12. What is your professional qualification? <input type="checkbox"/> I am a member of the Chinese Institute of Certified Public Accountants (CICPA) <input type="checkbox"/> I am not a member of the CICPA <input type="checkbox"/> If you have any other accounting professional qualification, please specify _____
13. Are you currently preparing for CICPA examination? <input type="checkbox"/> Yes <input type="checkbox"/> No

SECTION 3: PERSONAL ATTRIBUTES

This section lists a number of statements that people might use to describe themselves. Please tick the response that indicates how you *generally* feel about each statement as it relates to you. There are no right or wrong answers. Do not spend too much time on any one statement.

(Please tick “√” only one number in each row)

		Strongly Disagree					Strongly Agree
1	I often accept other people's explanations without further thought.	1	2	3	4	5	6
2	I feel good about myself	1	2	3	4	5	6
3	I wait to decide on issues until I can get more information	1	2	3	4	5	6
4	The prospect of learning excites me.	1	2	3	4	5	6
5	I am interested in what causes people to behave the way that they do.	1	2	3	4	5	6
6	I am confident of my abilities.	1	2	3	4	5	6
7	I often reject statements unless I have proof that they are true.	1	2	3	4	5	6
8	Discovering new information is fun	1	2	3	4	5	6
9	I take my time when making decisions.	1	2	3	4	5	6
10	I tend to immediately accept what other people tell me.	1	2	3	4	5	6
11	Other people's behaviour does not interest me.	1	2	3	4	5	6
12	I am self-assured	1	2	3	4	5	6
13	My friends tell me that I usually question things that I see or hear.	1	2	3	4	5	6
14	I like to understand the reason for other people's behaviour.	1	2	3	4	5	6
15	I think that learning is exciting.	1	2	3	4	5	6
16	I usually accept things I see, read, or hear at face value.	1	2	3	4	5	6
17	I do not feel sure of myself.	1	2	3	4	5	6
18	I usually notice inconsistencies in explanations.	1	2	3	4	5	6
19	Most often I agree with what the others in my group think.	1	2	3	4	5	6
20	I dislike having to make decisions quickly.	1	2	3	4	5	6
21	I have confidence in myself.	1	2	3	4	5	6
22	I do not like to decide until I've looked at all of the readily available information.	1	2	3	4	5	6
23	I like searching for knowledge.	1	2	3	4	5	6
24	I frequently question things that I see or hear.	1	2	3	4	5	6
25	It is easy for other people to convince me.	1	2	3	4	5	6
26	I seldom consider why people behave in a certain way.	1	2	3	4	5	6
27	I like to ensure that I've considered most available information before making a decision.	1	2	3	4	5	6
28	I enjoy trying to determine if what I read or hear is true.	1	2	3	4	5	6
29	I relish learning.	1	2	3	4	5	6
30	The actions people take and the reasons for those actions are fascinating.	1	2	3	4	5	6

Thank you very much for your participation!

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If you would like to make any further comments, please do so in the space provided below.



Please make sure that you have answered all questions, otherwise we are not able to perform statistical analyses.

Thank you very much for your participation!

Research Instrument of Study 3

Chinese Version

**For the Experimental Group with a Low Peer Emphasis on Professional
Scepticism**



关于审计判断的问卷调查

您好，

我是应笑艳，来自澳大利亚悉尼的麦考瑞大学（Macquarie University）。我诚意邀请您参与此项问卷调查。这份问卷是用于考察可能影响审计师职业判断的各种因素。该研究是我在Chris Patel教授及Parmod Chand副教授指导下，为了满足博士学位的要求而进行的。

问卷由两部分组成。第一部分放在所附的信封内。当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您填写。请您在完成第二部分后也放入信封内。第一部分描述了一个关于应收账款审计的案例，需要您作出判断；第二部分包括三小节。第一节是几个关于案例的问题；第二节收集关于调查对象的统计数据；第三节包括一些关于个人特质的问题。我理解在实际工作中，您通常需要更多信息来作出您的判断；但为了该研究项目，我们要求您仅根据我们提供的信息来作判断。在填写问卷时，请不要和其他人讨论问卷的内容。您大约需要30分钟来完成这份问卷。

