

The Effect of Scepticism, Self-Construal, and Self-Esteem on Auditors' Ethical Judgments and Ethical Intentions in an Auditor-Client Conflict Situation

by

Hamed Mohammad

A Thesis Submitted in Partial Fulfilment of the Requirements for
the Degree of
Master of Research

Department of Accounting and Corporate Governance
Faculty of Business and Economics
Macquarie University
Sydney, Australia

October 2017

Statement

I hereby declare that this thesis is the result of my own research, and that it has not, nor has any part of it, been submitted for a degree to any other university or institution.



.....

09/10/2017

Hamed Mohammad

Dedication

To my parents Zakiyyah and Mohammad,
for their infinite love and devoted supports.

Acknowledgement

Foremost, I express my sincere gratitude to my supervisors, Dr Medhat Endrawes and Dr Kym Butcher, for their continuous hard work, guidance, encouragement and patience throughout this research project. My gratitude is also to all other staff in the Faculty of Business and Economics at Macquarie University who have been very helpful with their valuable feedback and support (i.e., Prof. Graeme Harrison, Prof. Nonna Martinov-Bennie, and Assoc. Prof. James Hazelton). I also thank the staff of the Higher Degree Research programs in the Faculty of Business and Economics (i.e. Prof. Lorne Cummings and Assoc. Prof. Elaine Evans), and the Head of the Department of Accounting and Corporate Governance (Assoc. Prof. Rahat Munir) for successfully designing and managing the program of Master of Research (MRes) in Accounting. Finally, I am sincerely grateful to my family, friends, and classmates for their motivation, support, and care during the journey of this project.

Table of Contents

Statement.....	ii
Dedication	iii
Acknowledgement	iv
Table of Contents	v
List of Tables	vi
List of Figures	vii
Epigraph.....	viii
Abstract	ix
Chapter 1 Introduction	1
1.1 Overview	1
1.2 Ethics and Auditors' Accountability	4
1.3 Ethical Decision-Making Model of Rest (1986)	5
1.4 Factors Affecting Auditors' Ethical Decision-Makings.....	7
1.5 Personality Traits and Auditors' Ethical Decision-Makings.....	9
1.6 Summary and Thesis Structure	14
Chapter 2 Literature Review and Hypotheses Development	15
2.1 Overview	15
2.2 Ethical Judgment	15
2.3 Ethical Intention	16
2.4 Effect of Scepticism on Auditors' Ethical Judgments and Ethical Intentions	16
2.5 Effect of Self-Construal on Auditors' Ethical Judgments and Ethical Intentions.....	19
2.6 Effect of Self-Esteem on Auditors' Ethical Judgments and Ethical Intentions	21
2.7 Summary	23
Chapter 3 Research Methods	24
3.1 Overview	24
3.2 Data Collection.....	24
3.3 Participants and Sample Size	24
3.4 Auditor-Client Conflict Scenario	26
3.5 Ethical Judgment	27
3.6 Ethical Intention	27
3.7 Scepticism	27
3.8 Self-Construal.....	29
3.9 Self-Esteem	30
3.10 Reliability	31
3.11 Summary	31
Chapter 4 Results	32
4.1 Overview	32
4.2 Descriptive Statistics	32
4.3 Preliminary Analyses	32
4.4 Hypotheses Testing	33
4.5 Summary	35
Chapter 5 Conclusions and Discussion.....	36
5.1 Overview	36
5.2 Summary	36
5.3 Contributions and Implications	42
5.4 Limitations and Opportunities for Future Research.....	43
References.....	46
Appendices.....	57
Appendix A: Tables of Research Methods and Results	57
Appendix B: Definitions of Terms	61
Appendix C: Research Survey/Questionnaire	64
Appendix D: Ethics Approval Letter.....	71

List of Tables

Table 1: Demographic Data of Participants	57
Table 2: Reliability Analysis	58
Table 3: Descriptive Statistics	58
Table 4: Univariate Testing.....	59
Table 5: Multivariate Testing	60

List of Figures

Figure 1: The Four Components Ethical Decision-Making Model of Rest (1986)	6
Figure 2: Theoretical Framework	13
Figure 3: Hypotheses Framework	23
Figure 4: Summary of Results	35

Epigraph

Fundamental to responsible conduct in any profession is ability to perform with integrity the complex tasks of the discipline. (Bebeau, 2002, p. 287)

Abstract

Because auditor ethicality is important in discouraging fraudulent or misleading financial reporting that may adversely affect various stakeholders, the accounting profession and regulators internationally are focusing on enhancing auditors' Ethical Decision-Makings (EDMs). Prior research has demonstrated that auditors' EDMs involve a cognitive process that is influenced by external factors such as the auditing standards, professional codes of (ethical) conduct, and the quality control policies of audit firms. However, more recent research has identified that auditors' EDMs are influenced by individual factors, including the personality traits, and has called for further research to examine the impact of auditors' personality on their ethical judgments and ethical behaviours. This thesis seeks to answer this call by identifying three important personality traits, namely scepticism (dispositional distrust), self-construal, and self-esteem, and examining whether those traits affect external auditors' ethical judgments and ethical intentions in a situation of conflict with a client management.

The thesis uses a survey questionnaire, completed by a sample of 58 auditing practitioners in Australia, to gather data on the auditors' ethical judgments and intentions to act ethically in a situation of conflict with a client over a materiality assessment and financial report adjustment. The findings show that highly sceptical auditors are more likely to make ethical judgments and ethical intentions in the situation of auditor-client conflict. The study also provides evidence that auditors who have dominant independent self-construal are more likely to make ethical intentions in the situation of conflict. Although the study's findings did not provide support for a significant effect of self-construal on auditors' ethical judgments, additional analyses provided evidence that auditors with dominant independent self-construal demonstrate significantly high levels of ethical judgments in the conflict situation if they were, at the same time, high on scepticism. While findings did not provide support for a significant effect of self-esteem on auditors' ethical judgments, the findings suggest that self-esteem is negatively related to auditors' ethical intentions. However, it is argued in this study that a sufficient/accurate (but not high or low) level of self-esteem is likely to be more useful for auditors' ethical decision-makings in a context of auditor-client conflict.

These findings suggest, overall, that personality traits are potentially important factors promoting auditors' ethically and professionally acceptable decision-making in conflict situations with audit client management. The findings provide insights for the auditing profession and audit firms in assessing and/or enhancing auditors' ethical judgments and ethical behaviours from the perspective of the auditors' personal qualities.

Chapter 1 Introduction

1.1 Overview

Corporate financial reporting is a public interest activity placing responsibilities and accountability on all participants involved. One critical participant is the external auditor, whose role is to provide users of financial reports with the confidence to trust that the financial information presented in those reports is correct and, therefore, to allow informed decisions to be made on that information. As stated by Hay, Stewart, and Botica Redmayne (2016, p. 3), the role of the external auditor is “to enhance the conformance aspect of corporate governance by providing assurance on compliance and accountability for an organisation”.

Policymakers and researchers have increasingly recognised the importance of auditors’ ethical judgments and ethical decisions to the outcomes of audit provided. Many examples of fraudulent and/or deficient financial reporting have been attributed to compromised audit quality as a consequence of failure to act ethically by participants involved in the process of financial reporting, including external auditors (International Federation of Accountants (IFAC), 2003)¹. Moreover, Auditors’ failure to exercise ethical decision-making, and to act independently, has been identified as one of the factors leading to a number of high-profile corporate collapses since the start of the 21st Century that has, in turn, led to major financial losses for investors and other corporate stakeholders (e.g., Hamilton & Micklethwait, 2006; Soltani, 2014). One notable example is the role of the, then, ‘Big Five’ audit firm, Arthur Andersen, in failing to detect and disclose the fraudulent management and reporting practices of the international energy firm, Enron, which led to the collapse of both Enron and Arthur Andersen. In Australia, the scandals behind the collapse of several major companies (e.g., OneTel, Harris Scarfe, HIH Insurance, ABC Learning and Dick Smith) have also been

¹ Unethical behaviours in financial reporting includes (but are not limited to) auditors looking the other way, disguising transactions, withholding information, providing unbalanced advice, abuse of trust, and misusing insider information (IFAC, 2003, p. 15).

associated with perceived deficiencies by accountants and auditors in their exercise of diligence and integrity (Cohen & Martinov-Bennie, 2006; Martinov-Bennie & Mladenovic, 2015; Martinov-Bennie, Cohen, & Simnett, 2011).

The corporate collapses and their associated audit failures have led not only to economic losses for investors, but also to a loss of confidence by the investing public in the system of financial reporting and accountability (Lail, MacGregor, Marcum, & Stuebs, 2017), and to greater scrutiny on the accounting and auditing profession and its perceived ethical standards (Lail et al., 2017; Leung & Cooper, 2005; Martinov-Bennie & Pflugrath, 2009).

At the regulatory level, the corporate scandals and collapses led to the declaration of the Sarbanes-Oxley Act of 2002 in the USA and the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 in Australia. Furthermore, the requirement for auditors to comply with fundamental ethical principles when exercising professional judgment and behaviour emerges many times in the International Standards on Auditing (ISA) with the objective of ensuring that auditors perform their duties with integrity and honesty and free from bias and financial temptation. Additionally, the Codes of Ethics for Professional Accountants, published by the International Ethics Standards Board for Accountants (IESBA) in 2005, establishes fundamental ethical principles for accounting and auditing practice, including integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Increasing the legal liabilities of auditors by establishing ethical standards (i.e., codes of ethics) and regulatory reforms is a necessary response to accounting scandals and audit failures (Lail et al., 2017; Pflugrath, Martinov-Bennie, & Chen, 2007). Despite that, however, unethical practices by auditors continue to occur (Barrainkua & Espinosa-Pike, 2015; Espinosa-Pike & Barrainkua, 2016). This could be because auditing regulations are still not sufficient to mitigate auditors' unethical behaviours and to improve auditors' ideals, virtues, and social identities

(Alzola, 2017; Lail et al., 2017), or because sometimes the regulations lack comparability, consistency, and hence effectiveness (Hay, 2013; Toy & Hay, 2015). As a result, those regulations do not guarantee compliance by all auditors (Leung & Cooper, 2005) because auditors are individuals and differ in both competence (i.e., expertise) and character (i.e., personality) (Bebeau, 2002).

Auditors are continually faced with intense conflict situations involving ethical dilemmas. An ethical dilemma in audit practice is described as a complex issue that requires an auditor to choose from two or more alternatives of judgments and behaviours that conflict with each other in terms of their ethicality (Espinosa-Pike & Barrainkua, 2016; Guiral, Rodgers, Ruiz, & Gonzalo, 2010; Leung & Cooper, 2005). For example, while auditors owe different duties to their clients and other stakeholders (such as investors, customers, and policymakers), auditors may perceive conflicts between these duties in terms of ethicality. Ethical dilemmas in auditing practice may arise from auditor-client conflicts which often relate to issues such as adjustment to the financial statements, the adequacy of disclosure in those statements, and the appropriateness of a client's accounting policies (Patel, Harrison, & McKinnon, 2002). For example, an ethical dilemma for an auditor in practice may involve choosing between the alternatives of acceding to the representations of a client management without testing these representations or complying with auditing standards and codes of ethics by exercising scepticism and testing the reliability of the representations.

Auditor-client conflicts have been identified as an important area of research into auditor ethicality because they lead to negotiation and bargaining (Beattie, Fearnley, & Brandt, 2004), the results of which depend on auditor ethicality and relative auditor-client power, and with consequences for auditing outcomes (Gul, Ng, & Wu Tong, 2003; Lin & Fraser, 2008; Patel et al., 2002). Resolutions of such conflicts, especially under the pressure of audit independence

threats or other constraints², not only depend on the auditor's technical expertise but also on the auditor's individual qualities (including his/her personality traits) that engender or compromise the courage and strength to make ethically and professionally acceptable judgments and behaviours.

The remainder of this chapter proceeds as follows. First, ethics and ethical decision-makings are briefly discussed in the context of auditor accountability, followed by brief discussion of models and types of ethical decision-makings including the model of Rest (1986). Factors, both individual and non-individual, affecting auditors' ethical decision-makings are then identified from the literature, leading to the focus of this thesis on the individual factor of auditors' personality traits. The three personality traits of scepticism, self-construal and self-esteem that are examined in this thesis are then discussed, and the motivation for the choice of these three traits is provided.

1.2 Ethics and Auditors' Accountability

Ferrell, Gresham, and Fraedrichs (1989, p. 56) view ethics as "the study and philosophy of human conduct with an emphasis on the determination of right and wrong". Ethics is also commonly referred to as the rules or standards that define the 'just' or 'right' in human conduct (Carlson, Kacmar, & Wadsworth, 2002; Ferrell et al., 1989). Robin and Reidenbach (1987, p. 45) state that ethics in the business and professional contexts "requires that the organisation or individual behave in accordance with the carefully thought out rules of moral philosophy". Although there is no universal definition of ethics, ethics may be considered as the bases or standards applied by individuals in their thoughts and actions and used by others for evaluating those actions. Ethical decision-making (EDM) is a process by which individuals use ethics to determine whether a certain act is right or wrong (Carlson et al., 2002). EDM is also referred

² There are five audit independence threats that emerge from the auditor-client relationship: (1) self-interest threat; (2) self-review threat; (3) advocacy threat; (4) familiarity threat; and (5) intimidation threat (International Ethics Standards Board for Accountants (IESBA), 2010).

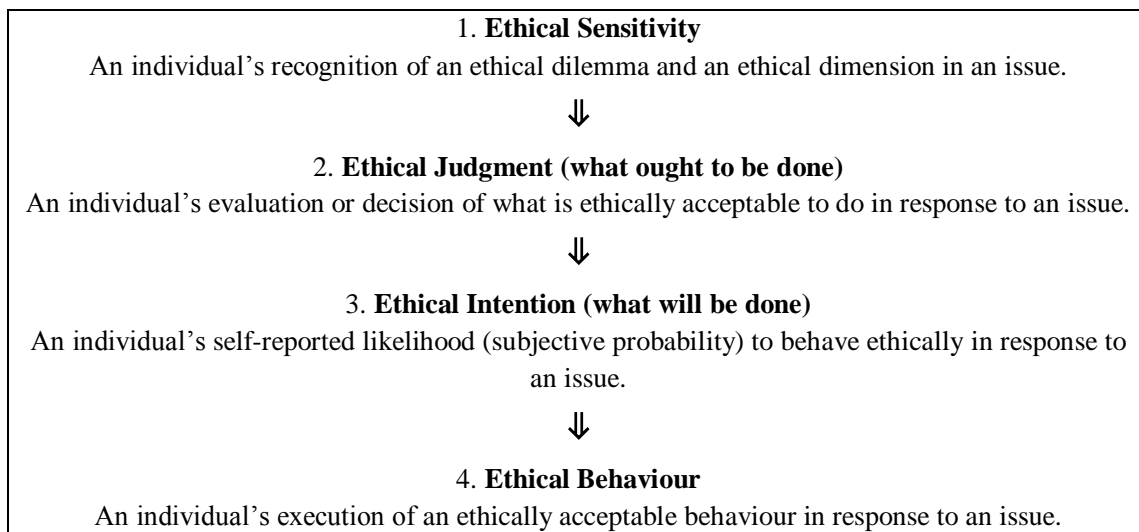
to as “decision-making in situations where ethical conflicts are present” (Cohen, Pant, & Sharp, 2001, p. 321).

Beu and Buckley (2001, p. 63) suggest that “ethics and accountability fit well together as both are methods of social control and should be studied together”. Accountability is complex in the auditing environment because, as noted previously, auditors might hold conflicting views because they are accountable to multiple stakeholders (e.g., clients, shareholders, regulators, the profession, and different levels of professional staff) (Cohen & Martinov-Bennie, 2006). Thus, it is important to study the considerations and dynamics of ethical decision-makings that may contribute to mitigating the complexity of auditors’ accountability. Prior research in the area of auditors’ ethical decision-makings has included research into models or types of ethical decision-makings and into factors that may improve or impair auditors’ ethical judgments and ethical behaviours, especially in complex and high-risk conflict situations.

1.3 Ethical Decision-Making Model of Rest (1986)

Lampe and Finn (1992) identified three types of EDMs models in auditing contexts: (1) professional code-implied models, (2) agency models, and (3) cognitive models. One often-cited cognitive model of EDM in studies of business and accounting ethics is the one developed by Rest (1986). The model of Rest (1986), which is built upon the work of Kohlberg (1976), identifies four components that describe the cognitive processes of individuals’ EDM, namely (1) ethical sensitivity, (2) ethical judgment, (3) ethical intention, and (4) ethical behaviour. This model is shown in Figure 1. Prior accounting and auditing studies have determined this model to be an appropriate framework for studying auditors’ EDM (see, e.g., Cohen & Martinov-Bennie, 2006; Coram, Glavovic, Juliana, & Woodliff, 2008; Johari, Mohd-Sanusi, & Chong, 2017; Lampe & Finn, 1992).

Figure 1: The Four Components Ethical Decision-Making Model of Rest (1986)



This thesis focuses on two of the four components in Rest's model, namely ethical judgment and ethical intention. According to Barnett, Bass, and Brown (1996, p. 1164), many models of EDMs suggest that ethical judgment and ethical intention are essential elements of individuals' reasoning about ethical dilemmas. Ethical judgment subsumes ethical sensitivity because a person's ability to judge which course of behaviour is acceptable ethically in response to a particular issue indicates his or her ethical sensitivity. Additionally, ethical intention acts as a surrogate for ethical behaviour because cognitive consistency theory suggests that "individuals who are led to believe that they will behave in a given manner will, in fact, emit the expected behaviour thereby permitting them to perceive their world as consistent with their cognitive structures of reality" (Graf, 1971, p. 213). This is also compatible with the theory of reasoned action (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975) that posits that intentions are immediate antecedents to behaviours. Empirically, studies have demonstrated that intention can be used as an immediate precursor to behaviour (Detert, Trevino, & Sweitzer, 2008; Flory, Phillips, Reidenbach, & Robin, 1992; Johari et al., 2017).

In a quasi-experimental auditing study, Johari et al. (2017) provide evidence of a positive and significant association between ethical sensitivity and ethical judgment, between ethical judgment and ethical intention, and between ethical intention and ethical behaviour. Other

accounting and auditing studies also provide empirical evidence of significant positive relationships between ethical judgments and ethical intentions (see, e.g., Chiu, 2002, 2003; Shafer, Morris, & Ketchand, 1999, 2001; Yang & Wu, 2009). However, Rest (1986) argues that each component in his model of the EDM process is conceptually distinct and that ethicality in one stage of the process does not always imply ethicality in another. That is, “a practitioner may be ethically sensitive, may make good ethical judgments and place a high priority on professional values; but if the practitioner wilts under pressure... then moral failure occurs because of a deficiency in character and competence” (Bebeau, 2002, p. 287). This indicates that other factors (individual and non-individual) play a major role in moderating the consistent structure of the cognitive process of EDM.

1.4 Factors Affecting Auditors’ Ethical Decision-Makings

Theories suggest that the cognitive process of EDM in Rest’s (1986) model is affected by individual and non-individual factors (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Trevino, 1986). Individual factors refer to human factors that distinguish individuals from each other such as mentality, personality, attitudes, values, knowledge, experience, and physical or biological aspects. Non-individual factors refer to external influences such as pressure from other people, situational factors (e.g., characteristics of the work or immediate job context), organizational factors (e.g., policies and internal controls in an organization) or environmental factors (e.g., government regulations and national culture and norms).