请注意参与该问卷调查是自愿的，且问卷是匿名的。您提供的任何信息都会得到严格保密，且不会用来识别任何个人或单位。收集的数据会进行整体分析，并只用于研究目的。分析结果将会成为我的博士论文的一部分。我的博士论文将会在麦考瑞大学会计与公司治理系存档。研究结果也可能以学术刊物论文或会议论文形式发表。您可以直接联系我索取分析结果的摘要。

非常感谢您对我们研究项目的配合。如果您有任何疑问，或者想要了解任何关于该研究项目的信息，请随时联系我。

此致，

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请您尽量回答所有问题。您的帮助对我们研究项目的成功非常重要。

该研究项目道德方面已经通过麦考瑞大学人文研究道德委员会的评估，如果您对参与该研究项目有任何道德方面的投诉或保留意见，您可以联系该委员会的研究道德董事（电话+61 (0) 2 9850 7854；电子邮箱：ethics@mq.edu.au）。

如果您想确认研究人员的身份或有任何担忧想要表达，您也可以联系该研究项目在中国的本地联系人：方萍女士（电话+86 (0) 21 - 6580 7858；电子邮箱：fp1101@126.com）。您的任何投诉都会被保密。我们会对您投诉的事件进行调查并知会您调查的结果。

第一部分：审计案例

说明

在以下的审计案例中，您会对一个假定的客户进行应收账款账户审计并提供一些相关的审计判断。答案没有正确和错误之分。请假定您是在真正的审计过程中来回答以下问题。

假设你在一个大型的会计师事务所担任高级审计员。你的职业发展地非常顺利，并有很大的机会在明年得到升职。这会让你至少比和你一起进公司的同事要早一年。你被安排到“新科技公司”（以下简称“新科技”）的审计项目组对该公司进行 2014 年度审计。该公司是一家上市公司。你之前从未参与过“新科技”的审计项目。该公司以往四年都是由你所在的事务所进行审计的。在过去四年的审计报告中，你们对“新科技”的财务报表及内部控制，都出具的是标准的，无保留的审计意见。

“新科技”是在瞬息万变的科技行业中的一家快速发展的企业。该公司成立于 2005 年，主营设计和销售半导体材料。“新科技”在行业中属于规模相对较小的企业。它主要面向几个核心市场的批发业务，包括手机，私人电脑，数字化电子产品市场。这些市场竞争都非常激烈。“新科技”销售其产品给电子设备生产商，例如戴尔，惠普及索尼公司。

审计团队注意到今年“新科技”客户的一些变化。坏消息是“新科技”丢失了一个按时付款的大客户-苹果电脑公司。对该客户的销售在 2013 年度占了总销售额的 32%，而在 2014 年上半年才占了 6%。好消息是“新科技”刚和日立公司签署了一项转让新技术的合同。由此合同带来的销售收入（即非产品销售收入）将会抵消对苹果电脑公司销售的减少。另外，“新科技”也开始向海外客户销售产品，包括很多东南亚及非洲地区的客户。

今年审计团队留意到了往年审计中存在的一些事项。以往记录显示，通常“新科技”每个季度最后一个月的销售额占了整个季度销售额的 70%-90%。审计团队将应收账款列为此次审计的重点，因为这是一个关键的审计范畴。

你负责应收账款的审计。你的一项审计任务是关于应收账款的函证。你正在审核一个国内客户“甲公司”回复的应收账款函证。你发现“甲公司”只确认了“新科技”应收账款余额的一部分，其差异超过了重要性水平。你进一步询问“新科技”公司的财务总监。财务总监解释说，“公司甲”所注明的差异是那些年底的时候还在运输途中的货物。因为货物在年底已经发货出去，所以销售和应收账款的记录是正确的。财务总监还提供了相应的发票和发货单据来证明发货日期。

附加信息：

在今天的公司会议上，你遇到和你同一年进入事务所工作的高级审计员，陈然。过去三年中，陈然都参加了“新科技”审计项目，而今年负责的是该项目的存货审计。你就“甲公司”的应收账款回函向陈然寻求建议。合伙人陈然认为审计人员接受客户提供的解释是有前例可援的，并建议审计人员应该充分利用客户对业务的了解来有效提高审计效率。

请就以下每个问题提供您的判断。（请在每个问题的选项上只打一个勾“√”）

1. 有多大可能性“新科技”财务总监的解释是可靠的？

非常不可能

非常可能

1

2

3

4

5

6

7

2. 有多大可能性“新科技”的应收账款余额存在蓄意错报？

非常不可能

非常可能

1

2

3

4

5

6

7

3. 就“甲公司”所欠的应收账款余额，有多大可能性你会收集更多的审计证据？

非常不可能

非常可能

1

2

3

4

5

6

7

当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您。

第二部分

第一节：关于这个案例

请回答以下问题。（请在每个问题的选项上只打一个勾“√”）

1. 如果发生在实际工作中，你会觉得有多大压力要听从陈然的建议？

完全没有
压力

非常大的
压力

1

2

3

4

5

6

7

2. 在你的印象中，陈然的职业怀疑态度如何？

完全没有
职业怀疑态度

非常高的
职业怀疑态度

1

2

3

4

5

6

7

3. 你对案例中的审计任务——应收账款函证——熟悉吗？

完全不熟悉

非常熟悉

1

2

3

4

5

6

7

4. 你对自己有能力完成案例中的审计任务——应收账款函证——自信吗？

完全不自信

非常自信

1

2

3

4

5

6

7

第二节：统计数据

以下问题用于分类的目的，不会用来识别您或者您所在单位。

1. 性别: <input type="checkbox"/> 男 <input type="checkbox"/> 女					
2. 年龄:					
<input type="checkbox"/> 20 岁以下	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44
<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 岁或以上	
3. 您的国籍: <input type="checkbox"/> 中国 <input type="checkbox"/> 如不是中国, 请注明: _____					
4. 您的出生地: (如与国籍不同), 请注明: _____					
5. 您的母语: <input type="checkbox"/> 中文 <input type="checkbox"/> 如不是中文, 请注明: _____					
6. 您的最高学历 (毕业或在读): <input type="checkbox"/> 高中 <input type="checkbox"/> 大学本科 <input type="checkbox"/> 研究生及以上					
7. 您有多少年审计相关工作经验? _____ 年					
8. 以下哪一项描述您现在所工作的单位 最合适 ?					
<input type="checkbox"/> 国内会计师事务所		<input type="checkbox"/> 四大国际会计师事务所			
<input type="checkbox"/> 非四大国际会计师事务所		<input type="checkbox"/> 其他, 请注明: _____			
9. 以下哪一项描述您现在的职务 最合适 ?					
<input type="checkbox"/> 助理审计员	<input type="checkbox"/> 高级审计员	<input type="checkbox"/> 经理	<input type="checkbox"/> 合伙人	<input type="checkbox"/> 其他, 请注明: _____	
10. 您现在的工作领域? <input type="checkbox"/> 审计 <input type="checkbox"/> 税务 <input type="checkbox"/> 咨询 <input type="checkbox"/> 其他, 请注明: _____					
11. 您有多少次审计应收账款的经验? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
12. 您的职业资格:					
<input type="checkbox"/> 中国注册会计师协会 (注协) 会员					
<input type="checkbox"/> 还未获得注协会员资格					
<input type="checkbox"/> 其他会计职业资格, 也请注明: _____					
13. 您是否正在准备注协考试?					
<input type="checkbox"/> 是 <input type="checkbox"/> 否					