For example, Trevino (1986) postulates that following recognition of an ethical issue (ethical sensitivity), the association between ethical judgment and ethical behaviour is mediated by individual factors (such as ego strength, field independence, and internal locus of control) and situational factors (such as immediate job context, organizational culture, and the characteristics of the work). The contingency model of EDM developed by Ferrell and

Gresham (1985) indicates that an individual's EDM is influenced by individual factors (such as knowledge, attitudes, and values) and organizational factors (such as significant others and opportunity factors).

The Issue-Contingent model of Jones (1991) strengthened the scope of Rest's (1986) model by taking into account the characteristics of ethical dilemmas, suggesting that the cognitive process of EDM is issue-contingent. Corresponding with this model, Lampe and Finn (1992, p. 38) posit that auditors' EDM can be described as "probabilistic, iterative, and situation-specific". Jones (1991) also posits that ethical issues/situations differ in moral intensity and that individuals recognise and respond to such differences in a variety of ways³. In an empirical study, Coram et al. (2008) found that moral intensity factors vary with the characteristics of an ethical dilemma and that intentional 'reduced audit quality behaviours' (such as acceptance of weak client explanations) are perceived differently by auditors in term of moral intensity⁴.

Empirical evidence from the management and accounting literature supports the view that both individual and non-individual factors are important determinants of ethical intentions, judgments, and behaviours (e.g., Arjoon, 2008; Johari et al., 2017). Prior research suggests that ethicality and the quality of auditors' decision-makings are affected by personality traits such as scepticism (Quadackers, Groot, & Wright, 2014; Rose, 2007), ethical orientation (Johari et al., 2017), terminal and instrumental personal values (Karacaer, Gohar, Aygün, & Sayin, 2009), levels of need for approval and need for achievement (Malone & Roberts, 1996), and locus of control (Donnelly, Quirin, & Bryan, 2011; Tsui & Gul, 1996). Other empirical studies suggest that ethicality and the quality of auditors' decision-makings are affected by non-individual

³ Jones (1991, p. 372) defined moral intensity as "a construct that captures the extent of issue-related moral imperative in a situation." Jones (1991) classifies moral intensity into six components including (1) magnitude of consequences, (2) social consensus, (3) probability of effect, (4) temporal immediacy, (5) proximity, and (6) concentration of effect.

⁴ Reduced audit quality behaviours can be described as "auditors' failures to properly execute audit steps" or as "actions taken by an auditor during an engagement which reduce evidence-gathering effectiveness inappropriately" (Malone & Roberts, 1996, p. 49).

factors such as the importance of audit clients (Blay, 2005; Johari et al., 2017), moral intensity of the situation on hand (Coram et al., 2008; Johari et al., 2017; Shafer et al., 2001), litigation risk and peer-review risk (Shafer et al., 1999), the presence of a code of ethics (Pflugrath et al., 2007), pressure from the audit client (Espinosa-Pike & Barrainkua, 2016; Hatfield, Jackson, & Vandervelde, 2011), pressure from superiors in the audit firm (Espinosa-Pike & Barrainkua, 2016), sceptical orientation and fraud likelihoods communicated by superiors in the audit firm (Harding & Trotman, 2017), ethical culture of audit firms (Sweeney, Arnold, & Pierce, 2010), and national culture (Bik & Hooghiemstra, 2017; Patel et al., 2002).

1.5 Personality Traits and Auditors' Ethical Decision-Makings

This thesis focuses on the individual factors that may affect auditors' EDMs, and specifically on the individual factor of personality traits. Personality traits are those characteristics of an individual's personality that are relatively stable and enduring (Fleeson & Jayawickreme, 2015; Hurtt, 2010; Mischel, 2004). The importance of examining the effect of personality on auditors' ethical judgments and ethical intentions is because although, as noted earlier, the presence of ethical standards, codes of ethics, and increased legal liabilities and regulatory reforms (i.e., non-individual factors) may go some way to improving the ethicality of auditors' judgments and behaviours, it does not guarantee that all auditors will comply with those standards and codes and has been argued as insufficient to mitigate auditors' unethical behaviour (e.g., Leung & Cooper, 2005; Alzola, 2017; Lail et al., 2017).

Lail et al. (2017), for example, by analysing the accounting profession over time and reviewing the causes of recent accounting frauds, found that the combined influence of commercialism and legalism has led to a systemic decline in virtues, defined as "character traits that motivate individuals to perform the good, particularly the common good, and not to act simply out of self-interest" (Lail et al., 2017, p. 687). They argue that a result of this decline has been a decay in public trust in the accounting profession, and that virtuous professionalism,

defined as the “commitment to achieve not just the financial goals of client and/or provider but the flourishing or eudemonia of society itself” (Lail et al., 2017, p. 688), rather than occupational professionalism, is necessary for restoring financial reporting systems and the public servant identity of accounting professionals, including auditors.

While unethical decisions in the auditing and accounting profession have been seen to occur in contexts of non-individual factors such as pressure from clients or superiors (Melé, Rosanas, & Fontrodona, 2017), individual qualities and personality traits distinguish whether, and which, auditors would engage in (un)ethical decision-makings in those contexts that, in themselves, discourage ethicality (Arjoon, 2008; Donnelly et al., 2011; Johari et al., 2017). Therefore, in dealing with situations that involve ethical dilemmas, such as auditor-client conflicts, auditors require personality traits and ‘virtues’ (in Lail et al.’s, 2017, terminology) that promote both their competence in identifying ethically acceptable decisions or actions (ethical judgments), and their willingness to make the ethically acceptable decisions or actions (ethical intentions and behaviours).

Despite the importance of personality traits in affecting auditors’ EDMs, there has been relatively limited empirical research examining the association (Donnelly et al., 2011; Johari et al., 2017; Pan & Chris, 2017). Hence, the motivation for this study is to address this gap in the literature by examining empirically whether auditors’ ethical judgments and ethical intentions in the ethical dilemma of an auditor-client conflict situation are affected by three auditors’ relevant personality traits.

The personality traits examined are scepticism, self-construal, and self-esteem. Scepticism, specifically professional scepticism, is defined in the International Standard on Auditing (ISA) 200 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), 2016a). It

has also been defined as the opposite of trust (Shaub & Lawrence, 1996), and as presumptive doubt (Nelson, 2009).

Scepticism, as a (personality) trait, is the characteristic that enables auditors “to determine when the evidence does not ‘add up’ or the trait that allows auditors to exercise sceptical judgment” (Hurtt, Brown-Liburd, Earley, & Krishnamoorthy, 2013, p. 50). Scepticism, therefore, is a directly relevant personality trait to be examined for its effect on auditors’ EDMs, as it speaks directly to issues such as, for example, whether an auditor trusts and accepts, or challenges client management’s representations (e.g., Harding, Azim, Jidin, & Muir, 2016; Quadackers et al., 2014), and whether and how an auditor attends to aggressive reporting by client management (e.g., Rose, 2007).

Self-construal is defined by Markus and Kitayama (1991, p. 226) as the belief of people “about the relationship between the self and others and, especially, the degree to which they see themselves as separate from others or as connected with others”. Self-construal is conceptualised as independent self-construal, described in terms of individuals’ perception of their uniqueness, individualism and autonomy, and their separateness from the social context; and interdependent self-construal, described in terms of individuals’ perception of themselves in relation to, and as an integral part of, the social context, and variously referred to as collectivism, allocentrism and relationalism (Markus & Kitayama, 1991, p. 227). Prior research has proposed that self-construal is likely to be associated with ethical judgment and ethical behaviour. Trevino (1986), for example, proposed that field-independent (i.e. independent self-construal) managers exhibit more consistency between moral judgment and moral action than field-dependent (interdependent self-construal) managers.

Self-esteem refers to the extent to which individuals hold positive views about themselves (Rosenberg, Schooler, Schoenbach, & Rosenberg, 1995). Psychological studies suggest that high self-esteem is associated with low levels of corrupt intentions (Liang et al.,

2016), less dishonest behaviours (Graf, 1971) and low levels of criminal behaviours (Trzesniewski et al., 2006). These and other studies generally argue that people with high (low) self-esteem are more (less) likely to make ethical judgments and to exhibit ethical behaviour (Gentina, Shrum, Lowrey, Vitell, & Rose, 2016; Suar, Gochhayat, & Suar, 2016).

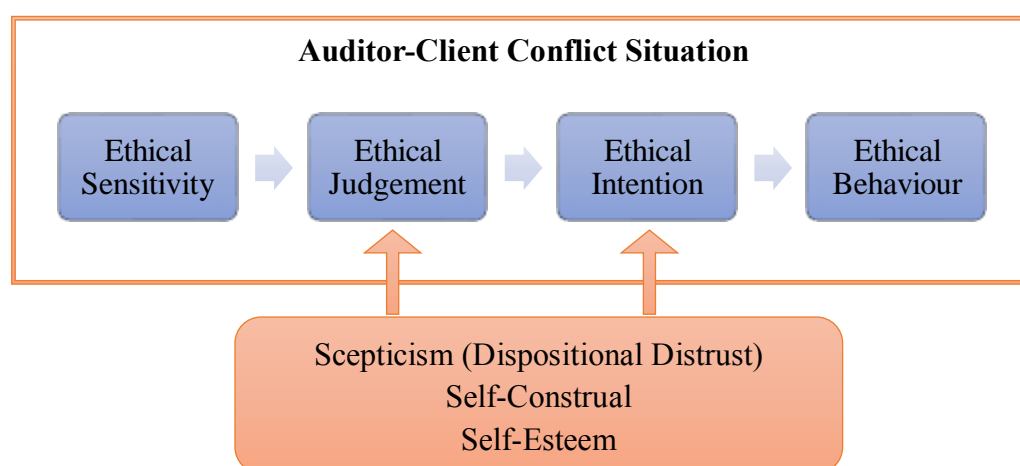
The literature briefly discussed here, and which is discussed in further detail in chapter 2 Literature Review and Hypotheses Development, generally associates the personality traits of scepticism, self-construal and self-esteem with EDMs. However, important to the motivation for this thesis is not only that empirical research into the association is generally limited, it is also, with respect to self-construal and self-esteem particularly, mixed.

With respect to self-construal, some studies find that people who value independence, or who are representative of individualist cultures, are more likely to make ethical judgments and ethical decisions compared to those who value interdependence, or who are representative of a collectivist culture (see, e.g., Cohen, Pant, & Sharp, 1995; Karacaer et al., 2009; Patel et al., 2002; Tsui & Windsor, 2001; Yamamura, Frakes, Sanders, & Ahn, 1996). By contrast, other studies have found that individuals with interdependent perceptions of self are more capable than those with independent perceptions of self in (i) making sceptical judgments (Ying & Patel, 2016), (ii) making ethical judgments and exhibiting ethical behaviours (Cojuharencu, Shteynberg, Gelfand, & Schminke, 2012; Hoyt & Price, 2015), and (iii) reacting strongly to perceived acts of injustice (Gollwitzer & Bücklein, 2007).

With respect to self-esteem, there are very few studies that examine the impact of self-esteem on auditors' decision-makings. And among those few, there are mixed findings. Malone and Roberts (1996), for example, found no association between self-esteem and audit quality behaviours, while the results of McKnight and Wright (2011) suggested there was an association between auditors' perceived self-confidence and their professional attitudes and behaviours.

The literature on personality notes that personality traits are “situationally hedged, conditional, and interactive with the situations in which they were expressed” (Mischel, 2004, p. 5), implying that the possession of certain personality traits does not always promote ethical judgments and/or ethical intentions in every situation. Based on this premise, and the premise that the cognitive processes of auditors’ EDMs are situation-contingent (Cohen & Martinov-Bennie, 2006; Curtis, Conover, & Chui, 2012; Lampe & Finn, 1992), this study examines the effect of the three personality traits of scepticism, self-construal and self-esteem in the specific situation of an auditor-client conflict. Figure 2 depicts the focus and scope of the study.

Figure 2: Theoretical Framework



As noted earlier, auditor-client conflicts have been identified as an important area of research into auditor ethicality (i) because they constitute a potentially intense ethical dilemma for auditors in that they typically provide forces that discourage ethicality and embody threats to auditor independence, and (ii) because they have major consequences for the outcomes of the audit process. As such, they provide the context for an important and potentially insightful examination of the effects of the personality traits on auditors’ EDMs.

The study, therefore, will contribute to the literature by examining whether personality traits, specifically, scepticism, independent self-construal and self-esteem, are important in promoting auditors’ ethically and professionally acceptable decision-making in situations of conflict between auditors and client management. As such, the results will be important for

policymakers who, in their determination of standards and/or codes of ethics, may need to contemplate and seek to incorporate the personal qualities of auditors alongside non-individual characteristics of auditor-client relationships in assessing and/or enhancing ethical judgment and ethical behaviour. The results will also be important for professional accounting firms in their recruitment, development, and assignment policies and practices.

1.6 Summary and Thesis Structure

This chapter provides an overview of the importance of auditors' ethicality and discusses the motivations behind investigating personality antecedents to auditors' ethical decision-makings. Likewise, this chapter states the scope and objective of the study and how it fills a gap in knowledge. Finally, this chapter introduces the theoretical background to the topic of the thesis and the theoretical framework of conducting the study.

The thesis is structured as follows. Chapter 2 provides a review of the literature on the effect of the three personality traits on auditors' ethical judgments and ethical intentions and develops hypotheses for each trait. Chapter 3 presents the research methods, including details of the online survey used to collect data from external auditing practitioners in Australia as participants, and the research instrument and measures. Chapter 4 provides the results, while chapter 5 presents the conclusions, contributions and limitations of the study together with avenues for future research. While the thesis defines terms as and when they are first encountered, Appendix B provides a reference list of the major terms used in the thesis and their definitions.

Chapter 2 Literature Review and Hypotheses Development

2.1 Overview

To recap, prior research provides limited evidence about the effect of personality traits on auditors' ethical decision-makings (Donnelly et al., 2011; Johari et al., 2017; Pan & Chris, 2017). To address this gap, this study uses Rest's (1986) model which distinguishes between ethical judgments and ethical intentions, to examine whether these two components of ethical decision-making process are influenced by three personality traits of professional scepticism, self-construal or self-esteem in an auditor-client conflict situation.

The remainder of the chapter is organised as follows. The concepts of ethical judgment and ethical intention are discussed first. Next, six hypotheses are developed to establish expectations about the impact of professional scepticism, self-construal and self-esteem on auditors' ethical judgments and ethical intentions.

2.2 Ethical Judgment

Professional judgment is defined as the capacity to apply knowledge, training and experience, including compliance with international accounting, auditing and ethical standards, to make informed decisions in the context of performing an audit engagement (IAASB, 2016a). Professional judgment is viewed as consisting of two components, being technically correct and ethically 'good' (Thorne & Hartwick, 2001, p. 341). The focus of this thesis is ethical judgment.

While the ethical decision-making (EDM) literature recognises ethical judgment as an important stage of the process of making an ethical decision, there is no universally accepted definition of ethical judgment (Sparks & Pan, 2010). For example, ethical judgment is defined as a 'belief' (Hunt & Vitell, 1986), a 'personal evaluation' (Sparks and Pan, 2010), a 'psychological process' (Rest, 1986) and a 'prescriptive reasoning' (Thorne, 2000) through which individuals decide what is ethically acceptable. This study follows the approach of Rest

(1986) and considers ethical judgment to be a cognitive process, the outcome of which is to decide whether a course of action in response to a conflict is ethical or unethical. For example, if an individual evaluates an accounting fraud as highly unethical, he or she has made a highly ethical judgment, whereas if a person evaluates an accounting fraud as highly ethical, then he/she has made a highly unethical judgment.

2.3 Ethical Intention

Once a person has made an ethical judgment, he/she must decide what to do, i.e., establish an ethical intention, which is their (subjective) likelihood of behaving ethically (Jones, 1991; Rest, 1986). The ethical intention stage involves deliberative reasoning, i.e., considering the consequences of ethical behaviour (Thorne, 2000). This is especially important in auditing because the outcomes of unethical behaviour impact the public (Cohen & Martinov-Bennie, 2006). Practically, auditors are comparing the outcomes of non-ethical choices (e.g., retaining clients, earning audit fee revenue) versus ethical choices (e.g., maintaining integrity, remaining independent, considering the impact on the public such as financial losses) (Cohen & Martinov-Bennie, 2006).

2.4 Effect of Scepticism on Auditors' Ethical Judgments and Ethical Intentions

Auditors are often criticised by regulators for being too trusting. For example, inspection reports of the Australian Securities and Investment Commission (ASIC) (ASIC, 2014), the United States (US) Public Company Accounting Oversight Board (PCAOB) (PCAOB, 2013) and the United Kingdom (UK) Financial Reporting Council (FRC) (FRC, 2014) , have all emphasized the need for auditors to challenge, i.e., be sceptical of, rather than accept or trust (Shaub & Lawrence, 1996), management representations by collecting sufficient appropriate audit evidence to support the assertions underlying the financial statements (Harding et al., 2016; Quadackers et al., 2014). Empirical evidence supports this position showing that excessive trust in the client may impair the ability of the auditor to remain sceptical (Kerler &

Killough, 2009). For example, the more the auditor trusts the client, the greater the likelihood of supporting the preferred accounting policies of management (Kerler & Brandon, 2010) including believing that the financial statements are less likely to contain fraud (Kerler & Killough, 2009).

Scepticism is “a multi-dimensional individual characteristic [that] can be both a trait (a relatively stable, enduring aspect of an individual) and a state (a temporary condition aroused by situational variables)” (Hurt, 2010, p. 150). Empirical research has predominately focused on scepticism as a trait, finding that sceptical auditors are better able to identify when the audit evidence does not make sense (Hurt et al., 2013; Nelson, 2009). For example, a sceptical auditor will be more likely to view the behaviour of client management as unethical and less likely to view earnings management as a ‘normal’ part of the process of preparing the financial statements (Frag & Elias, 2012). Therefore, it is plausible that an auditors’ scepticism may be viewed as constituting ethical behaviour because, according to Reidenbach and Robin (1990), evaluating the ethicality of someone’s behaviour is, itself, a function of ethical judgment.

The International Standard on Auditing (ISA) 200 views an auditor’s professional scepticism (PS) as maintaining a critical attitude when evaluating audit evidence, keeping in mind the potential for misstatements due to fraud or error. An alternative definition of PS, used in this study, is presumptive doubt (distrust), i.e., dispositional distrust, which is the general expectation that the verbal or written promise of an individual or group is unreliable (Rotter, 1967). Dispositional distrust is unique for each individual, meaning that some individuals are inherently more or less inclined to trust others (Rose, 2007). Auditors who have high levels of dispositional trust are better able to detect aggressive and/or biased financial (Jamal & Tan, 2010), for example, inappropriate revenue recognition aiming at improving profit for a client (Rose, 2007).

In terms of understanding PS, the literature is dominated by two perspectives, being (1)

Neutrality (see, e.g., Hurr, 2010) and (2) Presumptive Doubt (see, e.g., Nelson, 2009; Shaub & Lawrence, 1996). According to the neutrality perspective, auditors neither trust (a positive belief) or distrust (a negative belief) the assertions made by client management (Cushing (Cushing, 2000; Quadackers et al., 2014). According to the presumptive doubt perspective, auditors assume dishonesty or fraudulent reporting by a client management unless evidence indicates otherwise (Quadackers et al., 2014; Harding et al., 2016). For example, auditing standard ISA 240 requires auditors to suspect that the financial statements contain fraud until they have gathered sufficient appropriate audit evidence to prove that there are unlikely to be misstatements due to fraud. This auditing standard implicitly requires auditors to distrust audit client management (Harding et al., 2016).

Dispositional distrust reflects the presumptive doubt perspective of professional scepticism (PS) (Quadackers et al., 2014; Rose, 2007). Under this perspective, for example, the auditor would focus on obtaining and evaluating enough audit evidence to be satisfied that there are no misstatements (due to fraud or error) in the financial report (IAASB, 2012).