第三节：个人特质

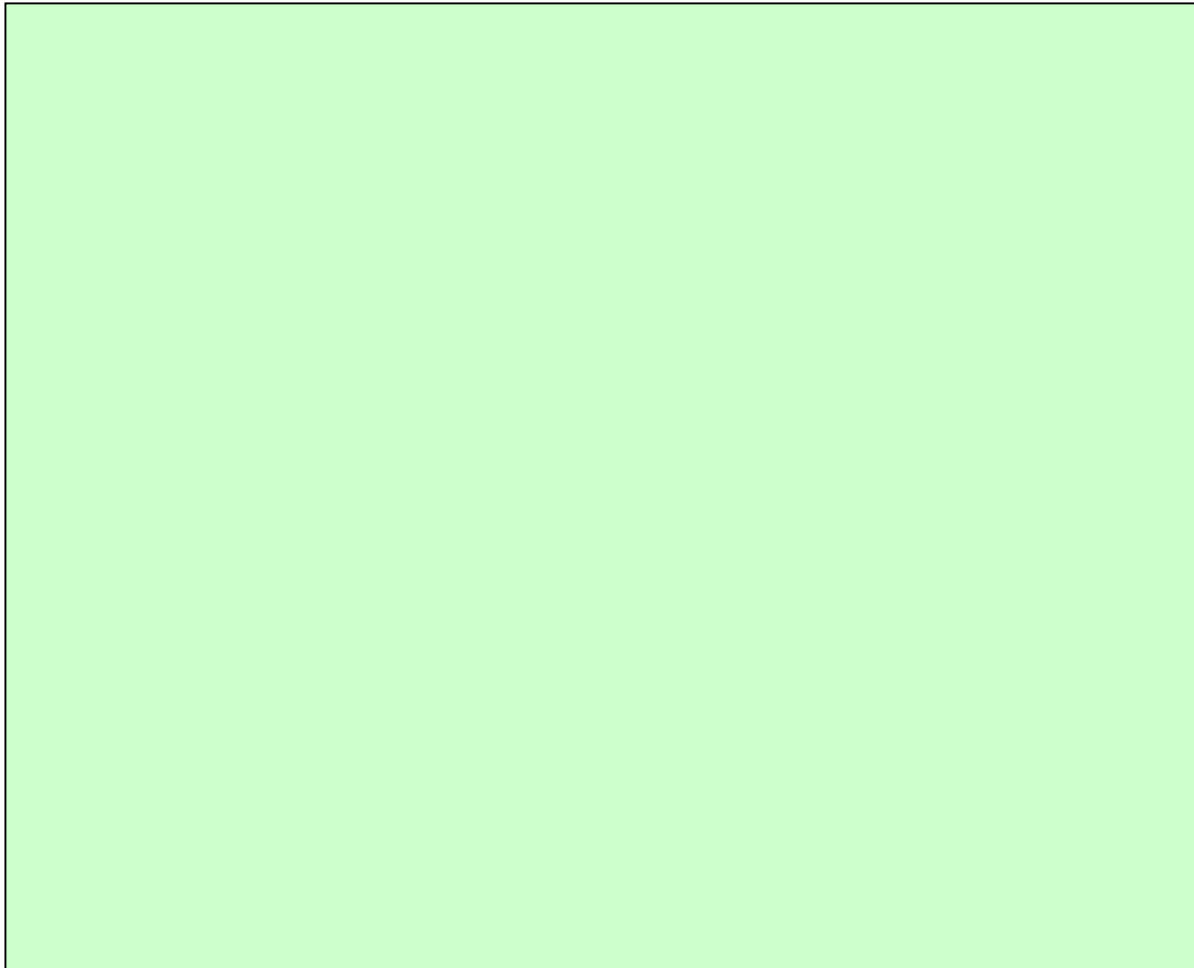
以下是一些人们用来描述自己的陈述。请根据您对每个陈述的大体感觉进行选择。没有正确或错误的答案，也不需要任何一个陈述上花太多时间。

（每一行请只勾选“√”一个数字）

	非常 不同意					非常 同意
我经常不加思索就接受其他人的解释。	1	2	3	4	5	6
我自我感觉良好。	1	2	3	4	5	6
我要等到有更多的信息后才作决定。	1	2	3	4	5	6
学习的景象令我振奋。	1	2	3	4	5	6
我对导致人们不同行为方式的原因感兴趣。	1	2	3	4	5	6
我对我的能力有信心。	1	2	3	4	5	6
我经常不接受一些陈述，除非有证据证明其真实性。	1	2	3	4	5	6
发现新信息很有趣。	1	2	3	4	5	6
我会给自己充分的时间去作决定。	1	2	3	4	5	6
我倾向于立即接受他人所言。	1	2	3	4	5	6
我对他人的行为不感兴趣。	1	2	3	4	5	6
我自信心强。	1	2	3	4	5	6
我的朋友说我通常会质疑所见所闻。	1	2	3	4	5	6
我乐于了解他人行为的起因。	1	2	3	4	5	6
我认为学习是令人振奋的事。	1	2	3	4	5	6
我通常会接受所见所闻或所读到的事物的表象。	1	2	3	4	5	6
我不太自信。	1	2	3	4	5	6
我通常能注意到解释中不一致的地方。	1	2	3	4	5	6
绝大多数情况下，我同意同组人员的想法。	1	2	3	4	5	6
我不喜欢草率作决定。	1	2	3	4	5	6
我对自己有信心。	1	2	3	4	5	6
在没有查看所有现有信息的情况下，我不会作决定。	1	2	3	4	5	6
我乐于探索更多知识。	1	2	3	4	5	6
我频繁地对所见所闻提出质疑。	1	2	3	4	5	6
我容易被他人说服。	1	2	3	4	5	6
我很少会思考为什么人们会有一些特定的行为方式。	1	2	3	4	5	6
在作决定前，我喜欢确保所有信息都考虑到了。	1	2	3	4	5	6
我喜欢去判定所读所听是否真实。	1	2	3	4	5	6
我爱好学习。	1	2	3	4	5	6
了解人们的行为及其原因是很令人着迷的。	1	2	3	4	5	6

非常感谢您的参与!

非常感谢您完成这份问卷，您的参与对我们的研究项目非常重要。您在这份问卷中的所有回答会严格保密。如果您有什么评论，请留下您的宝贵意见。



敬请回答所有问题，否则我们将无法进行统计分析。

非常感谢您的参与!

Research Instrument of Study 3

Chinese Version

**For the Experimental Group with a High Peer Emphasis on Professional
Scepticism**



关于审计判断的问卷调查

您好，

我是应笑艳，来自澳大利亚悉尼的麦考瑞大学（Macquarie University）。我诚意邀请您参与此项问卷调查。这份问卷是用于考察可能影响审计师职业判断的各种因素。该研究是我在Chris Patel教授及Parmod Chand副教授指导下，为了满足博士学位的要求而进行的。

问卷由两部分组成。第一部分放在所附的信封内。当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您填写。请您在完成第二部分后也放入信封内。第一部分描述了一个关于应收账款审计的案例，需要您作出判断；第二部分包括三小节。第一节是几个关于案例的问题；第二节收集关于调查对象的统计数据；第三节包括一些关于个人特质的问题。我理解在实际工作中，您通常需要更多信息来作出您的判断；但为了该研究项目，我们要求您仅根据我们提供的信息来作判断。在填写问卷时，请不要和其他人讨论问卷的内容。您大约需要30分钟来完成这份问卷。

请注意参与该问卷调查是自愿的，且问卷是匿名的。您提供的任何信息都会得到严格保密，且不会用来识别任何个人或单位。收集的数据会进行整体分析，并只用于研究目的。分析结果将会成为我的博士论文的一部分。我的博士论文将会在麦考瑞大学会计与公司治理系存档。研究结果也可能以学术刊物论文或会议论文形式发表。您可以直接联系我索取分析结果的摘要。

非常感谢您对我们研究项目的配合。如果您有任何疑问，或者想要了解任何关于该研究项目的信息，请随时联系我。

此致，

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请您尽量回答所有问题。您的帮助对我们研究项目的成功非常重要。

该研究项目道德方面已经通过麦考瑞大学人文研究道德委员会的评估，如果您对参与该研究项目有任何道德方面的投诉或保留意见，您可以联系该委员会的研究道德董事（电话+61 (0) 2 9850 7854；电子邮箱：ethics@mq.edu.au）。

如果您想确认研究人员的身份或有任何担忧想要表达，您也可以联系该研究项目在中国的本地联系人：方萍女士（电话+86 (0) 21 - 6580 7858；电子邮箱：fp1101@126.com）。您的任何投诉都会被保密。我们会对您投诉的事件进行调查并知会您调查的结果。

第一部分：审计案例

说明

在以下的审计案例中，您会对一个假定的客户进行应收账款账户审计并提供一些相关的审计判断。答案没有正确和错误之分。请假定您是在真正的审计过程中来回答以下问题。

假设你在一个大型的会计师事务所担任高级审计员。你的职业发展地非常顺利，并有很大的机会在明年得到升职。这会让你至少比和你一起进公司的同事要早一年。你被安排到“新科技公司”（以下简称“新科技”）的审计项目组对该公司进行 2014 年度审计。该公司是一家上市公司。你之前从未参与过“新科技”的审计项目。该公司以往四年都是由你所在的事务所进行审计的。在过去四年的审计报告中，你们对“新科技”的财务报表及内部控制，都出具的是标准的，无保留的审计意见。