Consistent with prior research, the auditing standards are shifting from the neutrality perspective of PS toward the presumptive doubt perspective (Harding et al., 2016). For example, Quadackers et al. (2014) found that when a client's risk is high (i.e. there is a weak control environment), the presumptive doubt perspective of PS is necessary to ensure the validity of professional judgments and behaviours.

Therefore, on the basis of prior research, this study assumes the presumptive doubt approach of scepticism by arguing that auditors with high levels of scepticism (dispositional distrust) are more likely to resolve conflict with a client management by using ethical judgments and ethical intentions. Hence the hypotheses are presented in the directional form as follows:

H1: In an auditor-client conflict situation, auditors with high levels of scepticism are likely to demonstrate higher levels of ethical judgments than auditors with low levels of scepticism.

H2: In an auditor-client conflict situation, auditors with high levels of scepticism are likely to demonstrate higher levels of ethical intentions than auditors with low levels of scepticism.

2.5 Effect of Self-Constraint on Auditors' Ethical Judgments and Ethical Intentions

Self-construal is the combination of thoughts, beliefs, feelings and behaviours about the 'self' and about the relation of the self to others, i.e., as independent from, or as connected to (i.e., interdependent with) others (Markus & Kitayama, 1991; Singelis, 1994). Self-construal influences core psychological processes such as cognition, emotion, motivation, and judgment and, therefore, contributes to behavioural regulation (Cross, Hardin, & Gercek-Swing, 2011). Independent self-construal is defined as a bounded, unitary and stable self that emphasises (a) internal abilities, thoughts and feelings; (b) being unique; (c) promoting one 's own goals; and (d) being direct in communications (Singelis, 1994)⁵. Interdependent self-construal refers to a 'self' that emphasises external abilities, thoughts, feelings, goals, belonging in groups and communicating indirectly, e.g., non-verbally (Singelis, 1994)⁶.

Independent and interdependent self-construal are the personality trait equivalent of the national culture constructs of individualism, i.e., prioritising personal goals, and collectivism, i.e., focusing on group objectives respectively (Bik & Hooghiemstra, 2017; Markus & Kitayama, 1991; Patel et al., 2002; Singelis, 1994; Triandis, 1989). Self-construal has been argued to be an accurate reflection of cultural differences between countries because the unique beliefs of national cultures are internalised and therefore observable in the behaviours of individual people (Markus and Kitayama (1991). However, other research evidence suggests

⁵ Independent self-construal also means autonomous, individualist, separate, egocentric and self-contained (Markus & Kitayama, 1991).

⁶ Interdependent self-construal is also referred to as relational, connected, sociocentric and collective (Markus & Kitayama, 1991).

that individuals vary in self-construal even within one cultural context (e.g., Gollwitzer & Bücklein, 2007; Hoyt & Price, 2015; Prooijen & Bos, 2009), and that both independent and interdependent construal of self may coexist in an individual (Singelis, Bond, Sharkey, & Yiu Lai, 1999) but that the domination of one is situation specific (Hannover & Kuhnén, 2004). For example, the self-construal (independent or interdependent) presented during a work conflict is likely different than during a social conflict.

Prior research is mixed in relation to the impact of self-construal on ethical decision-making. Some studies provide evidence that individuals who value independence are better able to reason ethically than those who value interdependence (Cohen et al., 1995; Karacaer et al., 2009; Patel et al., 2002; Tsui, 1996; Tsui & Windsor, 2001; Yamamura et al., 1996). However, other research provides evidence that individuals who value interdependence react strongly to perceived community injustice (Gollwitzer & Bücklein, 2007), demonstrate concerns for social obligations and norms (Prooijen & Bos, 2009), make ethical judgments and exhibit ethical behaviours (Cojuharencu et al., 2012; Hoyt & Price, 2015), and make more sceptical judgments (Ying & Patel, 2016).

Despite the mixed results from prior studies, the weight of evidence from that research indicates that auditors who are dominant independent (i.e., who value individualism) are more likely than those who are dominant interdependent (who value collectivism) to resolve (or accept resolving) auditor-client conflicts ethically because the latter are more vulnerable to the influence of others (who might be unethical) and more likely engage in unethical behaviours when the well-being of a close other is at stake (Bauer, 2015; Bik & Hooghiemstra, 2017; Cohen et al., 1995; Gino, Ayal, & Ariely, 2009; Herda & Lavelle, 2015; Karacaer et al., 2009; Patel et al., 2002; Tsui, 1996; Tsui & Windsor, 2001; Wiltermuth, 2011; Yamamura et al., 1996). Therefore, the hypotheses are stated in the directional form as follows:

H3: In an auditor-client conflict situation, auditors with dominant independent self-construal are likely to demonstrate higher levels of ethical judgments than auditors with dominant interdependent self-construal.

H4: In an auditor-client conflict situation, auditors with dominant independent self-construal are likely to demonstrate higher levels of ethical intentions than auditors with dominant interdependent self-construal.

2.6 Effect of Self-Esteem on Auditors' Ethical Judgments and Ethical Intentions

Gecas (1982) argues that there are two predominant dimensions of self-esteem, namely (1) the sense of competence, power, or efficacy and (2) the sense of virtue or moral worth. The competence dimension (efficiency-based self-esteem) refers to the degree to which people see themselves as capable and efficacious, while the worth dimension (worth-based self-esteem) refers to the degree to which individuals feel they are persons of value (Cast & Burke, 2002). In this study, self-esteem is referred to as the extent to which individuals hold positive views about themselves, whether these views are based on competence/efficiency or based on worth (Rosenberg, 1965; Rosenberg et al., 1995). Self-esteem goes by a variety of terms such as self-respect, self-confidence, self-worth, self-acceptance, self-satisfaction, self-ideal or a sense of competence (Tharenou, 1979). Self-esteem is considered a universal and fundamental human need (Maslow, 1970).

The auditing standards do not mention self-esteem. However, sufficient self-esteem is critically important for auditors to maintain their professional scepticism (Yankova, 2015) which involves trusting their conclusions rather than being persuaded by management to resolve conflicts in favour of the client (Hurtt, 2010).

Empirical auditing studies that examine the impact of self-esteem on decision-making and job performance are scarce and show mixed results. For example, Malone and Roberts (1996) found no evidence that auditors with high self-esteem engage in less reduced audit

quality behaviours (e.g., signing off required audit steps, accepting clients' weak explanations due to pressure of tight time-budgets, failing to seek professional guidance when facing complex technical accounting and auditing issues, and signing audit reports before sufficient evidence is collected). In contrast, McKnight and Wright (2011) (2011) found that auditors' perceived self-confidence was critical to the effective conduct of the audit and to the auditor's job performance.

Empirical research from the psychology and business management literature provides substantial evidence that an individuals' reactions to life and work experiences vary with their levels of self-esteem. The psychology literature argues that individuals with low self-esteem believe that they cannot excel and accomplish self-validation goals (or compensate for the shortage in their self-esteem) unless they behave unethically (e.g., Crocker, 2002; Crocker & Park, 2004; Graf, 1971; Liang et al., 2016). In contrast, individuals with high-self-esteem are better able to regulate emotions, respond to criticism, manage traumatic and stressful events, resolve conflicts including proposing practical solutions to problems, and develop healthy interpersonal relationships (Pyszczynski, Greenberg, Solomon, Arndt, & Schimel, 2004; Tharenou, 1979).

Further, high self-esteem individuals are less likely to behave dishonestly (Graf, 1971), aggressively (Donnellan, Trzesniewski, Robins, Moffitt, & Caspi, 2005), and defiantly at work (e.g., take excessive sick days) (Avey, Palanski, & Walumbwa, 2011; Ferris, Brown, Lian, & Keeping, 2009; Suar et al., 2016). They are also less likely to behave materialistically, including being less likely to be involved with corrupt (Liang et al., 2016) and criminal behaviours such as property theft, robbery, court-order violations, drugs trafficking, common assault, and molestation (Trzesniewski et al., 2006).

To conclude, prior research indicates that individuals with high self-esteem are more likely to make ethical judgments (Gentina et al., 2016), have ethical intentions (Liang et al.,

2016), and behave ethically (Avey et al., 2011; Graf, 1971; Suar et al., 2016; Trzesniewski et al., 2006). Hence, the hypotheses are stated in the directional form as follows:

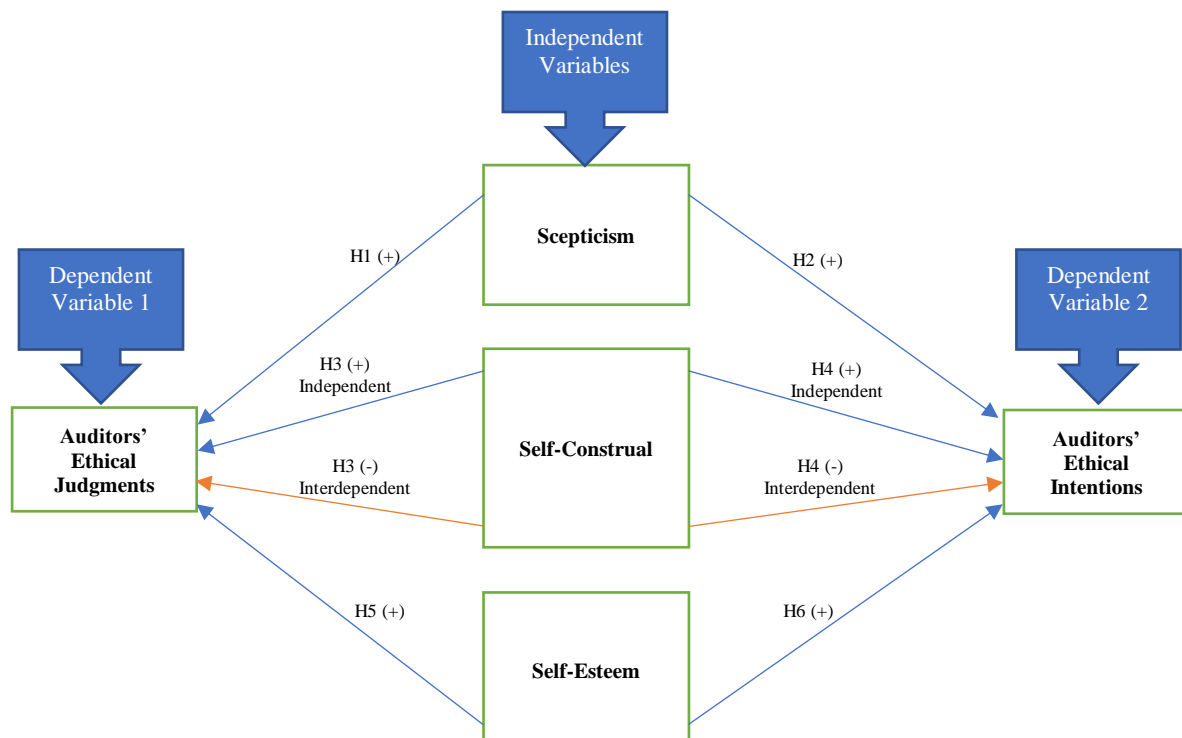
H5: In an auditor-client conflict situation, auditors with high levels of self-esteem are likely to demonstrate higher levels of ethical judgments than auditors with low levels of self-esteem.

H6: In an auditor-client conflict situation, auditors with high levels of self-esteem are likely to demonstrate higher levels of ethical intentions than auditors with low levels of self-esteem.

2.7 Summary

The purpose of this chapter was to present a review of the ethical decision-making literature and develop the hypotheses. The concepts of ethical judgment and ethical intention (the dependent variables) were discussed first. Next, six hypotheses were developed to establish expectations about the impact of scepticism, self-construal and self-esteem on auditors' ethical judgments and ethical intentions. A summary of the expectations is provided in Figure 3, depicting that auditors with high levels of scepticism, dominant independent self-construal, or high levels of self-esteem are likely to make ethical judgments and have ethical intentions. The research methods used in the study are discussed next in chapter 3.

Figure 3: Hypotheses Framework



Chapter 3 Research Methods

3.1 Overview

This chapter presents the research methods used to collect and analyse data to test the hypotheses developed in chapter 2. The chapter first discusses data collection and sample size. Second, the auditor-client conflict scenario to measure ethical judgment and ethical intention is explained. Next, the chapter discusses the instruments used to measure the three personality variables of scepticism, self-construal and self-esteem. Finally, the instruments' psychometric properties of validity and reliability are reviewed.

3.2 Data Collection

Data were collected using an online-based survey questionnaire, developed through Qualtrics' online survey platform and administered to a sample of external auditing practitioners in Australia. The survey collected data to measure the three independent personality variables of scepticism, self-construal and self-esteem, the dependent variables of ethical judgment and ethical intention and demographic information about the respondents.

To ensure the appropriateness and relevance of the measurement instrument to the sampled participants, the survey was pilot-tested and reviewed by five accounting academics with experience in both survey design and auditing research and practice. Based on feedback from the reviewers, minor changes were made to one instrument (the scale measuring self-construal) to make the wording more relevant to the practitioner auditing participants. The survey questionnaire is shown in Appendix C of the thesis.

3.3 Participants and Sample Size

The participants in the study are a sample of external auditing practitioners in Australia. The participants were identified through publicly accessible data, namely the list of chartered accountants in Australia from the website of Chartered Accountants Australia and New Zealand (CAANZ) and the list of auditors registered with Australian Securities and

Investments Commission (ASIC) from the website of ASIC Connect. Email addresses were obtained for 276 Chartered Accountants (CAs) as members of CAANZ and 245 auditors registered by ASIC. The study used a convenience sampling approach, i.e., respondents who are readily available and accessible were used as participants in the study (Leedy & Ormrod, 2015). The approach is justified by Smith (2003) who notes that convenience sampling is used in much accounting empirical research and has been used in prior accounting and ethical judgment studies (see, e.g., Driskill, 2016; Emerson, Conroy, & Stanley, 2007; Endrawes, 2010; Yang & Wu, 2009).

Consequently, the survey was emailed to 521 potential respondents. The survey was completed by 58 participants, which represents a response rate of 11%. Although one respondent did not complete the demographic questions, all data analyses were conducted on 58 respondents. While this response rate is low, it is consistent with Smith's (2003) contention that response rates less than 25% are common in survey research in accounting, and Shih and Fan (2008) who provide evidence that online-based survey administration modes have lower response rates than hard mail surveys by 10% on average. Lower response rates for online relative to hard copy mail surveys are also noted by other researchers (see, e.g., Dillman, Smyth, & Christian, 2009; Lin & Ryzin, 2012; Nulty, 2008). Table 1 presents the demographic data of the participants (All tables are shown in Appendix A to the thesis).

INSERT TABLE 1 ABOUT HERE

Table 1 shows that most of the participants are between the ages of 35 and 65 and the great majority (all but nine) are male. Fifty-six (98%) of the participants have more than six years of audit experience, and 40 (70%) are partners in their firms, while a further six are audit managers. The demographic data suggest that most of the participants in the study are experienced and at relatively senior level.

3.4 Auditor-Client Conflict Scenario

An auditor-client conflict scenario was used to measure ethical judgment and ethical intention. The scenario approach is used because it provides a realistic professional accounting context, i.e., a conflict with a client regarding the materiality of misstatements (Lampe & Finn, 1992; Patel et al., 2002; Reidenbach & Robin, 1990; Tyson, 1990). Such conflict is a subjective part of auditors' decision-makings (Audsabumrungrat, Pornupatham, & Hun-Tong, 2016; DeZoort, Harrison, & Taylor, 2006; IAASB, 2016c) and causes contentious ethical dilemmas with clients (Bergner, Peffer, & Ramsay, 2016; Hatfield et al., 2011; Hatfield & Mullis, 2015; Shafer et al., 2001) because of the propensity for clients to abuse materiality assessments in order to manage earnings (Legoria, Melendrez, & Reynolds, 2013).

The scenario is based on the one developed by Knapp (1985) and has been extensively used in subsequent studies of professional accountants' and auditors' ethical judgments and ethical reasoning (see, e.g., Gul et al., 2003; Patel et al., 2002; Tsui & Gul, 1996). Shown as Part 1 of the survey questionnaire in Appendix C, the scenario describes an auditor-client conflict between the external auditor-in-charge of Jackson Manufacturing Ltd and Jackson's Chief Financial Officer (CFO) over the materiality of specific unrecorded liabilities that have been discovered during the audit. The conflict in the scenario arises because the auditor-in-charge feels that the total amount of the unrecorded liability is material, while Jackson's CFO argues that the amount is immaterial. The scenario also describes the client as being economically significant to the audit firm in terms of its contribution to total audit revenue and in a market of strong competition from other audit firms. The scenario concludes by stating that the auditor-in-charge eventually decides to ignore the unrecorded liabilities for both the financial statement and the audit report.

3.5 Ethical Judgment

This study follows the ethical judgment measurement used by Patel et al. (2002), i.e., the eight-item Multidimensional Ethics Scale (MES) of Reidenbach and Robin (1988, 1990). The MES is based on three dimensions of ethical philosophies of (1) Moral Equity, (2) Relativism and (3) Contractualism, which encompass critical social survival goals such as greatest good, justice, duty, consequence, fairness and contract (Reidenbach and Robin, 1990). The MES has been tested for validity and reliability and has been widely used in prior studies for evaluating perceptions of ethical content of business and accounting activities (Cohen, Pant, & Sharp, 1993, 1996; Flory et al., 1992; McMahon & Harvey, 2007a, 2007b; Pan & Sparks, 2012; Patel, 2007; Patel et al., 2002; Schepers, 2003)⁷. The MES is shown as Q1 in Part 1 of the survey questionnaire in Appendix C.

3.6 Ethical Intention

Consistent with the approach used in prior research (Cohen et al., 1993, 1995, 1996, 1998; Patel, 2007; Patel et al., 2002), ethical intention was measured in this study by asking participants the following question: “If you were responsible for making the decision in the case (scenario), what is the probability that you would make the same decision (as the auditor-in-charge)?” Responses were scored by using a 7-point Likert-type scale with anchors of (Highly Probable = 1 and 7 = Highly Improbable). If a participant chose number 7, this indicates that he or she has signalled a highly ethical intention. However, if a participant chose number 1, this indicates that he or she has signalled a highly unethical intention.

3.7 Scepticism

Rotter’s Interpersonal Trust (RIT) scale Rotter (1967) is used to measure auditors’ scepticism (dispositional distrust). The RIT scale focuses on an individual’s extent of trust or distrust in others; “that is, if one has a tendency of distrust (scepticism), there is a presumption

⁷ See Patel (2007) and Patel et al., (2002), for a thorough review of the MES.

of dishonesty unless evidence indicates otherwise” (Quadackers et al., 2014, p. 646). The RIT scale has been found to have high construct validity and reliability and is widely used and accepted in non-auditing research (Crowe et al., 2017; Hoell, 2004; Johnson-George & Swap, 1982; Kantsperger & Kunz, 2010; Rotter, 1967; Stack, 1978; Toma, 2010; Webb & Worchel, 1986). In audit research, Quadackers et al. (2014) found the RIT scale to be a better predictor of desired auditor sceptical judgment than Hurtt’s (2010) Professional Scepticism Scale (HPSS). Quadackers et al. (2014) reported that, in non-auditing studies, the RIT scale has been associated strongly with actual behaviours more than other interpersonal trust scales, such as the trustworthiness component of Wrightsman’s (1964, 1974) Philosophies of Human Nature Scale. According to Quadackers et al. (2014), prior auditing studies using trust scales other than RIT have not reported consistent results.