“新科技”是在瞬息万变的科技行业中的一家快速发展的企业。该公司成立于 2005 年，主营设计和销售半导体材料。“新科技”在行业中属于规模相对较小的企业。它主要面向几个核心市场的批发业务，包括手机，私人电脑，数字化电子产品市场。这些市场竞争都非常激烈。“新科技”销售其产品给电子设备生产商，例如戴尔，惠普及索尼公司。

审计团队注意到今年“新科技”客户的一些变化。坏消息是“新科技”丢失了一个按时付款的大客户-苹果电脑公司。对该客户的销售在 2013 年度占了总销售额的 32%，而在 2014 年上半年才占了 6%。好消息是“新科技”刚和日立公司签署了一项转让新技术的合同。由此合同带来的销售收入（即非产品销售收入）将会抵消对苹果电脑公司销售的减少。另外，“新科技”也开始向海外客户销售产品，包括很多东南亚及非洲地区的客户。

今年审计团队留意到了往年审计中存在的一些事项。以往记录显示，通常“新科技”每个季度最后一个月的销售额占了整个季度销售额的 70%-90%。审计团队将应收账款列为此次审计的重点，因为这是一个关键的审计范畴。

你负责应收账款的审计。你的一项审计任务是关于应收账款的函证。你正在审核一个国内客户“甲公司”回复的应收账款函证。你发现“甲公司”只确认了“新科技”应收账款余额的一部分，其差异超过了重要性水平。你进一步询问“新科技”公司的财务总监。财务总监解释说，“公司甲”所注明的差异是那些年底的时候还在运输途中的货物。因为货物在年底已经发货出去，所以销售和应收账款的记录是正确的。财务总监还提供了相应的发票和发货单据来证明发货日期。

附加信息：

在今天的公司会议上，你遇到和你同一年进入事务所工作的高级审计员，陈然。过去三年中，陈然都参加了“新科技”审计项目，而今年负责的是该项目的存货审计。你就“甲公司”的应收账款回函向陈然寻求建议。合伙人陈然对审计人员在没有足够依据的情况下接受客户提供的解释颇表担心，并建议审计人员应该对客户提供的解释保持足够的职业怀疑态度。

请就以下每个问题提供您的判断。（请在每个问题的选项上只打一个勾“√”）

1. 有多大可能性“新科技”财务总监的解释是可靠的？

非常不可能

非常可能

1

2

3

4

5

6

7

2. 有多大可能性“新科技”的应收账款余额存在蓄意错报？

非常不可能

非常可能

1

2

3

4

5

6

7

3. 就“甲公司”所欠的应收账款余额，有多大可能性你会收集更多的审计证据？

非常不可能

非常可能

1

2

3

4

5

6

7

当您完成第一部分并放回信封后，请告诉我们，我们会将第二部分发给您。

第二部分

第一节：关于这个案例

请回答以下问题。（请在每个问题的选项上只打一个勾“√”）

1. 如果发生在实际工作中，你会觉得有多大压力要听从陈然的建议？

完全没有
压力

非常大的
压力

1 2 3 4 5 6 7

2. 在你的印象中，陈然的职业怀疑态度如何？

完全没有
职业怀疑态度

非常高的
职业怀疑态度

1 2 3 4 5 6 7

3. 你对案例中的审计任务——应收账款函证——熟悉吗？

完全不熟悉

非常熟悉

1 2 3 4 5 6 7

4. 你对自己有能力完成案例中的审计任务——应收账款函证——自信吗？

完全不自信

非常自信

1 2 3 4 5 6 7

第二节：统计数据

以下问题用于分类的目的，不会用来识别您或者您所在单位。

1. 性别: <input type="checkbox"/> 男 <input type="checkbox"/> 女					
2. 年龄:					
<input type="checkbox"/> 20 岁以下	<input type="checkbox"/> 20-24	<input type="checkbox"/> 25-29	<input type="checkbox"/> 30-34	<input type="checkbox"/> 35-39	<input type="checkbox"/> 40-44
<input type="checkbox"/> 45-49	<input type="checkbox"/> 50-54	<input type="checkbox"/> 55-59	<input type="checkbox"/> 60-64	<input type="checkbox"/> 65 岁或以上	
3. 您的国籍: <input type="checkbox"/> 中国 <input type="checkbox"/> 如不是中国, 请注明: _____					
4. 您的出生地: (如与国籍不同), 请注明: _____					
5. 您的母语: <input type="checkbox"/> 中文 <input type="checkbox"/> 如不是中文, 请注明: _____					
6. 您的最高学历 (毕业或在读): <input type="checkbox"/> 高中 <input type="checkbox"/> 大学本科 <input type="checkbox"/> 研究生及以上					
7. 您有多少年审计相关工作经验? _____ 年					
8. 以下哪一项描述您现在所工作的单位最合适?					
<input type="checkbox"/> 国内会计师事务所		<input type="checkbox"/> 四大国际会计师事务所			
<input type="checkbox"/> 非四大国际会计师事务所		<input type="checkbox"/> 其他, 请注明: _____			
9. 以下哪一项描述您现在的职务最合适?					
<input type="checkbox"/> 助理审计员	<input type="checkbox"/> 高级审计员	<input type="checkbox"/> 经理	<input type="checkbox"/> 合伙人	<input type="checkbox"/> 其他, 请注明: _____	
10. 您现在的工作领域? <input type="checkbox"/> 审计 <input type="checkbox"/> 税务 <input type="checkbox"/> 咨询 <input type="checkbox"/> 其他, 请注明: _____					
11. 您有多少次审计应收账款的经验? <input type="checkbox"/> 无 <input type="checkbox"/> 1-5 次 <input type="checkbox"/> 6-10 次 <input type="checkbox"/> 10 次以上					
12. 您的职业资格:					
<input type="checkbox"/> 中国注册会计师协会 (注协) 会员					
<input type="checkbox"/> 还未获得注协会员资格					
<input type="checkbox"/> 其他会计职业资格, 也请注明: _____					
13. 您是否正在准备注协考试?					
<input type="checkbox"/> 是 <input type="checkbox"/> 否					

第三节：个人特质

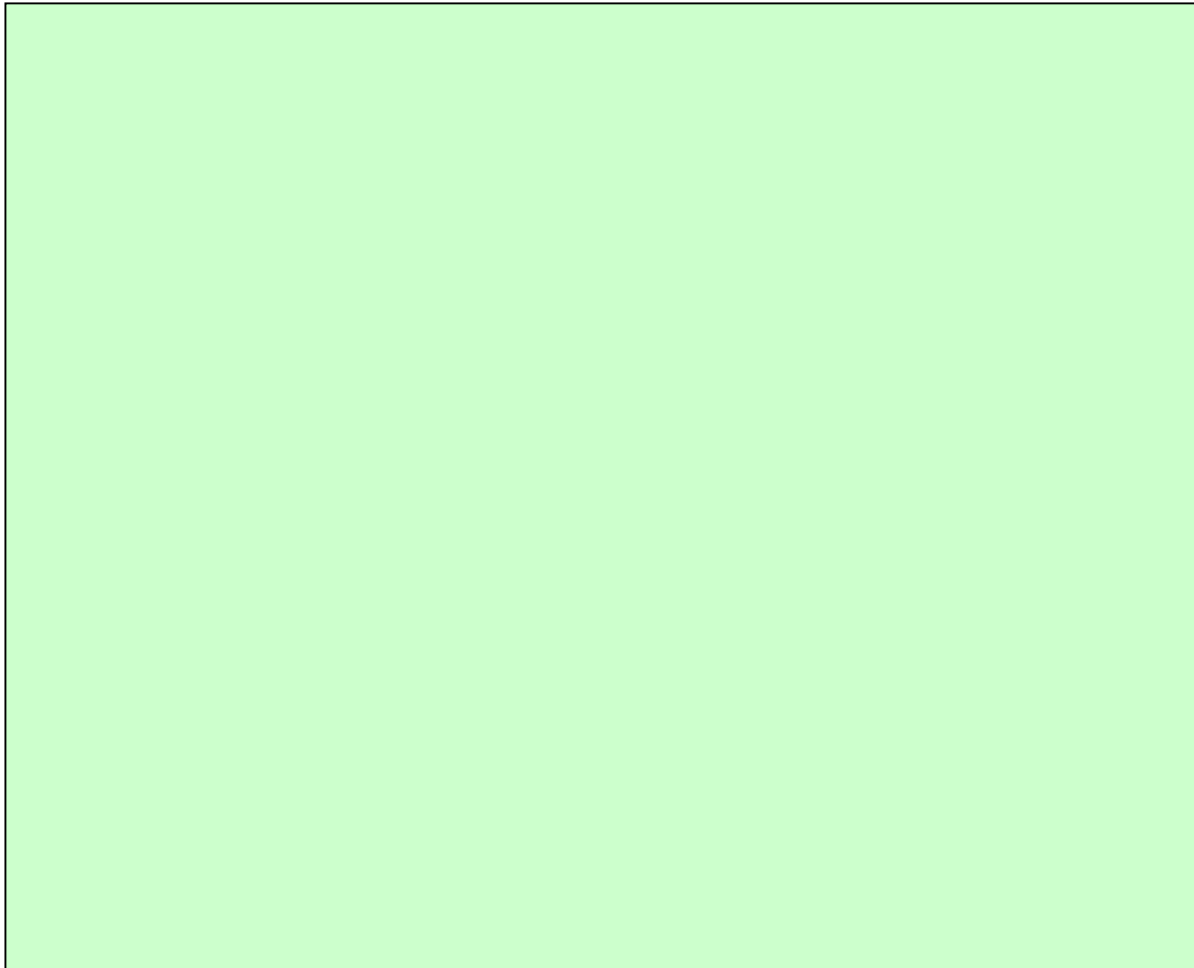
以下是一些人们用来描述自己的陈述。请根据您对每个陈述的大体感觉进行选择。没有正确或错误的答案，也不需要任何一个陈述上花太多时间。