The RIT scale consists of 25 statements scored on a 5-point, Likert-type scale. Participants were asked to indicate the extent to which they agreed or disagreed with each of the 25 statements in the scale. In order to correctly measure auditors’ distrust (rather than trust), the scoring of some statements in the scale was reversed. Consequently, 13 statements which signify distrust were scored on a 5-point, Likert-type scale with anchors of (Strongly Disagree = 1 and 5 = Strongly Agree). Examples of these statements are: “One is better off being cautious when dealing with strangers until they have provided evidence that they are trustworthy”; and “In these competitive times one has to be alert, or someone is likely to take advantage of you”. The remaining 12 statements, which signify trust, were reverse-scored to represent a 5-point, Likert-type scale with anchors of (Strongly Agree = 1 and 5 = Strongly Disagree). Examples of these statements are: “Most experts can be relied upon, to tell the truth about the limits of their knowledge”; and “In these competitive times one has to be alert, or someone is likely to take advantage of you”. All 25 items are shown in the survey question in Appendix C in Part 2 Section 2. A high score in the RIT suggests a high level of dispositional distrust or scepticism.

For the purpose of data analysis, the study followed the method of Toma (2010) and used the median to re-code the continuous scepticism variable into a categorical variable comprising of high and low self-esteem, i.e., participants who scored less than the median in the trust scale were categorised as having a low level of scepticism while respondents above the median were categorised as having a high level of scepticism.

3.8 Self-Construal

The Self-Construal Scale (SCS) developed by Singelis (1994) is used in this study to measure whether auditors perceive themselves as independent from others or as interdependent with others. Although it is theoretically argued that the aspects of independent and interdependent self-construals can co-exist in an individual (i.e., an individual may demonstrate an independent self in some social and group contexts and an interdependent self in others) (Singelis, 1994), one of the two self-construals consistently dominates an individual's thoughts, feelings, and behaviours (Hannover & Kuhnen, 2004). Therefore, this study compares those who have dominant independent self-construal with those who have dominant interdependent self-construal for the effect of self-construal on ethical judgments and ethical intentions. The SCS was the first and is the most common measure of self-construal Cross et al. (2011). It has been tested for validity and reliability and has been extensively used in prior research (Hsu, 2002; Milyavskaya, Reoch, Koestner, & Losier, 2010; van Horen, Pöhlmann, Koeppen, & Hannover, 2008; Ying & Patel, 2016).

The self-construal scale (shown as Section 3 in Part 2 of the questionnaire in Appendix C) contains 24 statements (12 statements for each of the independent and the interdependent subscales) and is scored using a 7-point, Likert-type scale with anchors of (Strongly Disagree = 1 and 7 = Strongly Agree). Participants were asked to indicate the extent to which they agreed or disagreed with each of the 24 statements in the scale. An example of the independent subscale statements is: "I act the same way no matter who I am with". An example of the

interdependent subscale statements is: “It is important for me to maintain harmony within my group”. Since the original SCS was developed and tested by Singelis (1994) among undergraduate university students, three statements in the scale were slightly rephrased to make them more suitable for the identified participants in this present study. The rephrased statements are: “I would offer my seat in a bus to my boss” (professor, in the original university context); “Speaking up during a meeting (previously, class) is not a problem for me”; and “I am the same person at home that I am at work (previously, university)”.

To analyse the data, the continuous self-construal scale was re-coded into ‘dominant independent and interdependent using a computation rule consistent with prior research (Hannover, Birkner, & Pöhlmann, 2006; Pöhlmann, Carranza, Hannover, & Iyengar, 2007; van Horen et al., 2008). The first step was to z-standardize the two subscales of self-construal. Next, for each participant, the z-scores on the interdependent subscale were subtracted from the independent subscale. Respondents with a positive score were categorised as ‘dominant independent’ whilst those with a negative score were categorised as ‘dominant interdependent’.

3.9 Self-Esteem

To measure participants’ self-esteem, Rosenberg’s Self-Esteem Scale (Rosenberg, 1965) is used in this study. This scale was originally designed to measure adolescents’ global feelings of self-worth or self-acceptance (Robinson, Shaver, & Wrightsman, 1991). It captures participants’ overall positive and negative feelings about themselves. The Rosenberg Self-Esteem Scale is one of the most widely used measures of self-esteem with satisfactory psychometric properties and has been tested for validity and reliability in prior research (Blascovich & Tomaka, 1991; Neff, Pisitsungkagarn, & Hsieh, 2008; Robins, Hendin, & Trzesniewski, 2001).

The scale (shown as Section 1 in Part 2 of the questionnaire in Appendix C) consists of 10 statements and uses a 4-point, Likert-type scale. Participants were asked to indicate the

extent to which they agreed or disagreed with each of the 10 statements in the scale. Five of the statements in the scale, which signify high self-esteem, were scored with anchors of (Strongly Disagree = 1 and 4 = Strongly Agree). One example of those statements is: “I feel that I’m a person of worth”. The remaining five statements in the scale, which signify low self-esteem, were reverse-scored to represent anchors of (Strongly Agree = 1 and 4 = Strongly Disagree). One example of those statements is: “I certainly feel useless at times”. A high score on the scale suggests a high level of self-esteem whereas a low score suggests a low level of self-esteem.

To perform the data analysis, following Wray and Stone (2005), the self-esteem variable was categorised into high and low based on the median score, i.e. respondents who scored less than the median were classified as having low level of self-esteem while participants above the mean were categorised as having high self-esteem.

3.10 Reliability

Table 2 presents the internal consistency coefficients (Cronbach’s alpha) for all variables measured in this study and compares them with examples of the prior use of the variables in studies of professional accountants’ and auditors’ ethical decision-makings. Table 2 shows that all alpha coefficients are 0.69 and above, indicating the acceptable reliability of the scales (Clark & Watson, 1995; Nunnally, 1975).

INSERT TABLE 2 ABOUT HERE

3.11 Summary

This chapter described the research methods used to conduct this study including the data collection tool. The auditor-client conflict scenario was described followed by a discussion of the instruments used to measure the two dependent variables and the three independent variables. Finally, the instruments’ reliability properties relative to prior research were outlined. The results of the data analysis and hypotheses tests are presented next in chapter 4.

Chapter 4 Results

4.1 Overview

This chapter presents the results of the study. Section 4.2 presents the descriptive statistics, and the results of preliminary analyses are outlined in Section 4.3. Finally, the hypotheses tests are reported in Section 4.4.

4.2 Descriptive Statistics

Table 3 presents the descriptive statistics regarding the independent variables of scepticism, self-construal and self-esteem.

INSERT TABLE 3 ABOUT HERE

It can be seen from table 3 that auditors differ with regard to scepticism, $t(56) = 10.45$, $p = 0.000$, two-tailed, with some auditors having high levels of scepticism ($M = 86.30$, $SD = 3.84$) and others having low levels of scepticism ($M = 76.25$, $SD = 3.45$). Table 3 also shows that the self-construal of auditors differs (based on z-scores), $t(56) = 9.07$, $p = 0.000$, two-tailed, with auditors having either dominant independent self-construal ($M = 1.09$, $SD = 1.00$) or dominant interdependent self-construal ($M = -1.17$, $SD = 0.90$). Finally, the table also shows that the self-esteem of auditors varies ($t(56) = 8.75$, $p = 0.000$, two-tailed) between high levels ($M = 26.60$, $SD = 1.75$) and low levels ($M = 23.00$, $SD = 1.33$).

4.3 Preliminary Analyses

Univariate tests using one-way Analysis of Variance (ANOVA) were run to separately relate the three independent variables (scepticism, self-construal and self-esteem) to the two dependent variables (ethical judgment and ethical intention). Empirical evidence at the univariate level provides preliminary evidence regarding the results of the hypotheses tests, i.e., that auditors who were more sceptical or have a dominant independent self-construal are more likely to make ethical judgments and have ethical intentions in an auditor-client conflict

situation than auditors who were less sceptical or have a dominant interdependent self-construal. Table 4 summarises the results.

INSERT TABLE 4 ABOUT HERE

Panel A shows the results for ethical judgment. It can be seen that auditors who were more sceptical ($M = 5.82$, $SD = 1.11$) have a greater likelihood than those who were less sceptical ($M = 5.30$, $SD = 1.04$), of making ethical judgments, $F(1, 56) = 3.37$, $p < 0.05$, one-tailed. Congruently, auditors with dominant independent self-construal ($M = 5.75$, $SD = 1.09$) are more likely than those with dominant interdependent self-construal ($M = 5.37$, $SD = 1.08$) to make ethical judgments, $F(1, 56) = 1.76$, $p < 0.10$, one-tailed. The results for the effect of self-esteem on ethical judgment were not significant, $F(1, 56) = 0.06$, $p = 0.407$, one-tailed.

Panel B presents the results for ethical intention. Table 4 shows that auditors who are more sceptical ($M = 5.93$, $SD = 1.46$) are more likely than less sceptical auditors ($M = 5.43$, $SD = 1.35$) to have ethical intentions, $F(1, 56) = 1.87$, $p < 0.10$, one-tailed. Consistently, auditors who have a dominant independent self-construal ($M = 6.03$, $SD = 1.33$) are more likely than those who have a dominant interdependent ($M = 5.32$, $SD = 1.44$) to have ethical intentions, $F(1, 56) = 3.84$, $p < 0.05$, one-tailed. Unexpectedly, auditors with high self-esteem ($M = 5.43$, $SD = 1.55$) are less likely than auditors with low self-esteem ($M = 5.96$, $SD = 1.23$) to have ethical intentions, $F(1, 56) = 2.07$, $p < 0.10$, one-tailed.

4.4 Hypotheses Testing

Six hypotheses were developed in chapter 2 concerning whether auditors' ethical judgments and ethical intentions in an auditor-client conflict situation are prompted by (1) high levels of scepticism (dispositional distrust), (2) dominant independent self-construal, and (3) high levels of self-esteem. Multivariate tests using general linear model were run to determine the main effects and the two-way interaction effects of the independent variables on auditors'

ethical judgments and ethical intentions and thus facilitate tests of the hypotheses. Table 5 reports the result.

INSERT TABLE 5 ABOUT HERE

Panel A shows the results of the general linear model relating scepticism, self-construal and self-esteem to auditors' ethical judgments. The model is weakly significant ($p = 0.109$, one-tailed) and explains 14.5% of the variance in the ethical judgments. It can also be seen that auditors who are more sceptical are more likely to make ethical judgments than auditors who are less sceptical, $F(1, 51) = 2.52$, $p < 0.10$, one-tailed. Thus, H1 is supported. The results for self-construal and self-esteem were not significant, suggesting that H3 (self-construal) and H5 (self-esteem) are not supported.

However, Panel A shows that the scepticism/self-construal interaction was significant, $F(1, 51) = 3.65$, $p < 0.05$, one-tailed. Further analysis using Gabriel's post-hoc tests revealed that auditors who were more sceptical and, at the same time, had a dominant independent self-construal demonstrated significantly higher levels of ethical judgments compared with (i) auditors who were less sceptical and, at the same time, had dominant independent self-construal ($p < 0.05$, one-tailed), and (ii) compared with auditors who were more sceptical and, at the same time, had dominant interdependent self-construal ($p < 0.10$, one-tailed).

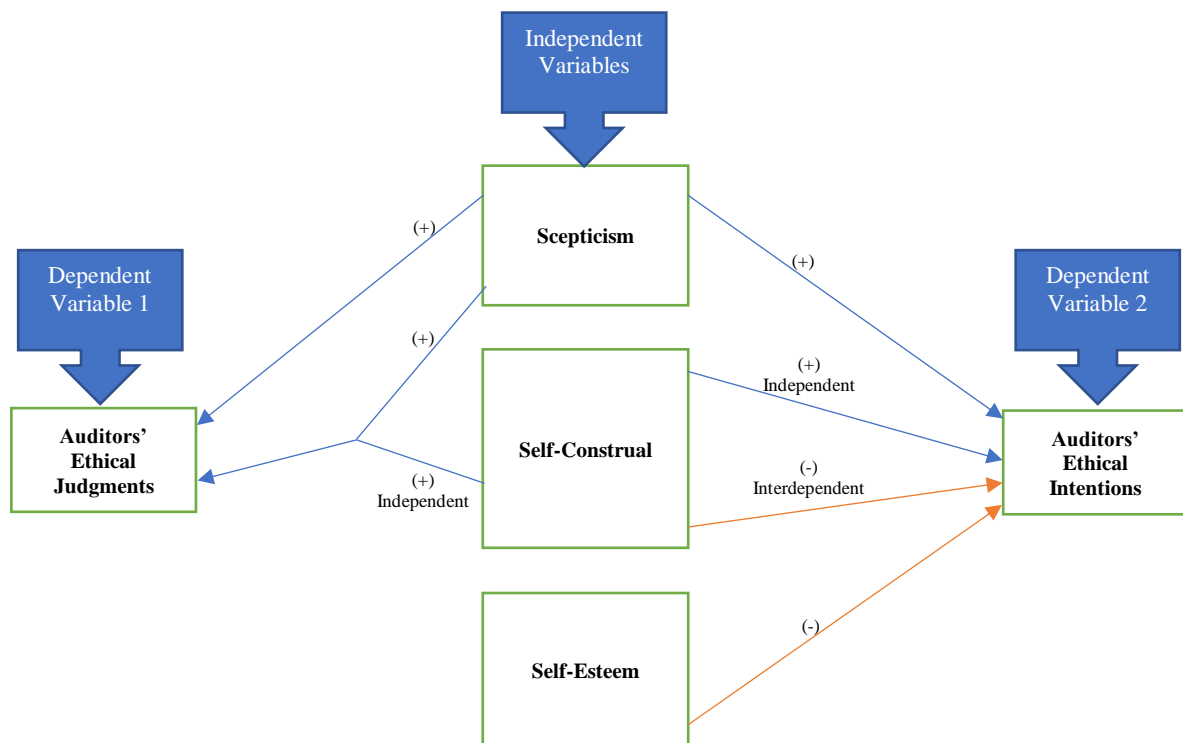
Panel B reports the results of the general linear model relating scepticism, self-construal and self-esteem to auditors' ethical intentions. The model is weakly significant ($p = 0.098$, one-tailed) explaining 15% of the variance in the ethical intentions. The table reports marginally significant results ($p < 0.10$, one-tailed) indicating that auditors with high scepticism, dominant independent self-construal or low (rather than high) self-esteem are more likely to have ethical intentions than auditors with low scepticism, dominant interdependent self-construal or high (rather than low) self-esteem. Hence, hypotheses H2 (scepticism) and H4 (self-construal) are supported with regards to ethical intentions. However, H6 (self-esteem) is not supported

because, although the association is significant, it is in the opposite direction to the hypothesis. Moreover, there are no significant interactions between the independent variables affecting ethical intentions.

4.5 Summary

This chapter presented the results of the study, i.e., the descriptive statistics, univariate analysis and multivariate analysis which tested the hypotheses. Discussion of the implications of these results, conclusions, limitations, and suggestions for future research are presented in chapter 5.

Figure 4: Summary of Results



Chapter 5 Conclusions and Discussion

5.1 Overview

This chapter first summarizes the research conducted for the thesis and discusses the results in terms of their significance and their relationship with prior research. The contributions and implications of the study for both practice and the research literature are then discussed, followed by a discussion of the limitations of the study providing opportunities for future research.

5.2 Summary

The purpose of this study was to examine the research question of whether the personality traits of scepticism, self-construal and self-esteem affect auditors' ethical judgments and ethical intentions. The study was motivated overall because of the importance of auditors acting ethically in underpinning the quality of the external audit provided, and by the potentially adverse economic and social consequences of auditors' failure to exercise ethical judgments and ethical behaviours. The examination of the personality traits was motivated because, while researchers increasingly recognise the importance of individual factors, particularly personality traits, affecting auditors' ethical decision-makings, empirical research is relatively limited.

The study drew on the cognitive model of ethical decision-making developed by Rest (1986). This model comprised four components of ethical decision-making process, namely ethical sensitivity, ethical judgment, ethical intention, and ethical behaviour. The study concentrated on two of these components, ethical judgment and ethical intention. Ethical judgment (or what ought to be done) was defined and operationalized as the individual's evaluation/decision of what is ethical or unethical to do in response to an issue (Nguyen & Biderman, 2008; Rest, 1986). Ethical intention (what will be done) was defined and operationalized as the individual's self-reported likelihood (i.e. subjective probability) that he or she would engage in an ethical behaviour in response to the issue (Jones, 1991; Rest, 1986).

Ethical judgment and ethical intention were chosen for examination because ethical judgment subsumes ethical sensitivity and ethical intention is a well-established and accepted surrogate for ethical behaviour.

The research question was addressed by an online survey of 58 auditors in Australia (40, or 70%, of whom were at partner level) who provided data on their ethical judgments and ethical intentions in an auditor-client conflict scenario as well as data on the three personality traits and demographic data. The auditor-client conflict scenario was chosen as the issue because it has been used consistently and successfully in prior studies of auditor ethicality and because it is an important and common situation that typically contains ethical dimensions and provides an ethical dilemma for external auditors. The three personality traits were measured using well-established instruments with good psychometric properties of validity and reliability.

Six hypotheses were formulated and tested. For each of the three personality traits, two hypotheses were formulated, one predicting an association between the personality trait and ethical judgment and the other predicting an association between the personality trait and ethical intention. Ethical judgment was measured by the 8-item Multidimensional Ethics Scale (MES). Ethical intention was measured by a single-item scale.

The first two hypotheses were that auditors with high levels of scepticism (or dispositional distrust) would be more likely to make ethical judgments (H1) and ethical intentions (H2) than auditors with low levels of scepticism. Both H1 and H2 were supported.

Hypotheses 3 and 4 predicted that auditors with dominant independent self-construal would be more likely to make ethical judgments (H3) and ethical intentions (H4) than auditors with dominant interdependent self-construal. H4 was supported. However, H3 was not supported in the multivariate analyses, although the univariate analysis showed a significant association between independent self-construal and ethical judgments in the direction

predicted.

Hypotheses 5 and 6 predicted that auditors with high levels of self-esteem would be more likely to make ethical judgments (H5) and ethical intentions (H6) than auditors with low self-esteem. Neither H5 nor H6 was supported.

The findings suggest, therefore, that scepticism (dispositional distrust) is an important personality factor that promotes auditors' ethical decision-makings in situations of ethical dilemmas. The finding shows auditors with high levels of scepticism trait (dispositional distrust) are more likely to resolve (and accept resolving) conflict with client management by making ethical decisions than auditors with low levels of scepticism. That is, unlike sceptical (distrusting) auditors, less sceptical (trusting) auditors are likely to rely too much on the arguments of client management regarding materiality assessment of misstatements in financial reports and make less effort on testing the reliability of those arguments. This finding is consistent with the majority of prior research (i.e., Farag & Elias, 2012; Quadackers et al., 2014; Rose & Rose, 2008; Rose, Rose, & Dibben, 2010; Rose, 2007). These studies were reviewed in chapter 2 and formed the basis for the development of H1 and H2 in this study. The consistency of findings reinforces the importance of this personality factor underpinning auditors' ethical decision-makings.

With respect to self-construal, the review of the literature in chapter 2 showed that a number of prior studies had theorized and/or found that independent self-construal, either at the individual level of personality or at the group level of culture (where independent self-construal equated to the cultural dimension of individualism), was associated with a high level of ethical judgment and ethical behaviour (e.g., Bik & Hooghiemstra, 2017; Cohen et al., 1995; Karacaer et al., 2009; Patel et al., 2002). By contrast, other studies found that interdependent self-construal was associated with a high level of ethical decision-making (e.g., Cojuharenco et al., 2012; Hoyt & Price, 2015; Prooijen & Bos, 2009; Ying & Patel, 2016).