（每一行请只勾选“√”一个数字）

	非常 不同意					非常 同意
我经常不加思索就接受其他人的解释。	1	2	3	4	5	6
我自我感觉良好。	1	2	3	4	5	6
我要等到有更多的信息后才作决定。	1	2	3	4	5	6
学习的景象令我振奋。	1	2	3	4	5	6
我对导致人们不同行为方式的原因感兴趣。	1	2	3	4	5	6
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我经常不接受一些陈述，除非有证据证明其真实性。	1	2	3	4	5	6
发现新信息很有趣。	1	2	3	4	5	6
我会给自己充分的时间去作决定。	1	2	3	4	5	6
我倾向于立即接受他人所言。	1	2	3	4	5	6
我对他人的行为不感兴趣。	1	2	3	4	5	6
我自信心强。	1	2	3	4	5	6
我的朋友说我通常会质疑所见所闻。	1	2	3	4	5	6
我乐于了解他人行为的起因。	1	2	3	4	5	6
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我不太自信。	1	2	3	4	5	6
我通常能注意到解释中不一致的地方。	1	2	3	4	5	6
绝大多数情况下，我同意同组人员的想法。	1	2	3	4	5	6
我不喜欢草率作决定。	1	2	3	4	5	6
我对自己有信心。	1	2	3	4	5	6
在没有查看所有现有信息的情况下，我不会作决定。	1	2	3	4	5	6
我乐于探索更多知识。	1	2	3	4	5	6
我频繁地对所见所闻提出质疑。	1	2	3	4	5	6
我容易被他人说服。	1	2	3	4	5	6
我很少会思考为什么人们会有一些特定的行为方式。	1	2	3	4	5	6
在作决定前，我喜欢确保所有信息都考虑到了。	1	2	3	4	5	6
我喜欢去判定所读所听是否真实。	1	2	3	4	5	6
我爱好学习。	1	2	3	4	5	6
了解人们的行为及其原因是很令人着迷的。	1	2	3	4	5	6

非常感谢您的参与!

非常感谢您完成这份问卷，您的参与对我们的研究项目非常重要。您在这份问卷中的所有回答会严格保密。如果您有什么评论，请留下您的宝贵意见。



敬请回答所有问题，否则我们将无法进行统计分析。

非常感谢您的参与!

Appendix 4: Ethics Approval