The results for H4 (that auditors with dominant independent self-construal were more likely to make ethical intentions than those with dominant interdependent self-construal) lend weight to the former group of studies. However, it was noted in chapter 2 that the effect of self-construal on individual behaviour depended on the individual's role in the societal or occupational collective or group. Hoyt and Price (2015), for example, found that the association between self-construal and ethical behaviour depended on the role of the individual group member as leader or non-leader. Hoyt and Price (2015) found that, for non-leading group members, interdependent self-construal was associated with a low level of unethical decision-making on behalf of the group, whereas for leading group members, interdependent self-construal was associated with a high level of unethical decision-making. Similarly, Ying and Patel (2016) argued that the positive association they found between interdependent self-construal and ethical behaviour was based on the premise that the subordinate individuals in their study were concerned with maintaining harmonious relationships with superiors, and, hence, were motivated to agree with their superior's stance, irrespective of perceived ethicality. The participants in the current study are predominantly partner level auditors. That is, they are in the leading (or superior) rather than non-leading (or subordinate) role in the occupational group. Hence, the findings of the study with respect to the association between self-construal and ethical intention are also consistent with those of Hoyt and Price (2013) and Ying and Patel (2016) because of the composition of the survey respondents.

By contrast, the results for H3 (that auditors with dominant independent self-construal were more likely to make ethical judgments than those with dominant interdependent self-construal) were not significant. This might be an artefact of the Multidimensional Ethics Measure used to measure ethical judgment, discussed further in the Limitations and Opportunities for Further Research section of this chapter. Alternatively, the findings might point to a more complex relation of self-construal with ethical decision-making. In this respect,

additional analyses conducted to examine potential interaction effects indicated that auditors with dominant independent self-construal demonstrated significantly higher levels of ethical judgments in an auditor-client conflict situation if they were, at the same time, high on scepticism.

These findings regarding the effect of self-construal on auditors' ethical decision-makings suggest that, auditors who dominantly perceive themselves as independent from others are likely to be independent in mind from their client management, more objective, and hence more likely to resolve conflict with client management by making ethical decisions more than auditors who dominantly perceive themselves as interdependent with others. Unlike auditors with dominant independent self, auditors with dominant interdependent self are likely to prefer maintaining harmony with their client management in conflict situations, rather than doing what is ethically and professionally acceptable. As Cojuharenco et al. (2012) argue, individuals who are strongly influenced by social contexts (i.e., interdependent selves) are vulnerable to the influence of close others who might be unethical (Gino et al., 2009) and more likely to engage in unethical behaviours when the well-being of a close other is at stake (Wiltermuth, 2011). Thus, it is likely that, in some contexts and professions, such as external auditing, and especially among those who hold a leading position (i.e. partners and audit managers), independent (rather than interdependent) self-construal is more beneficial for promoting ethical decisions in conflict situations.

By contrast with the findings for the personality traits of scepticism and self-construal, the findings for self-esteem did not provide support for the effect of self-esteem on auditors' ethical judgments. Nor did the findings provide support for the positive effect of self-esteem on ethical intention. Rather, the study found the opposite of the predicted effect in that low self-esteem was found to be significantly associated with a high level of ethical intention.

On the one hand, this may suggest that self-esteem is a less important personality trait in

affecting auditors' ethical decision-makings in auditor-client conflict situations, relative to scepticism and self-construal. Reference back to the literature review in chapter 2 shows that, while the psychological studies suggest that high self-esteem is associated with a low level of corrupt intentions and dishonest behaviour in societal and business contexts generally (e.g., Ferris et al., 2009; Liang et al., 2016; Suar et al., 2016; Trzesniewski et al., 2006), the only prior study that has directly examined the effect of self-esteem on auditors' ethical decision-makings (i.e., Malone & Roberts, 1996) also found no association.

On the other hand, studies of the impact of personality traits on individual behaviour generally show that the impact is context-contingent (Fleeson & Jayawickreme, 2015; Mischel, 2004), while studies of the impact of self-esteem specifically have shown that high self-esteem does not *always* promote ethical decisions and ethical behaviours (Baumeister, Campbell, Krueger, & Vohs, 2003; Kernis, Lakey, & Heppner, 2008). In fact, Baumeister et al. (2003) argue that accurate or sufficient (but not high or low) levels of self-esteem promote more valuable and desirable functions and behaviours. Consequently, these studies indicate that it is plausible that a sufficient/accurate level of self-esteem is useful in promoting auditors' ethical decision-makings in a context of ethical dilemma such as the auditor-client conflict context of this study. A sufficient level of self-esteem in audit practices may be the level that enables auditors to maintain a critical mindset and to resist the arguments, assertions and persuasion attempts of an audit client management (Hurt, 2010; Yankova, 2015).

Furthermore, it is possible that self-esteem does not always directly affect auditors' ethical judgments and ethical intentions, but that the effect may sometimes be moderated by other factors, such as auditors' levels of materialism trait (Liang et al., 2016) and their expectations of the benefits and risks of their judgments and intentions (Arora & Kumari, 2015; Ferris, Lian, Brown, & Morrison, 2015; Wray & Stone, 2005).

5.3 Contributions and Implications

This study contributes to both the literature on the effects of personality traits on auditors' ethical decision-makings and to practice. With respect to practice, the findings of the study enrich understanding of the characteristics affecting ethicality in auditors and suggest that enhanced awareness of these characteristics would provide benefits for audit firms in their recruitment and development processes. Specifically, recognizing that scepticism (dispositional distrust) and independent self-construal potentially promote auditors' ethical judgments and ethical intentions will allow audit firms to focus on these aspects when hiring personnel and/or assigning personnel to audit engagement teams. Accounting and auditing firms typically use psychometric tests including personality tests in their recruitment and appointment processes (see, e.g., Institute for Psychometric Coaching, 2017). The results of this study suggest that such tests should include measures of the personality traits of scepticism and self-construal, and, potentially, self-esteem, should further research support either the sufficiency or interaction conjecture about the effect of self-esteem on ethical judgment or intention.

Furthermore, International Standard on Quality Control (ISQC) 1 and Australian and Professional Ethics Standard (APES) 320 require audit firms to establish quality control policies and procedures that emphasize fundamental ethical principles and that reinforce these principles through education, training, and monitoring. The results of this study provide insights for audit firms in establishing and designing development and training programs for audit staff that educate and reinforce the importance of scepticism and independence of self in the conduct of audit practices. While such development and training programs can reinforce these attributes, nonetheless they remain personality traits that are intrinsic to, and endure in, individuals, suggesting the overarching importance of assessing and seeking these individual characteristics formally in the audit firm's recruitment and appointment processes.

The study also contributes to the literature and research in auditors' ethical decision-makings. It is the first study to examine the effects of the three personality traits (scepticism, self-construal, and self-esteem) on auditors' ethicality in auditor-client conflict situations using the four-component model of Rest (1986). In doing so, it firstly reinforces the importance of the individual factor of personality as affecting auditors' ethical judgments and ethical intentions. Secondly, the use of Rest's (1986) model allowed the decomposition of auditor ethicality into the four stages of ethical sensitivity, ethical judgment, ethical intention and ethical behaviour, and yielded insight into the effects of the personality traits on two important components of the model, namely ethical judgment and ethical intention. As a consequence, the study supports the relevance of Rest's (1986) model for research into auditors' ethical decision-makings. And, at the overarching level, the study addresses the call by researchers to expand existing theoretical models of auditors' ethical decision-makings processes and enriches understanding of the factors that determine how and why an auditing practitioner may behave in response to an ethical dilemma.

5.4 Limitations and Opportunities for Future Research

The study is subject to four limitations that should be taken into consideration when interpreting the findings, and that give rise to opportunities for future research. First, the study is limited by a low response rate and, hence, a small data set, as well as using convenience rather than systematic sampling. These issues limit the generalizability of the study's findings as the participants may not be representative of auditors generally. Additionally, the small dataset meant a limited range of variation in the measurement of some variables. This might be a potential cause of the significance levels that were found for the associational effect of scepticism on auditors' ethical judgments and ethical intentions, and for the associational effect of self-construal on ethical intention. While these associational effects were found to be significant, they were marginally so at 10%.

The sample size and variation therein might also be a cause of the inability to find significant associations between self-construal and self-esteem and ethical judgment. Alternatively, the Multidimensional Ethics Scale (MES), while well-established and tested in prior studies, is a complex measure comprising three separate dimensions of ethical philosophies (moral equity, relativism and contractualism). This complexity might have contributed to a ‘wash-out’ effect when aggregated, meaning that future research might well disaggregate the measure into its separate dimensions and/or use a simpler question to measure participants’ assessment of the ethicality of a given decision or action. Given the theoretical support for the importance of the personality traits of scepticism, self-construal and self-esteem, future research with a larger sample and greater variation, and addressing the complexity of the MES, is warranted. By contrast, a strength of the study is that it obtained data from audit practitioners and, further, that 70% of the practitioners were partner level. This is a strength when compared to many prior studies that have used accounting students as surrogates for auditing practitioners and/or junior level auditors, and suggests that the results are likely to represent typical experienced senior practitioners of auditing in Australia.

Second, the study establishes associations consistent with theory and, therefore, allows the implication that effects exist between the variables examined. This is an essential step in determining causation (Nardi, 2014). However, as an associational study, the results cannot support empirical statements of causality; that is, they do not support a causal effect of scepticism on ethical judgments and ethical intentions. Future studies may re-examine the research questions of this study in an experimental setting to investigate the causation effect of scepticism, self-construal, and self-esteem on auditors’ ethical decision-makings through their effect on auditors’ ethical judgments and ethical intentions.

Third, the study did not consider the moderating effect of contingent factors on the relation between the three personality variables and auditors’ ethical judgments and ethical

intentions. For example, while this study did not find a direct effect of the personality trait of self-construal on auditors' ethical judgments, it did find an interaction effect of self-construal with scepticism. Future research into more complex interaction effects models will be worthwhile either in terms of interactions among personality factors or between personality and non-individual factors, such as, for example, between the personality of the individual and the ethical or organizational culture of the audit firm, or between personality and the individual's expectations of benefits and risks arising from an ethical dilemma or an (un)ethical decision.

Finally, psychologists suggest that the impact of personality traits on judgments and intentions varies by context (Fleeson & Jayawickreme, 2015; Mischel, 2004). Similarly, prior auditing research suggests that auditors' ethical decision-makings (including judgments and intentions) are context-contingent (Cohen & Martinov-Bennie, 2006; Curtis et al., 2012; Lampe & Finn, 1992), suggesting that the level of ethicality of an auditor's judgment and intention in a certain context may not be the same in another. A limitation of this study is that it used just one example of an ethical dilemma, that of an auditor-client conflict. While this context was well-justified in terms of its realism and typicality for practising auditors and in terms of its ethical dimensions, it is still just one context. Future research employing other and/or more than one scenario representing context will be worthwhile and will allow testing whether the influence of the personality traits on auditors' ethical judgments and ethical intentions found in this study is consistent across different contexts. Despite these limitations, this study is an important step in ascertaining the when, why, and how of auditors' ethical judgments and ethical behaviours.

References

- Accounting Professional & Ethical Standards Board Limited (APESB). (2009). APES 320 Quality Control for Firms.
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behaviour*. Englewood Cliffs, NJ: Prentice-Hall.
- Alzola, M. (2017). Beware of the Watchdog: Rethinking the Normative Justification of Gatekeeper Liability. *Journal of Business Ethics*, 140(4), 705-721. doi:10.1007/s10551-017-3460-3
- Arjoon, S. (2008). Reconciling situational social psychology with virtue ethics. *International Journal of Management Reviews*, 10(3), 221-243. doi:10.1111/j.1468-2370.2007.00216.x
- Arora, M., & Kumari, S. (2015). Self-Esteem as Determinant of Investors' Stock Market Participation: Mediating Role of Risk Preferences and Behavioral Biases. *PSYCHOLOGIA*, 58(3), 115-126. doi:10.2117/psysoc.2015.115
- Audsabumrungrat, J., Pornupatham, S., & Hun-Tong, T. (2016). Joint Impact of Materiality Guidance and Justification Requirement on Auditors' Planning Materiality. *Behavioral Research in Accounting*, 28(2), 17-27. doi:10.2308/bria-51339
- Australian Securities and Investment Commission (ASIC). (2014). *Report 397: Australian Inspection Program Report for 2012–13*. Retrieved from <http://download.asic.gov.au/media/1344614/rep397-published-27-June-2014.pdf>
- Avey, J. B., Palanski, M. E., & Walumbwa, F. O. (2011). When Leadership Goes Unnoticed: The Moderating Role of Follower Self-Esteem on the Relationship Between Ethical Leadership and Follower Behavior. *Journal of Business Ethics*, 98(4), 573-582. doi:10.1007/s10551-010-0610-2
- Barnett, T., Bass, K., & Brown, G. (1996). Religiosity, ethical ideology, and intentions to report a peer's wrongdoing. *Journal of Business Ethics*, 15(11), 1161-1174. doi:10.1007/bf00412815
- Barrainkua, I., & Espinosa-Pike, M. (2015). New insights into underreporting of time: the audit partner context. *Accounting, Auditing & Accountability Journal*, 28(4), 494-514. doi:10.1108/AAAJ-02-2014-1618
- Bauer, T. D. (2015). The Effects of Client Identity Strength and Professional Identity Salience on Auditor Judgments. *Accounting Review*, 90(1), 95-114. doi:10.2308/accr-50863
- Baumeister, R. F., Campbell, J. D., Krueger, J. I., & Vohs, K. D. (2003). Does High Self-Esteem Cause Better Performance, Interpersonal Success, Happiness, or Healthier Lifestyles? *Psychological Science in the Public Interest*, 4(1), 1-44. doi:10.1111/1529-1006.01431
- Beattie, V., Fearnley, S., & Brandt, R. (2004). A Grounded Theory Model of Auditor-Client Negotiations. *International Journal of Auditing*, 8(1), 1-19. doi:10.1111/j.1099-1123.2004.00225.x
- Bebeau, M. J. (2002). The Defining Issues Test and the Four Component Model: Contributions to professional education. *Journal of Moral Education*, 31(3), 271-295. doi:10.1080/0305724022000008115
- Bergner, J. M., Peffer, S. A., & Ramsay, R. J. (2016). Concession, Contention, and Accountability in Auditor-Client Negotiations. *Behavioral Research in Accounting*, 28(1), 15-25. doi:10.2308/bria-51146

- Beu, D., & Buckley, M. R. (2001). The Hypothesized Relationship Between Accountability and Ethical Behavior. *Journal of Business Ethics*, 34(1), 57-73.
doi:10.1023/a:1011957832141
- Bik, O., & Hooghiemstra, R. (2017). The Effect of National Culture on Auditor-in-Charge Involvement. *Auditing: A Journal of Practice & Theory*, 36(1), 1-19.
doi:10.2308/ajpt-51487
- Blascovich, J., & Tomaka, J. (1991). CHAPTER 4 - Measures of Self-Esteem A2 - Robinson, John P. In P. R. Shaver & L. S. Wrightsman (Eds.), *Measures of personality and social psychological attitudes* (pp. 115-160): Academic Press.
- Blay, A. D. (2005). Independence Threats, Litigation Risk, and the Auditor's Decision Process. *Contemporary Accounting Research*, 22(4), 759-789. doi:10.1506/5FQ9-ANEA-T8J0-U6GY
- Carlson, D. S., Kacmar, K. M., & Wadsworth, L. L. (2002). The Impact Of Moral Intensity Dimensions On Ethical Decision Making: Assessing The Relevance Of Orientation. *Journal of Managerial Issues*, 14(1), 15-30.
- Cast, A. D., & Burke, P. J. (2002). A Theory of Self-Esteem. *Social Forces*, 80(3), 1041-1068. doi:10.1353/sof.2002.0003
- Chiu, R. K. (2002). Ethical judgement, locus of control, and whistleblowing intention: a case study of mainland Chinese MBA students. *Managerial Auditing Journal*, 17(9), 581-587. doi:10.1108/02686900210447588
- Chiu, R. K. (2003). Ethical Judgment and Whistleblowing Intention: Examining the Moderating Role of Locus of Control. *Journal of Business Ethics*, 43(1), 65-74.
doi:10.1023/a:1022911215204
- Clark, L. A., & Watson, D. (1995). Constructing Validity: Basic Issues in Objective Scale Development. *Psychological Assessment*, 7(3), 309-319.
- Cohen, J. R., & Martinov-Bennie, N. (2006). The Applicability of a Contingent Factors Model to Accounting Ethics Research. *Journal of Business Ethics*, 68(1), 1-18.
doi:10.1007/s10551-006-9036-2
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1993). A validation and extension of a multidimensional ethics scale. *Journal of Business Ethics*, 12(1), 13-26.
doi:10.1007/bf01845782
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1995). An Exploratory Examination of International Differences in Auditors' Ethical Perceptions. *Behavioral Research in Accounting*, 7, 37.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1996). Measuring the Ethical Awareness and Ethical Orientation of Canadian Auditors. *Behavioral Research in Accounting*, 8, 98-119.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (1998). The Effect of Gender and Academic Discipline Diversity on the Ethical Evaluations, Ethical Intentions and Ethical Orientation of Potential Public Accounting Recruits. *Accounting Horizons*, 12(3), 250-270.
- Cohen, J. R., Pant, L. W., & Sharp, D. J. (2001). An Examination of Differences in Ethical Decision-Making Between Canadian Business Students and Accounting Professionals. *Journal of Business Ethics*, 30(4), 319-336.
doi:10.1023/a:1010745425675
- Cojuharenco, I., Shteynberg, G., Gelfand, M., & Schminke, M. (2012). Self-Construal and Unethical Behavior. *Journal of Business Ethics*, 109(4), 447-461.
doi:10.1007/s10551-011-1139-8

- Coram, P., Glavovic, A., Juliana, N., & Woodliff, D. R. (2008). The Moral Intensity of Reduced Audit Quality Acts. *Auditing: A Journal of Practice & Theory*, 27(1), 127-149.
- Crocker, J. (2002). The Costs of Seeking Self-Esteem. *Journal of Social Issues*, 58(3), 597-615. doi:10.1111/1540-4560.00279
- Crocker, J., & Park, L. E. (2004). The Costly Pursuit of Self-Esteem. *Psychological Bulletin*, 130(3), 392-414.
- Cross, S. E., Hardin, E. E., & Gercek-Swing, B. (2011). The What, How, Why, and Where of Self-Construal. *Personality and Social Psychology Review*, 15(2), 142-179. doi:10.1177/1088868310373752
- Crowe, P., Collins, M., Larue, O., Green, R., Hough, A., & Juvina, I. (2017). Examining the Role of Trust in Peer-Assisted Learning. *Proceedings of the Human Factors and Ergonomics Society Annual Meeting*, 61(1), 165-169. doi:10.1177/1541931213601525
- Curtis, M. B., Conover, T. L., & Chui, L. C. (2012). A Cross-Cultural Study of the Influence of Country of Origin, Justice, Power Distance, and Gender on Ethical Decision Making. *Journal of International Accounting Research*, 11(1), 5-34. doi:10.2308/jiar-10213
- Cushing, B. E. (2000). *Economic analysis of skepticism in an audit setting*. Paper presented at the Proceeding of the 14 th Symposium on Auditing Research.
- Detert, J. R., Trevino, L. K., & Sweitzer, V. L. (2008). Moral Disengagement in Ethical Decision Making: A Study of Antecedents and Outcomes. *Journal of Applied Psychology*, 93(2), 374-391.
- DeZoort, T., Harrison, P., & Taylor, M. (2006). Accountability and auditors' materiality judgments: The effects of differential pressure strength on conservatism, variability, and effort. *Accounting, Organizations and Society*, 31(4), 373-390. doi:10.1016/j.aos.2005.09.001
- Dillman, D. A., Smyth, J. D., & Christian, L. M. (2009). *Internet, Phone, Mail and Mixed-Mode Surveys: The Tailored Design Method* (3rd ed.). Hoboken, NJ: John Wiley & Sons, Inc.
- Donnellan, M. B., Trzesniewski, K. H., Robins, R. W., Moffitt, T. E., & Caspi, A. (2005). Low Self-Esteem Is Related to Aggression, Antisocial Behavior, and Delinquency. *Psychological Science*, 16(4), 328-335. doi:10.1111/j.0956-7976.2005.01535.x
- Donnelly, D. P., Quirin, J. J., & Bryan, D. (2011). Attitudes Toward Dysfunctional Audit Behavior: The Effects of Locus of Control, Organizational Commitment, and Position. *The Journal of Applied Business Research*, 19(1). doi:10.19030/jabr.v19i1.2151
- Driskill, T. (2016). *Real-World Ethical Dilemmas in Introductory Accounting*. (10018926 Ph.D.), Northcentral University, Ann Arbor. Retrieved from <http://simsrad.net.ocs.mq.edu.au/login?url=https://search.proquest.com/docview/1768054652?accountid=12219> ProQuest Dissertations & Theses Global database.
- Dubinsky, A. J., & Loken, B. (1989). Analyzing ethical decision making in marketing. *Journal of Business Research*, 19(2), 83-107. doi:10.1016/0148-2963(89)90001-5
- Emerson, T. L. N., Conroy, S. J., & Stanley, C. W. (2007). Ethical Attitudes of Accountants: Recent Evidence from a Practitioners' Survey. *Journal of Business Ethics*, 71(1), 73-87. doi:10.1007/s10551-006-9125-2
- Endrawes, M. (2010). *Professional Scepticism of Auditors: A Cross-Cultural Experiment*. University of Western Sydney.

- Espinosa-Pike, M., & Barrainkua, I. (2016). An exploratory study of the pressures and ethical dilemmas in the audit conflict. *Spanish Accounting Review*, 19(1), 10-20. doi:10.1016/j.rcsar.2014.10.001
- Farag, M. S., & Elias, R. Z. (2012). The Impact of Accounting Students' Professional Skepticism on their Ethical Perception of Earnings Management *Research on Professional Responsibility and Ethics in Accounting* (pp. 185-200).
- Ferrell, O. C., & Gresham, L. G. (1985). A Contingency Framework for Understanding Ethical Decision Making in Marketing. *Journal of Marketing*, 49(3), 87-96. doi:10.2307/1251618
- Ferrell, O. C., Gresham, L. G., & Fraedrichs, J. (1989). A Synthesis of Ethical Decision Models for Marketing. *Journal of Macromarketing*, 9(2), 55-64. doi:10.1177/027614678900900207
- Ferris, D. L., Lian, H., Brown, D. J., & Morrison, R. (2015). Ostracism, Self-Esteem, and Job Performance: When Do We Self-Verify and When Do We Self-Enhance? *Academy of Management Journal*, 58(1), 279-297. doi:10.5465/amj.2011.0347
- Ferris, L. D., Brown, D. J., Lian, H., & Keeping, L. M. (2009). When Does Self-Esteem Relate to Deviant Behavior? The Role of Contingencies of Self-Worth. *Journal of Applied Psychology*, 94(5), 1345-1353.
- Financial Reporting Council (FRC). (2014). *Audit Quality Inspections*. Retrieved from <https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspections-Annual-Report-2013-14.pdf>
- Fishbein, M., & Ajzen, I. (1975). *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*. Reading, MA: Addison-Wesley.
- Fleeson, W., & Jayawickreme, E. (2015). Whole Trait Theory. *Journal of Research in Personality*, 56, 82-92. doi:10.1016/j.jrp.2014.10.009
- Flory, S. M., Phillips, T. J., Reidenbach, R. E., & Robin, D. P. (1992). A Multidimensional Analysis of Selected Ethical Issues in Accounting. *The Accounting Review*, 67(2), 284-302.
- Gecas, V. (1982). The self-concept. *Annual review of sociology*, 8(1), 1-33.
- Gentina, E., Shrum, L. J., Lowrey, T. M., Vitell, S. J., & Rose, G. M. (2016). An Integrative Model of the Influence of Parental and Peer Support on Consumer Ethical Beliefs: The Mediating Role of Self-Esteem, Power, and Materialism. *Journal of Business Ethics*, 1-14. doi:10.1007/s10551-016-3137-3
- Gino, F., Ayal, S., & Ariely, D. (2009). Contagion and Differentiation in Unethical Behavior. *Psychological Science*, 20(3), 393-398. doi:10.1111/j.1467-9280.2009.02306.x
- Gollwitzer, M., & Bücklein, K. (2007). Are "We" More Punitive than "Me"? Self-Construal Styles, Justice-Related Attitudes, and Punitive Judgments. *Social Justice Research*, 20(4), 457-478. doi:10.1007/s11211-007-0051-y
- Graf, R. G. (1971). Induced Self-Esteem as a Determinant of Behavior. *The Journal of Social Psychology*, 85(2), 213-217. doi:10.1080/00224545.1971.9918570
- Guiral, A., Rodgers, W., Ruiz, E., & Gonzalo, J. A. (2010). Ethical Dilemmas in Auditing: Dishonesty or Unintentional Bias? *Journal of Business Ethics*, 91, 151-166.
- Gul, F. A., Ng, A. Y., & Wu Tong, M. Y. J. (2003). Chinese Auditors' Ethical Behavior in an Audit Conflict Situation. *Journal of Business Ethics*, 42(4), 379-392. doi:10.1023/a:1022504712186
- Hamilton, S., & Micklethwait, A. (2006). *Greed and Corporate Failure: The Lessons from Recent Disasters*. London, UK: Palgrave Macmillan.
- Hannover, B., Birkner, N., & Pöhlmann, C. (2006). Ideal selves and self-esteem in people with independent or interdependent self-construal. *European Journal of Social Psychology*, 36(1), 119-133. doi:10.1002/ejsp.289

- Hannover, B., & Kuhnen, U. (2004). Culture, context, and cognition: The Semantic Procedural Interface model of the self. *European Review of Social Psychology*, 15(1), 297-333. doi:10.1080/10463280440000053
- Harding, N., Azim, M. I., Jidin, R., & Muir, J. P. (2016). A Consideration of Literature on Trust and Distrust as they Relate to Auditor Professional Scepticism. *Australian accounting review*, 26(3), 243-254. doi:10.1111/auar.12126
- Harding, N., & Trotman, K. T. (2017). The Effect of Partner Communications of Fraud Likelihood and Skeptical Orientation on Auditors' Professional Skepticism. *Auditing: A Journal of Practice & Theory*, 36(2), 111-131. doi:10.2308/ajpt-51576
- Hatfield, R. C., Jackson, S. B., & Vandervelde, S. D. (2011). The Effects of Prior Auditor Involvement and Client Pressure on Proposed Audit Adjustments. *Behavioral Research in Accounting*, 23(2), 117-130. doi:10.2308/bria-10064
- Hatfield, R. C., & Mullis, C. (2015). Negotiations between auditors and their clients regarding adjustments to the financial statements. *Business Horizons*, 58(2), 203-208. doi:10.1016/j.bushor.2014.11.008
- Hay, D. (2013). The Future of Auditing. Available at SSRN 2255316. doi:10.2139/ssrn.2255316
- Hay, D., Stewart, J., & Botica Redmayne, N. (2016). The Role of Auditing in Corporate Governance in Australia and New Zealand: A Research Synthesis. *8th Conference on Financial Markets and Corporate Governance (FMCG)*, 2017.
- Herda, D. N., & Lavelle, J. J. (2015). Client Identification and Client Commitment in a Privately Held Client Setting: Unique Constructs with Opposite Effects on Auditor Objectivity. *Accounting Horizons*, 29(3), 577-601. doi:10.2308/acch-51091
- Hoell, R. C. (2004). The Effect of Interpersonal Trust And Participativeness on Union Member Commitment. *Journal of Business and Psychology*, 19(2), 161-177. doi:10.1007/s10869-004-0546-6
- Hoyt, C. L., & Price, T. L. (2015). Ethical Decision Making and Leadership: Merging Social Role and Self-Construal Perspectives. *Journal of Business Ethics*, 126(4), 531-539. doi:10.1007/s10551-013-1974-x
- Hsu, C. F. S. (2002). The influence of self-construals, family and teacher communication patterns on communication apprehension among college students in Taiwan. *Communication Reports*, 15(2), 123-132. doi:10.1080/08934210209367759
- Hunt, S. D., & Vitell, S. (1986). A General Theory of Marketing Ethics. *Journal of Macromarketing*, 6(1), 5-16. doi:10.1177/027614678600600103
- Hurt, R. K. (2010). Development of a Scale to Measure Professional Skepticism. *Auditing: A Journal of Practice & Theory*, 29(1), 149-171. doi:10.2308/aud.2010.29.1.149
- Hurt, R. K., Brown-Liburd, H., Earley, C. E., & Krishnamoorthy, G. (2013). Research on Auditor Professional Skepticism: Literature Synthesis and Opportunities for Future Research. *Auditing: A Journal of Practice & Theory*, 32, 45-97. doi:10.2308/ajpt-50361
- Institute for Psychometric Coaching. (2017). Psychometric and Aptitude Testing for Graduates in Accounting.
- International Auditing and Assurance Standards Board (IAASB). (2009). International Standard on Quality Control (ISQC) 1: Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (Vol. 1): International Federation of Accountants (IFAC).
- International Auditing and Assurance Standards Board (IAASB). (2012). *Staff questions and answers, professional skepticism in an audit of financial statements*. Retrieved from

- https://www.ifac.org/system/files/meetings/files/20120306-IAASBCAG-Agenda_Item_D2-Professional_Skepticism_Q&A-final.pdf
- International Auditing and Assurance Standards Board (IAASB). (2016a). International Standard on Auditing 200: Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (Vol. Volume I): International Federation of Accountants (IFAC).
- International Auditing and Assurance Standards Board (IAASB). (2016b). International Standard on Auditing 240: the Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (Vol. Volume I): International Federation of Accountants (IFAC).
- International Auditing and Assurance Standards Board (IAASB). (2016c). International Standard on Auditing 320: Materiality in Planning and Performing an Audit *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (Vol. 1): International Federation of Accountants (IFAC).
- International Federation of Accountants (IFAC). (2003). *Rebuilding public confidence in financial reporting: an international perspective*.
- Jamal, K., & Tan, H.-T. (2010). Joint Effects of Principles-Based versus Rules-Based Standards and Auditor Type in Constraining Financial Managers' Aggressive. *The Accounting Review*, 85(4), 1325-1346.
- Johari, R. J., Mohd-Sanusi, Z., & Chong, V. K. (2017). Effects of Auditors' Ethical Orientation and Self-Interest Independence Threat on the Mediating Role of Moral Intensity and Ethical Decision-Making Process. *International Journal of Auditing*, 21(1), 38-58. doi:10.1111/ijau.12080
- Johnson-George, C., & Swap, W. C. (1982). Measurement of specific interpersonal trust: Construction and validation of a scale to assess trust in a specific other. *Journal of Personality & Social Psychology*, 43(6), 1306-1317.
- Jones, T. M. (1991). Ethical Decision Making by Individuals in Organizations: An Issue-Contingent Model. *Academy of management review*, 16(2), 366-395. doi:10.5465/AMR.1991.4278958
- Kantsperger, R., & Kunz, W. H. (2010). Consumer trust in service companies: a multiple mediating analysis. *Managing Service Quality: An International Journal*, 20(1), 4-25. doi:10.1108/09604521011011603
- Karacaer, S., Gohar, R., Aygün, M., & Sayin, C. (2009). Effects of Personal Values on Auditor's Ethical Decisions: A Comparison of Pakistani and Turkish Professional Auditors. *Journal of Business Ethics*, 88(1), 53-64. doi:10.1007/s10551-009-0102-4
- Kerler, W. A., & Brandon, D. M. (2010). The effects of trust, client importance, and goal commitment on auditors' acceptance of client-preferred methods. *Advances in Accounting*, 26(2), 246-258. doi:10.1016/j.adiac.2010.04.003
- Kerler, W. A., & Killough, L. N. (2009). The Effects of Satisfaction with a Client's Management During a Prior Audit Engagement, Trust, and Moral Reasoning on Auditors' Perceived Risk of Management Fraud. *Journal of Business Ethics*, 85(2), 109-136. doi:10.1007/s10551-008-9752-x
- Kernis, M. H., Lakey, C. E., & Heppner, W. L. (2008). Secure Versus Fragile High Self-Esteem as a Predictor of Verbal Defensiveness: Converging Findings Across Three Different Markers. *Journal of Personality*, 76(3), 477-512. doi:10.1111/j.1467-6494.2008.00493.x

- Knapp, M. C. (1985). Audit Conflict: An Empirical Study of the Perceived Ability of Auditors to Resist Management Pressure. *The Accounting Review*, 60(2), 202-211.
- Lail, B., MacGregor, J., Marcum, J., & Stuebs, M. (2017). Virtuous Professionalism in Accountants to Avoid Fraud and to Restore Financial Reporting. *Journal of Business Ethics*, 140(4), 687-704. doi:10.1007/s10551-015-2875-y
- Lampe, J. C., & Finn, D. W. (1992). A Model of Auditors' Ethical Decision Processes. *Auditing: A Journal of Practice & Theory*, 11, 33-59.
- Leedy, P. D., & Ormrod, J. E. (2015). *Practical Research: Planning and Design* (Eleventh edition Global edition ed.). Harlow, Essex, England: Pearson Education Limited.
- Legoria, J., Melendrez, K. D., & Reynolds, J. K. (2013). Qualitative audit materiality and earnings management. *Review of Accounting Studies*, 18(2), 414-442. doi:10.1007/s11142-012-9218-3
- Leung, P., & Cooper, B. J. (2005). Accountants, Ethical Issues and the Corporate Governance Context. *Australian accounting review*, 15(1), 79-88. doi:10.1111/j.1835-2561.2005.tb00255.x
- Liang, Y., Liu, L., Tan, X., Huang, Z., Dang, J., & Zheng, W. (2016). The Effect of Self-Esteem on Corrupt Intention: The Mediating Role of Materialism. *Frontiers in Psychology*, 7(1063). doi:10.3389/fpsyg.2016.01063
- Lin, K. Z., & Fraser, I. A. M. (2008). Auditors' Ability to Resist Client Pressure and Culture: Perceptions in China and the United Kingdom. *Journal of International Financial Management & Accounting*, 19(2), 161-183. doi:10.1111/j.1467-646X.2008.01020.x
- Lin, W., & Ryzin, G. G. V. (2012). Web and Mail Surveys. *Nonprofit and Voluntary Sector Quarterly*, 41(6), 1014-1028. doi:10.1177/0899764011423840
- Malone, C. F., & Roberts, R. W. (1996). Factors Associated with the Incidence of Reduced Audit Quality Behaviors. *Auditing: A Journal of Practice & Theory*, 15(2), 49-64.
- Markus, H. R., & Kitayama, S. (1991). Culture and the Self: Implications for Cognition, Emotion, and Motivation. *Psychological Review*, 98(2), 224-253.
- Martinov-Bennie, N., & Mladenovic, R. (2015). Investigation of the Impact of an Ethical Framework and an Integrated Ethics Education on Accounting Students' Ethical Sensitivity and Judgment. *Journal of Business Ethics*, 127(1), 189-203. doi:10.1007/s10551-013-2007-5
- Martinov-Bennie, N., & Pflugrath, G. (2009). The Strength of an Accounting Firm's Ethical Environment and the Quality of Auditors' Judgments. *Journal of Business Ethics*, 87(2), 237-253. doi:10.1007/s10551-008-9882-1
- Martinov-Bennie, N., Cohen, J., & Simnett, R. (2011). Impact of the CFO's affiliation on auditor independence. *Managerial Auditing Journal*, 26(8), 656-671. doi:10.1108/02686901111161322
- Maslow, A. H. (1970). *Motivation and personality* (2nd ed. ed.). New York, N.Y.: New York, N.Y. : Harper and Row.
- McKnight, C. A., & Wright, W. F. (2011). Characteristics of Relatively High-Performance Auditors. *Auditing: A Journal of Practice & Theory*, 30(1), 191-206. doi:10.2308/aud.2011.30.1.191
- McMahon, J. M., & Harvey, R. J. (2007a). The Effect of Moral Intensity on Ethical Judgment. *Journal of Business Ethics*, 72(4), 335-357. doi:10.1007/s10551-006-9174-6
- McMahon, J. M., & Harvey, R. J. (2007b). Psychometric Properties of the Reidenbach-Robin Multidimensional Ethics Scale. *Journal of Business Ethics*, 72(1), 27-39.

- Melé, D., Rosanas, J. M., & Fontrodona, J. (2017). Ethics in Finance and Accounting: Editorial Introduction. *Journal of Business Ethics*, 140(4), 609-613. doi:10.1007/s10551-016-3328-y
- Milyavskaya, M., Reoch, J., Koestner, R. F., & Losier, G. F. (2010). Seeking Social Connectedness: Interdependent Self-Construal and Impression Formation Using Photographic Cues of Social Connectedness. *The Journal of Social Psychology*, 150(6), 689-702. doi:10.1080/00224540903365406
- Mischel, W. (2004). Toward an Integrative Science of the Person. *Annual Review of Psychology*, 55(1), 1-22. doi:10.1146/annurev.psych.55.042902.130709
- Nardi, P. M. (2014). *Doing Survey Research: A Guide to Quantitative Research* (Third Edition ed.). Boulder, CO, USA: Paradigm Publisher.
- Neff, K. D., Pisitsungkagarn, K., & Hsieh, Y.-P. (2008). Self-Compassion and Self-Construal in the United States, Thailand, and Taiwan. *Journal of Cross-Cultural Psychology*, 39(3), 267-285. doi:10.1177/0022022108314544
- Nelson, M. W. (2009). A Model and Literature Review of Professional Skepticism in Auditing. *Auditing: A Journal of Practice & Theory*, 28(2), 1-34. doi:10.2308/aud.2009.28.2.1
- Nguyen, N. T., & Biderman, M. D. (2008). Studying Ethical Judgments and Behavioral Intentions Using Structural Equations: Evidence from the Multidimensional Ethics Scale. *Journal of Business Ethics*, 83(4), 627. doi:10.1007/s10551-007-9644-5
- Nulty, D. D. (2008). The adequacy of response rates to online and paper surveys: what can be done? *Assessment & evaluation in higher education*, 33(3), 301-314.
- Nunnally, J. C. (1975). Psychometric Theory. 25 Years Ago and Now. *Educational Researcher*, 4(10), 7-21. doi:10.2307/1175619
- Pan, P., & Chris, P. (2017). Construal of Self and Chinese Accountants' Aggressive Financial Reporting Judgments. *Accounting, Auditing & Accountability Journal*, 0(ja), 1-28. doi:10.1108/AAAJ-12-2015-2321
- Pan, Y., & Sparks, J. R. (2012). Predictors, consequence, and measurement of ethical judgments: Review and meta-analysis. *Journal of Business Research*, 65(1), 84-91. doi:10.1016/j.jbusres.2011.02.002
- Patel, C. (2007). A multidimensional measure in accounting ethics research. *Int. J. of Accounting, Auditing and Performance Evaluation*, 4(1). doi:10.1504/IJAPE.2007.012596
- Patel, C., Harrison, G. L., & McKinnon, J. L. (2002). Cultural Influences on Judgments of Professional Accountants in Auditor–Client Conflict Resolution. *Journal of International Financial Management & Accounting*, 13(1), 1-31. doi:10.1111/1467-646X.00077
- Pflugrath, G., Martinov-Bennie, N., & Chen, L. (2007). The impact of codes of ethics and experience on auditor judgments. *Managerial Auditing Journal*, 22(6), 566-589. doi:10.1108/02686900710759389
- Pöhlmann, C., Carranza, E., Hannover, B., & Iyengar, S. S. (2007). Repercussions of Self–Construal for Self–Relevant and Other–Relevant Choice. *Social Cognition*, 25(2), 284-305. doi:10.1521/soco.2007.25.2.284
- Prooijen, J.-W. v., & Bos, K. v. d. (2009). We Blame Innocent Victims More Than I Do: Self-Construal Level Moderates Responses to Just-World Threats. *Personality and Social Psychology Bulletin*, 35(11), 1528-1539. doi:10.1177/0146167209344728
- Public Company Accounting Oversight Board (PCAOB). (2013). *Report on 2007–2010 Inspections of Domestic Firms that Audit 100 or Fewer Public Companies*. (2013-001). Retrieved from https://pcaobus.org/Inspections/Documents/02252013_Release_2013_001.pdf

- Pyszczynski, T., Greenberg, J., Solomon, S., Arndt, J., & Schimel, J. (2004). Why Do People Need Self-Esteem? A Theoretical and Empirical Review. *Psychological Bulletin*, 130(3), 435-468.
- Quadackers, L., Groot, T., & Wright, A. (2014). Auditors' Professional Skepticism: Neutrality versus Presumptive Doubt. *Contemporary Accounting Research*, 31(3), 639-657. doi:10.1111/1911-3846.12052
- Reidenbach, R. E., & Robin, D. P. (1988). Some initial steps toward improving the measurement of ethical evaluations of marketing activities. *Journal of Business Ethics*, 7(11), 871-879. doi:10.1007/bf00383050
- Reidenbach, R. E., & Robin, D. P. (1990). Toward the development of a multidimensional scale for improving evaluations of Business Ethics. *Journal of Business Ethics*, 9(8), 639-653. doi:10.1007/bf00383391
- Rest, J. R. (1986). *Moral development: advances in research and theory*. New York: New York : Praeger.
- Robin, D. P., & Reidenbach, R. E. (1987). Social Responsibility, Ethics, and Marketing Strategy: Closing the Gap between Concept and Application. *Journal of Marketing*, 51(1), 44-58. doi:10.2307/1251143
- Robins, R. W., Hendin, H. M., & Trzesniewski, K. H. (2001). Measuring Global Self-Esteem: Construct Validation of a Single-Item Measure and the Rosenberg Self-Esteem Scale. *Personality and Social Psychology Bulletin*, 27(2), 151-161. doi:10.1177/0146167201272002
- Robinson, J. P., Shaver, P. R., & Wrightsman, L. S. (1991). *Measures of personality and social psychological attitudes*. San Diego, CA: San Diego, CA : Academic Press.
- Robinson, S. L., & Bennett, R. J. (1995). A Typology of Deviant Workplace Behaviors: A Multidimensional Scaling Study. *The Academy of Management Journal*, 38(2), 555-572. doi:10.2307/256693
- Rose, A. M., & Rose, J. M. (2008). Management Attempts to Avoid Accounting Disclosure Oversight: The Effects of Trust and Knowledge on Corporate Directors' Governance Ability. *Journal of Business Ethics*, 83(2), 193-205. doi:10.1007/s10551-007-9611-1
- Rose, A. M., Rose, J. M., & Dibben, M. (2010). The Effects of Trust and Management Incentives on Audit Committee Judgments. *Behavioral Research in Accounting*, 22(2), 87-103. doi:10.2308/bria.2010.22.2.87
- Rose, J. M. (2007). Attention to Evidence of Aggressive Financial Reporting and Intentional Misstatement Judgments: Effects of Experience and Trust. *Behavioral Research in Accounting*, 19(1), 215-229. doi:10.2308/bria.2007.19.1.215
- Rosenberg, M. (1965). *Society and the adolescent self-image* (Vol. 11): Princeton university press Princeton, NJ.
- Rosenberg, M., Schooler, C., Schoenbach, C., & Rosenberg, F. (1995). Global Self-Esteem and Specific Self-Esteem: Different Concepts, Different Outcomes. *American Sociological Review*, 60(1), 141-156. doi:10.2307/2096350
- Rotter, J. B. (1967). A new scale for the measurement of interpersonal trust. *Journal of Personality*, 35(4), 651-665. doi:10.1111/j.1467-6494.1967.tb01454.x
- Schepers, D. H. (2003). Machiavellianism, Profit, and the Dimensions of Ethical Judgment: A Study of Impact. *Journal of Business Ethics*, 42(4), 339-352. doi:10.1023/a:1022552610368
- Shafer, W. E., Morris, R. E., & Ketchand, A. A. (1999). The Effects of Formal Sanctions on Auditor Independence. *Auditing: A Journal of Practice & Theory*, 18(2), 85.
- Shafer, W. E., Morris, R. E., & Ketchand, A. A. (2001). Effects of personal values on auditors' ethical decisions. *Accounting, Auditing & Accountability Journal*, 14(3), 254-277. doi:10.1108/EUM0000000005517

- Shaub, M. K., & Lawrence, J. E. (1996). Ethics, Experience and Professional Skepticism: A Situational Analysis. *Behavioral Research in Accounting*, 8, 124.
- Shih, T.-H., & Fan, X. (2008). Comparing Response Rates from Web and Mail Surveys: A Meta-Analysis. *Field Methods*, 20(3), 249-271. doi:10.1177/1525822X08317085
- Shrum, L. J., Wong, N., Arif, F., Chugani, S. K., Gunz, A., Lowrey, T. M., . . . Sundie, J. (2013). Reconceptualizing materialism as identity goal pursuits: Functions, processes, and consequences. *Journal of Business Research*, 66(8), 1179-1185. doi:10.1016/j.jbusres.2012.08.010
- Singelis, T. M. (1994). The Measurement of Independent and Interdependent Self-Construals. *Personality and Social Psychology Bulletin*, 20(5), 580-591. doi:10.1177/0146167294205014
- Singelis, T. M., Bond, M. H., Sharkey, W. F., & Yiu Lai, C. S. (1999). Unpackaging Culture's Influence on Self-Esteem and Embarrassability. *Journal of Cross-Cultural Psychology*, 30(3), 315-341. doi:10.1177/0022022199030003003
- Smith, M. (2003). Research Methods in Accounting: Survey Research: SAGE Publications, Ltd. Retrieved from <http://methods.sagepub.com/book/research-methods-in-accounting>. doi:10.4135/9781849209809
- Soltani, B. (2014). The Anatomy of Corporate Fraud: A Comparative Analysis of High Profile American and European Corporate Scandals. *Journal of Business Ethics*, 120(2), 251-274. doi:10.1007/s10551-013-1660-z
- Sparks, J. R., & Pan, Y. (2010). Ethical Judgments in Business Ethics Research: Definition, and Research Agenda. *Journal of Business Ethics*, 91(3), 405-418. doi:10.1007/s10551-009-0092-2
- Stack, L. (1978). *Trust*. In. New York: eds. H. London, and J. E. Exner Jr.
- Suar, D., Gochhayat, J., & Suar, J. (2016). Influence of Self-esteem on Ethical Behaviours and Corporate Responsibility Values: The Mediating Role of Power-distance. *Global Business Review*, 17(6), 1401-1411. doi:10.1177/0972150916660405
- Sweeney, B., Arnold, D., & Pierce, B. (2010). The Impact of Perceived Ethical Culture of the Firm and Demographic Variables on Auditors' Ethical Evaluation and Intention to Act Decisions. *Journal of Business Ethics*, 93(4), 531-551. doi:10.1007/s10551-009-0237-3
- Tharenou, P. (1979). Employee self-esteem: A review of the literature. *Journal of Vocational Behavior*, 15(3), 316-346. doi:10.1016/0001-8791(79)90028-9
- Thorne, L. (2000). The Development of Two Measures to Assess Accountants' Prescriptive and Deliberative Moral Reasoning. *Behavioral Research in Accounting*, 12, 139-169.
- Thorne, L., & Hartwick, J. (2001). The Directional Effects of Discussion on Auditors' Moral Reasoning. *Contemporary Accounting Research*, 18(2), 337-361. doi:10.1506/Y917-MPRY-PANF-PRVE
- Toma, C. L. (2010). *Perceptions of trustworthiness online: the role of visual and textual information*. Paper presented at the Proceedings of the 2010 ACM conference on Computer supported cooperative work, Savannah, Georgia, USA.
- Toy, A., & Hay, D. C. (2015). Privacy Auditing Standards. *Auditing: A Journal of Practice & Theory*, 34(3), 181-199. doi:10.2308/ajpt-50932
- Trevino, L. K. (1986). Ethical Decision Making in Organizations: A Person-Situation Interactionist Model. *The Academy of Management Review*, 11(3), 601-617. doi:10.2307/258313
- Triandis, H. C. (1989). The Self and Social Behavior in Differing Cultural Contexts. *Psychological Review*, 96(3), 506-520.
- Trzesniewski, K. H., Donnellan, M. B., Moffitt, T. E., Robins, R. W., Poulton, R., & Caspi, A. (2006). Low Self-Esteem During Adolescence Predicts Poor Health, Criminal

- Behavior, and Limited Economic Prospects During Adulthood. *Developmental Psychology*, 42(2), 381-390.
- Tsui, J. S. L. (1996). Auditors' ethical reasoning: Some audit conflict and cross cultural evidence. *The International Journal of Accounting*, 31(1), 121-133. doi:10.1016/S0020-7063(96)90016-3
- Tsui, J. S. L., & Gul, F. A. (1996). Auditors' behaviour in an audit conflict situation: A research note on the role of locus of control and ethical reasoning. *Accounting, Organizations and Society*, 21(1), 41-51. doi:10.1016/0361-3682(95)00009-X
- Tsui, J. S. L., & Windsor, C. (2001). Some Cross-Cultural Evidence on Ethical Reasoning. *Journal of Business Ethics*, 31(2), 143-150. doi:10.1023/a:1010727320265
- Tyson, T. (1990). Believing that everyone else is less ethical: Implications for work behavior and ethics instruction. *Journal of Business Ethics*, 9(9), 715-721. doi:10.1007/bf00386354
- van Horen, F., Pöhlmann, C., Koeppen, K., & Hannover, B. (2008). Importance of Personal Goals in People with Independent Versus Interdependent Selves. *Social Psychology*, 39(4), 213-221.
- Webb, W. M., & Worchel, P. (1986). Trust and distrust. *Psychology of intergroup relations*, 213-228.
- Wiltermuth, S. S. (2011). Cheating more when the spoils are split. *Organizational Behavior and Human Decision Processes*, 115(2), 157-168. doi:10.1016/j.obhdp.2010.10.001
- Wray, L. D., & Stone, E. R. (2005). The Role of Self-Esteem and Anxiety in Decision Making for Self versus Others in Relationships. *Journal of Behavioral Decision Making*, 18(2), 125-144. doi:10.1002/bdm.490
- Wrightsmann, L. S. (1964). Measurement of philosophies of human nature. *Psychological Reports*, 14(3), 743-751.
- Wrightsmann, L. S. (1974). Assumptions about human nature: A social-psychological analysis. *Monterey, CA: Brooks/Cole*.
- Yamamura, J. H., Frakes, A. H., Sanders, D. L., & Ahn, S. K. (1996). A comparison of Japanese and U.S. Auditor decision-making behavior. *The International Journal of Accounting*, 31(3), 347-363. doi:10.1016/S0020-7063(96)90024-2
- Yang, H. L., & Wu, W. P. (2009). The effect of moral intensity on ethical decision making in accounting. *Journal of Moral Education*, 38(3), 335-351. doi:10.1080/03057240903101606
- Yankova, K. (2015). *The Influence of Information Order Effects and Trait Professional Skepticism on Auditors' Belief Revisions: A Theoretical and Empirical Analysis*. Wiesbaden: Springer Fachmedien Wiesbaden.
- Ying, S. X., & Patel, C. (2016). Skeptical Judgments and Self-Construal: A Comparative Study between Chinese Accounting Students in Australia and China. *Journal of International Accounting Research*, 15(3), 97-111. doi:10.2308/jiar-51491

Appendices

Appendix A: Tables of Research Methods and Results

Table 1: Demographic Data of Participants

	Gender		Total	
	Male	Female	Number	Percentage
Age				
21 – 35 years	2	3	5	9%
36 – 50 years	16	4	20	35%
51 – 65 years	20	1	21	37%
66 years or above	10	1	11	19%
Total	48	9	57	100%
Years of Audit Experience				
Less than a year	1	0	1	2%
More than 6 years	47	9	56	98%
Total	48	9	57	100%
Type of Audit Firm				
Big 4 international audit firm	5	0	5	9%
Medium size audit firm	12	3	15	26%
Small or local audit firm*	31	6	37	65%
Total	48	9	57	100%
Work Position				
Partner	36	4	40	70%
Audit Manager	3	3	6	11%
Others*	9	2	11	19%
Total	48	9	57	100%

*This includes those who works as sole practitioners (5 individuals)

Table 2: Reliability Analysis

(Reporting the internal consistency of the measures used with prior research)

Measures		This Study	Prior Studies	
		Cronbach's Alpha	Cronbach's Alpha	Authors
Multidimensional Ethics Scale (MES)		0.92	0.93	Patel (2007)
Interpersonal Trust Scale		0.82	0.76	Quadackers et al. (2014)
Self-Construal Scale	Independent Subscale	0.72	0.71	Ying & Patel (2016)
	Interdependent Subscale	0.69	0.70	Ying & Patel (2016)
Self-Esteem Scale		0.78	0.73	Suar et al. (2016)

Table 3: Descriptive Statistics

(Comparing categories of the independent variables of scepticism, self-construal and self-esteem)

Independent variables		N	Min (Max)	Mean (St Dev)	t-stat t(56)	Sig ¹ (2-tailed)
Scepticism	Low	28	69.00 (81.00)	76.25 (3.45)	10.45	0.000***
	High	30	82.00 (97.00)	86.30 (3.84)		
Self-Construal	Dominant Interdependent	28	-3.34 (-0.04)	-1.17 (0.90)	9.07	0.000***
	Dominant Independent	30	0.05 (3.36)	1.09 (1.00)		
Self-Esteem	Low	28	19.00 (24.00)	23.00 (1.33)	8.75	0.000***
	High	30	25.00 (32.00)	26.60 (1.75)		

¹ *** Sig (0.01)

** Sig (0.05)

* Sig (0.10)

Table 4: Univariate Testing
Panel A: Ethical Judgment

(One-way ANOVA separately relating the independent variables of scepticism, self-construal and self-esteem to the dependent variable of ethical judgment)

Independent variables	N	Min (Max)	Mean (St Dev)	F test F(1, 56)	Sig ¹ (1-tailed)
Low Scepticism	28	3 (7)	5.30 (1.04)	3.37	0.036**
High Scepticism	30	2 (7)	5.82 (1.11)		
Dominant Interdependent Self-Construal	28	2 (7)	5.37 (1.08)	1.76	0.095*
Dominant Independent Self-Construal	30	3 (7)	5.75 (1.09)		
Low Self-Esteem	28	3 (7)	5.53 (1.09)	0.06	0.407
High Self-Esteem	30	2 (7)	5.60 (1.12)		

Panel B: Ethical Intention

(One-way ANOVA separately relating the independent variables of scepticism, self-construal and self-esteem to the dependent variable of ethical intention)

Independent variables	N	Min (Max)	Mean (St Dev)	F test F(1,56)	Sig ¹ (1-tailed)
Low Scepticism	28	2 (7)	5.43 (1.35)	1.87	0.089*
High Scepticism	30	1 (7)	5.93 (1.46)		
Dominant Interdependent Self-Construal	28	1 (7)	5.32 (1.44)	3.84	0.028**
Dominant Independent Self-Construal	30	2 (7)	6.03 (1.33)		
Low Self-Esteem	28	3 (7)	5.96 (1.23)	2.07	0.078*
High Self-Esteem	30	1 (7)	5.43 (1.55)		

¹ *** Sig (0.01)

** Sig (0.05)

* Sig (0.10)

Table 5: Multivariate Testing
Panel A: Ethical Judgment

(General linear model relating the independent variables of scepticism, self-construal and self-esteem to the dependent variable of ethical judgment)

Independent variables	df	Sum of Squares	F test <i>F</i> (1,51)	Sig ² (1-tailed)
Intercept ¹	1	1,647.04	1436.14	0.000
Scepticism	1	2.89	2.52	0.059*
Self-Construal	1	1.44	1.26	0.134
Self-Esteem	1	0.03	0.03	0.433
Scepticism x Self-Construal	1	4.19	3.65	0.031** ³
Scepticism x Self-Esteem	1	0.05	0.04	0.421
Self-Construal x Self-Esteem	1	0.06	0.06	0.407

¹ Model details:
Sum of squares = 9.92, df = 6,
Mean Square = 1.65, *F* = 1.44, *P* = 0.109,
R Squared = 0.145 (Adjusted R Squared = 0.044).

² *** Sig (0.01)
** Sig (0.05)
* Sig (0.10)

³ Gabriel post-hoc tests showed that auditors who are more sceptical and with dominant independent self-construal demonstrates higher levels of ethical judgments, comparing with auditors who are less sceptical and with dominant interdependent self-construal (*p* = 0.103, one-tailed), comparing with auditors who are less sceptical and with dominant independent self-construal (*p* = 0.030, one-tailed), and comparing with auditors who are more sceptical and with dominant interdependent self-construal (*p* = 0.077, one-tailed).

Panel B: Ethical Intention

(General linear model relating the independent variables of scepticism, self-construal and self-esteem to the dependent variable of ethical intention)

Independent variables	df	Sum of Squares	F test <i>F</i> (1,51)	Sig ² (1-tailed)
Intercept ¹	1	1730.27	907.70	0.000
Scepticism	1	3.79	1.99	0.082*
Self-Construal	1	4.83	2.54	0.059*
Self-Esteem	1	4.00	2.10	0.077*
Scepticism x Self-Construal	1	2.44	1.28	0.131
Scepticism x Self-Esteem	1	0.11	0.06	0.406
Self-Construal x Self-Esteem	1	0.03	0.02	0.449

¹ Model details
Sum of squares = 17.20, df = 6,
Mean Square = 2.87, *F* = 1.50, *P* = 0.098 and
R Squared = 0.150 (Adjusted R Squared = 0.050).

² *** Sig (0.01)
** Sig (0.05)
* Sig (0.10)

Appendix B: Definitions of Terms

Abstract	Definitions
Aggressive reporting	The reporting practices that is biased toward an outcome consistent with the incentives of client management (Jamal & Tan, 2010, p. 1327). Examples of aggressive reporting includes (but not limited to) aggressive revenue recognition policy on foreign distributor sale and aggressive extension in the amortization period of a patent.
Conflict	“The interaction of interdependent people who perceive the opposition of goals, aims, and (/or) values, and who see the other party as potentially interfering with the realization of these goals (aims, or values)” (quoted in Beattie et al., 2004, p. 3).
Corrupt intention	“Personal intention to engage in corruptive behaviour” (Liang et al., 2016, p. 3).
Deviant workplace behaviours	“Voluntary behaviours that violate significant organisational norms and in so doing threaten the well-being of an organisation, its members, or both” (Robinson & Bennett, 1995, p. 556).
Dispositional distrust	The generalised expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group cannot be relied upon. Dispositional distrust is inherent to the individual (Rotter, 1967). For example, some individuals are inherently more or less inclined to trust others. This variable is used as a proxy for scepticism in this present study.
Ethical behaviour	An individual’s execution of an ethically acceptable behaviour in response to an issue (Nguyen & Biderman, 2008; Rest, 1986).
Ethical Decision-Making (EDM)	The process by which individuals use ethics to determine whether a certain issue is right or wrong (Carlson et al., 2002). EDM is also referred to as “decision-making in situations where ethical conflicts are present” (Cohen et al., 2001, p. 321).
Ethical dilemma in audit practice	An ethical dilemma in audit practice is described as a complex issue that requires an auditor to choose from two or more alternatives of judgments and behaviours that conflict with each other in terms of their ethicality (Espinosa-Pike & Barrainkua, 2016; Guiral et al., 2010; Leung & Cooper, 2005).
Ethical intention	Individual’s self-reported likelihood (subjective probability) to behave ethically in response to an issue (Jones, 1991; Rest, 1986).
Ethical judgment	The cognitive process in which an individual decides (or evaluate the degree to) which course of behaviour is acceptable ethically (Nguyen & Biderman, 2008; Rest, 1986).
Ethical sensitivity	An individual’s recognition of an ethical dilemma and an ethical dimension in an issue (Nguyen & Biderman, 2008; Rest, 1986).
Ethics	“The study and philosophy of human conduct with an emphasis on the determination of right and wrong” (Ferrell et al., 1989, p. 56). Ethics is also commonly referred to the rules or standards that define the ‘just’ or ‘right’ in conducts (Carlson et al., 2002; Ferrell et al., 1989).
Independence in mind	“Calls for auditors to not be influenced by the nature of their client relationships or their beliefs about management’s honesty and integrity” (Bauer, 2015, p. 99).

Abstract	Definitions
Independent self-construal	“Separate from social context” that is bounded, unitary, stable, direct in communication with others (Markus & Kitayama, 1991, p. 226).
Individual factors	They are referred to human factors that distinguish individuals from each other in mentality, personality, attitude, values, knowledge, experience, physical or biological aspects.
Interdependent self-construal	“Connected with social context” that is flexible, variable, indirect in communication with others (Markus & Kitayama, 1991, p. 227).
Materialism	“The extent to which individuals attempt to engage in the construction and maintenance of the self through the acquisition and use of products, services, experiences, or relationships that are perceived to provide desirable symbolic value” (Shrum et al., 2013, p. 1180).
Materiality	According to ISA 320, “misstatements, including omissions, are considered to be ‘material’ if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements” (IAASB, 2016c, p. 339).
Moral intensity	“A construct that captures the extent of issue-related moral imperative in a situation” (Jones, 1991, p. 372). Jones (1991) classifies moral intensity into six components including (1) magnitude of consequences, (2) social consensus, (3) probability of effect, (4) temporal immediacy, (5) proximity (6) concentration of effect.
Moral/Ethical reasoning (or moral development)	The cognitive process individuals use in examining an ethical dilemma (Patel, 2007, p. 91). This cognitive process is used by an individual to justify a particular ethical choice, and then the individual formulates an ethical judgment depends on his/her stage or level of ethical reasoning (Tsui & Windsor, 2001, p. 144).
Non-Individual factors	They are referred to external influences around an individual such as pressure from other people, situational factors (e.g., characteristics of a work and immediate job context), organisational factors (e.g., policies and internal controls in an organization), or environmental factors (e.g., government regulations and national culture and norms).
Personality traits (or traits)	The characteristics that are relatively stable and enduring aspects of an individual’s personality and character (Fleeson & Jayawickreme, 2015; Hurtt, 2010; Mischel, 2004).
Professional judgment	ISA 200 defined professional judgment as “the application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement” (IAASB, 2016a).
Reduced audit quality behaviours	“Auditors’ failures to properly execute audit steps” or as “actions taken by an auditor during an engagement which reduce evidence-gathering effectiveness inappropriately” (Malone & Roberts, 1996, p. 49).

Abstract	Definitions
Scepticism	A trait or characteristic that “enable auditors to determine when the evidence does not ‘add up’ or the trait that allows auditors to exercise sceptical judgment” (Hurtt et al., 2013, p. 50).
Self-construal	“Constellation of thoughts, feelings, and actions concerning one’s relationship to others, and the self as distinct from others” (Singelis, 1994, p. 581). Self-construal is used to capture the level of which individuals perceive themselves as independent from others or as interdependent/connected to others.
Self-esteem	It is the extent which individuals hold positive views about themselves (Rosenberg et al., 1995). It also referred to the “evaluation or judgment of the self” that goes by variety of terms which are compatible with its definition such as self-respect, self-confidence, self-worth, self-acceptance, self-satisfaction, self-ideal or a sense of competence (Tharenou, 1979, p. 317).

Appendix C: Research Survey/Questionnaire

Questionnaire on Professional Judgments of External Auditors in Australia

Dear Participant,

This questionnaire is for a study of examining auditors' exercises of professional judgment. The purpose of the study is to enrich understanding about the factors that affect external auditors' professional judgment. The intended participants for this study are individuals who work in the profession of external auditing in Australia.

The study is being conducted by Hamed Mohammad (telephone: +61 (0) 424932473, email: hamed.mohammad@hdr.mq.edu.au) to meet the requirements of the Master of Research degree in Accounting under the supervision of Dr. Medhat Endrawes (telephone: +61 (0)2 9850 8451, email: medhat.endrawes@mq.edu.au) and Dr. Kym Butcher telephone: +61 (0)2 9850 8519, email: kym.butcher@mq.edu.au) of the Department of Accounting and Corporate Governance, Faculty of Business and Economics, Macquarie University, Sydney, Australia. For more information, please do not hesitate to contact us.

If you decide to participate in this study, we thank you very much for taking the time and effort to do so. The questionnaire should take approximately 15 - 20 minutes to complete. In case you experience psychological discomfort or any psychological issue while completing the questionnaire, please stop doing that right away and seek psychological help and support from any of the following specialised organizations: (1) Lifeline (telephone: 13 11 14) or (2) beyondblue (telephone: 1300 22 4636). By participating in this study, you will have a chance of winning (in a draw) of a \$200 gift card from Woolworths or Coles (see the instruction at the end of the questionnaire).

Any information or personal details gathered in the course of the study are confidential (except as required by law). No individual will be identified in any publication of the results. Data will be analysed in aggregate form, held solely by the researcher and his supervisors, and will not be used for any other purposes. The results of this study shall be published as part of a Master of Research thesis, which will be available at the Department of Accounting and Corporate Governance Macquarie University. The results may further be published in the form of a journal article or a conference paper. You may also request a summary of the results directly from the researchers. The questionnaires and its data sets will be stored in a secured locker at Macquarie University for five years from the most recent date of publication. Your completion of the questionnaire will be regarded as a consent to use the information for research purposes.

Please note that participation in this study is entirely voluntary: you are not obliged to participate and if you decide to participate, you are free to withdraw at any time before completing the questionnaire without having to give a reason and without consequence. 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 98507854; email: ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcomes.

By clicking "I agree" below you are indicating that you are at least 18 years old, have read and understood this consent form and agree to participate in this research study.

PART 1

First: Please read the following scenario:

Jackson Manufacturing Ltd (Jackson) is a large publicly owned producer of electronic equipment used in hospitals and medical laboratories. In the current year's audit, a dispute has arisen between Oliver, the external auditor-in-charge, and the management of Jackson over the materiality of certain unrecorded liabilities discovered during the audit. Oliver feels the total amount of the unrecorded liabilities is material and that the financial statements should be adjusted accordingly. However, the chief financial officer of Jackson argues that the total amount of unrecorded liabilities is immaterial and therefore it is unnecessary to adjust the financial statements in this regard. Jackson's management believes that it should know as well as anyone what financial statement readers would or would not deem to be material. Jackson Manufacturing Ltd is an important client contributing significantly to the total audit revenue of the audit firm which Oliver works for. Furthermore, the current audit market is characterised by a large number of auditing firms that are aggressively pursuing expansion programmes.

After a lengthy discussion with Jackson's management, Oliver decided that the unrecorded liabilities will be ignored for the purposes of the financial statements as well as the auditor's report.

Second: Please answer the following questions by choosing a specific point on each of the following scales:

Q1: How would you evaluate the decision made by Oliver?

	1	2	3	4	5	6	7	
Ethical								Unethical
Fair								Unfair
Just								Unjust
Morally Right								Not Morally Right
Acceptable to my Family								Unacceptable to my Family
Culturally Acceptable								Culturally Unacceptable
Traditionally Acceptable								Traditionally Unacceptable
Does not Violate an Unwritten Social Contract								Violates an Unwritten Social Contract
Does not Violate an Unspoken Promise								Violates an Unspoken Promise

Q2: If you were the external auditor responsible for making the decision in the above case, what is the probability that you would make the same decision as Oliver?

	1	2	3	4	5	6	7	
Highly Probable								Highly Improbable

Q3: If your colleagues were responsible for making the decision in the above case, what is the probability that they would make the same decision as Oliver?

	1	2	3	4	5	6	7	
Highly Probable								Highly Improbable

PART 2

Below you will find three sections. Each section has a number of statements. You are asked to indicate to what extent you agree with each statement by circling one of the numbers next to the statement. Sometimes the statements appear to be similar. However, there are subtle distinctions among them that are necessary to make an appropriate assessment of your answers. So please stay alert and choose your answer as well and as honestly as possible.

Section 1

Please indicate the extent to which you agree or disagree with the following statements:

		Strongly Disagree			Strongly Agree
1	On the whole, I am satisfied with myself.	1	2	3	4
2	At times I think I am no good at all.	1	2	3	4
3	I feel that I have a number of good qualities.	1	2	3	4
4	I am able to do things as well as most other people.	1	2	3	4
5	I feel I do not have much to be proud of.	1	2	3	4
6	I certainly feel useless at times.	1	2	3	4
7	I feel that I am a person of worth, at least on an equal basis with others.	1	2	3	4
8	I wish I could have more respect for myself.	1	2	3	4
9	All in all, I am inclined to think that I am a failure.	1	2	3	4
10	I take a positive attitude toward myself.	1	2	3	4

Section 2

Please indicate the extent to which you agree or disagree with the following statements:

		<div style="display: flex; justify-content: space-between; align-items: center;"> Strongly Disagree Strongly Agree </div>				
1	Hypocrisy is on the increase in our society.	1	2	3	4	5
2	In dealing with strangers, one is better off to be cautious when until they have provided evidence that they are trustworthy.	1	2	3	4	5
3	This country has a dark future unless we can attract better people into politics.	1	2	3	4	5
4	Fear and social disgrace or punishment rather than conscience prevent most people from breaking the law.	1	2	3	4	5
5	Using the honour system of not having a teacher present during exams would probably result in increased cheating.	1	2	3	4	5
6	Parents usually can be relied on to keep their promises.	1	2	3	4	5
7	The United Nations will never be an effective force in keeping world peace.	1	2	3	4	5
8	The judiciary is a place where we can all get unbiased treatment.	1	2	3	4	5
9	Most people would be horrified if they knew how much of the news that the public hears and sees is distorted.	1	2	3	4	5
10	It is safe to believe that in spite of what people say most people are primarily interested in their own welfare.	1	2	3	4	5
11	Even though we have reports in newspapers, radio, TV, and the Internet, it is hard to get objective accounts of public events.	1	2	3	4	5
12	The future seems very promising.	1	2	3	4	5
13	If we really knew what was going on in international politics, the public would have reason to be more frightened than they now seem to be.	1	2	3	4	5
14	Most elected officials are really sincere in their campaign promises.	1	2	3	4	5
15	Many major national sports contests are fixed in one way or another.	1	2	3	4	5
16	Most experts can be relied upon to tell the truth about the limits of their knowledge.	1	2	3	4	5
17	Most parents can be relied upon to carry out their threats of punishments.	1	2	3	4	5
18	Most people can be counted on to do what they say they will do.	1	2	3	4	5
19	In these competitive times, one has to be alert or someone is likely to take advantage of you.	1	2	3	4	5
20	Most idealists are sincere and usually practice what they preach.	1	2	3	4	5
21	Most salesmen are honest in describing their products.	1	2	3	4	5
22	Most students in school would not cheat even if they were sure they could get away with it.	1	2	3	4	5
23	Most repairmen will not overcharge, even if they think you are ignorant of their speciality.	1	2	3	4	5
24	A large share of accident claims filed against insurance companies are phony.	1	2	3	4	5
25	Most people answer public opinion polls honestly.	1	2	3	4	5

Section 3

Please indicate the extent to which you agree or disagree with the following statements:

		<div style="display: flex; justify-content: space-between; align-items: center;"> Strongly Disagree Strongly Agree </div>						
1	I enjoy being unique and different from others in many respects.	1	2	3	4	5	6	7
2	I feel comfortable using someone's first name soon after I meet them, even when they are much older than I am.	1	2	3	4	5	6	7
3	Even when I strongly disagree with group members, I avoid an argument.	1	2	3	4	5	6	7
4	I have respect for the authority figures with whom I interact.	1	2	3	4	5	6	7
5	I respect people who are modest about themselves.	1	2	3	4	5	6	7
6	I will sacrifice my self-interest for the benefit of the group I am in.	1	2	3	4	5	6	7
7	I'd rather say "No" directly than risk being misunderstood.	1	2	3	4	5	6	7
8	Having a lively imagination is important to me.	1	2	3	4	5	6	7
9	I should take into consideration my parents' advice when making education/career plans.	1	2	3	4	5	6	7
10	I prefer to be direct and forthright when dealing with people I've just met.	1	2	3	4	5	6	7
11	I am comfortable with being singled out for praise or rewards.	1	2	3	4	5	6	7
12	If my brother or sister fails, I feel responsible.	1	2	3	4	5	6	7
13	I often have the feeling that my relationships with others are more important than my own accomplishments.	1	2	3	4	5	6	7
14	Speaking up during a class (or a meeting) is not a problem for me.	1	2	3	4	5	6	7
15	I would offer my seat in a bus to my boss.	1	2	3	4	5	6	7
16	I act the same way no matter who I am with.	1	2	3	4	5	6	7
17	My happiness depends on the happiness of those around me.	1	2	3	4	5	6	7
18	I value being in good health above everything.	1	2	3	4	5	6	7
19	I will stay in a group if they need me, even when I am not happy with the group.	1	2	3	4	5	6	7
20	Being able to take care of myself is a primary concern for me.	1	2	3	4	5	6	7
21	It is important to me to respect decisions made by the group.	1	2	3	4	5	6	7
22	My personal identity, independent of others, is very important to me.	1	2	3	4	5	6	7
23	It is important for me to maintain harmony within my group.	1	2	3	4	5	6	7
24	I act the same way at home that I do at work.	1	2	3	4	5	6	7

PART 3

1. What is your gender?

- ☐ Male
☐ Female

2. Please indicate your age bracket.

- ☐ 21 – 35
☐ 36 – 50
☐ 51 – 65
☐ 66 or above

3. What is your country of birth?

_____.

4. If Australia is not your country of birth, how long have you lived in Australia?

- ☐ Less than 1 year
☐ 1 – 3 years
☐ 4 – 6 years
☐ More than 6 years

5. Please indicate if you are a member of a professional accounting body.

- ☐ CPA Australia
☐ Chartered Accountants in Australia and New Zealand
☐ Other, specify: _____.

6. How many years of audit experience do you have?

- ☐ Less than a year
☐ 1 – 3 years
☐ 4 – 6 years
☐ More than 6 years

7. What is the type/size of the audit firm you work for in Australia?

- ☐ Big 4 international audit firm.
☐ Medium size audit firm.
☐ Local or regional audit firm
☐ Other, specify: _____.

8. What is your current work position within the audit firm?

- ☐ Audit partner
☐ Audit manager
☐ Senior auditor
☐ Junior auditor
☐ Other, specify: _____.

9. How long have you been in your current work position?

- ☐ Less than 1 year
☐ 1 – 3 years
☐ 4 – 6 years
☐ More than 6 years

If you have any further comments, please provide them in the space provided.

Thank you very much for taking the time to complete this questionnaire.

If you would like to be included in the draw for the \$200 gift card, please send an email to hamed.mohammad@hdr.mq.edu.au, and your name will be placed in the draw.

If you feel distressed, depressed or any psychological discomfort, please seek help from any of the following specialised organizations: (1) Lifeline (telephone: 13 11 14) or (2) beyondblue (telephone: 1300 22 4636).

Appendix D: Ethics Approval Letter

Office of the Deputy Vice-Chancellor
(Research)

Research Office
Research Hub, Building C5C East
Macquarie University
NSW 2109 Australia
T: +61 (2) 9850 4459
<http://www.research.mq.edu.au/>
ABN 90 952 801 237



3 July 2017

Dear Dr Medhat Endrawes

Reference No: 5201700530

Title: The effect of Scepticism trait, Self-Constraint, and Self-Esteem on auditor's ethical judgment and intent in an Audit Conflict Situation.

Thank you for submitting the above application for ethical and scientific review. Your application was considered by the Macquarie University Human Research Ethics Committee (HREC (Human Sciences & Humanities)).

I am pleased to advise that ethical and scientific approval has been granted for this project to be conducted by:

- Macquarie University

This research meets the requirements set out in the National Statement on Ethical Conduct in Human Research (2007 – Updated May 2015) (the National Statement).

Standard Conditions of Approval:

1. Continuing compliance with the requirements of the National Statement, which is available at the following website:

<http://www.nhmrc.gov.au/book/national-statement-ethical-conduct-human-research>

2. This approval is valid for five (5) years, subject to the submission of annual reports. Please submit your reports on the anniversary of the approval for this protocol.

3. All adverse events, including events which might affect the continued ethical and scientific acceptability of the project, must be reported to the HREC within 72 hours.

4. Proposed changes to the protocol and associated documents must be submitted to the Committee for approval before implementation.

It is the responsibility of the Chief investigator to retain a copy of all documentation related to this project and to forward a copy of this approval letter to all personnel listed on the project.

Should you have any queries regarding your project, please contact the Ethics Secretariat on 9850 4194 or by email ethics.secretariat@mq.edu.au

The HREC (Human Sciences and Humanities) Terms of Reference and Standard Operating Procedures are available from the Research Office website at:

http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics

The HREC (Human Sciences and Humanities) wishes you every success in your research.

Yours sincerely



Dr Karolyn White
Director, Research Ethics & Integrity,
Chair, Human Research Ethics Committee (Human Sciences and Humanities)

This HREC is constituted and operates in accordance with the National Health and Medical Research Council's (NHMRC) National Statement on Ethical Conduct in Human Research (2007) and the CPMP/ICH Note for Guidance on Good Clinical Practice.

Details of this approval are as follows:

Approval Date: 30 June 2017

The following documentation has been reviewed and approved by the HREC (Human Sciences & Humanities):

Documents reviewed	Version no.	Date
Macquarie University Ethics Application Form		Revised application received 15/06/2017
Response addressing the issues raised by the HREC		Received 15/06/2017 & 30/06/2017
Macquarie University Appendix D: Privacy And Access to Personal Information		Revised appendix received 15 June 2017
Participant Information and Consent Form	1	30/06/2017
Email to potential participants	1	15/06/2017
Study advertisement – social media websites	1	15/06/2017
Questionnaire	1	15/06/2017
Invitation letter to participants – postal version	1	15/06/2017

*If the document has no version date listed one will be created for you. Please ensure the footer of these documents are updated to include this version date to ensure ongoing version control.