

**The Effects of Superior Preference and Information Source on Auditor Judgment under
Time Deadline Pressure**

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ABSTRACT: The objective of this study is to examine the effects of superior preference and information source on staff auditor reporting decisions in the presence of time deadline pressure. Prior research suggests that superior preference, information source, and time deadline pressure provide incentives for auditors to withhold information from their superiors. In the presence of time deadline pressure, staff auditors are expected to be more willing to report client-provided information concerning subjective audit issues than self-discovered information, especially if the senior emphasizes meeting the deadline. Sixty-seven graduate and upper-level undergraduate accounting students, serving as proxies for staff auditors, participated in a between-subjects experiment. The majority of participants reported information concerning a subjective audit issue regardless of senior preference, information source, and time deadline pressure. The results suggest that participants were motivated by both a desire to avoid responsibility for decisions concerning subjective audit issues and audit quality concerns. This study adds to a growing body of literature that suggests that undesirable auditor behavior that may result in audit failures does not begin at the staff level.

Keywords: Information source; superior preference; time deadline pressure.

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INTRODUCTION

This study reports the results of an experiment that investigates the joint effects of superior preference and information source on the willingness of staff auditors to report subjective audit information in the presence of time deadline pressure. Time deadline pressure arises in the presence of imposed, specific points in time by which audits or audit stages must be completed (DeZoort and Lord 1997).¹ Auditors can alleviate the extent of time budget pressure experienced by audit teams by allocating units of time among various audit tasks. However, time deadline pressure generally cannot be eliminated by those working under the deadline, because deadlines arise from factors both internal and external to the firm (Kelley et al. 1999).

The Sarbanes-Oxley Act (hereafter, “SOX”) increases auditor responsibilities (Sarbanes and Oxley 2002) while the SEC is gradually accelerating the deadline for filing annual reports (SEC 2002).² These concurrent changes in the regulatory environment likely have intensified the extent of time deadline pressure. Whether this unintended consequence has positive or negative effects on the audit is uncertain, as prior accounting and psychology research indicates that time deadline pressure can impair or improve judgment processes (e.g., DeZoort and Lord 1997; Johnson et al. 1993; Zakay 1993). This study extends prior research by examining two factors that potentially influence judgment under time deadline pressure by creating incentives for individual auditors to suppress information: superior preference and information source.

Audit seniors are responsible for ensuring that audit tasks are completed in a timely manner and in accordance with professional standards (Dirsmith and Covaleski

1985). McNair (1991) suggests that balancing these responsibilities can yield a difficult compromise between audit quality and profitability (i.e., engagement management).³ The current environment exacerbates the potential for compromise because of tighter filing deadlines and increased public scrutiny upon the profession following several recent high-profile accounting scandals such as Enron and Tyco. When this compromise causes seniors to emphasize meeting deadlines, staff auditors could be motivated to exhibit undesirable behaviors such as premature sign-offs and omitting audit procedures (Willet and Page 1996); the relative inexperience of staff auditors may increase the influence of time deadline pressure (Spilker and Prawitt 1997). Such undesirable behaviors could cause an overall audit failure because the work performed by staff auditors provides the foundation for the audit opinion (Kaplan 2004; Willet and Page 1996).

Seniors communicate to staff auditors the conflicting preferences that arise from pursuing quality and profitability goals through directives, performance evaluations, and informal communications (Dirsmith and Covalleski 1985). Prior accounting and psychology research suggests that subordinates have incentives to align decisions with superior preferences (e.g., Wilks 2002; Tetlock 1985). However, prior accounting research does not address whether staff auditors are as susceptible to senior preferences as seniors are to manager preferences (Otley and Pierce 1996) and managers are to partner preferences (Wilks 2002; Gramling 1999; Cohen and Trompeter 1998), or whether time deadline pressure influences responses to superior preferences. Therefore, no prediction is made regarding the senior preference manipulation.

Information source represents another potential influence on staff auditor decision-making under time deadline pressure because staff auditors have incentives to

externalize the responsibility for providing the information that prompts the senior to extend fieldwork beyond the deadline. The presence of an external information source (e.g., a client employee) allows staff auditors to externalize this responsibility.

Accordingly, staff auditors are expected to be more willing to report information concerning subjective audit issues brought to their attention by client personnel than self-discovered information near the end of fieldwork, especially if the senior emphasizes meeting the deadline.

In this study, graduate and senior-level accounting students who had recently completed internships served as proxies for staff auditors, based on their similar educational and professional backgrounds. The independent variables each provide differing incentives for staff auditors to suppress information. The preference of the senior is manipulated as an emphasis on either audit quality or meeting the deadline; information source is manipulated as either self-discovered or client-provided. The primary dependent variable is the decision concerning whether to report audit evidence discovered in proximity to the deadline for completing fieldwork to the supervising senior. The participants then answered additional questions designed to better understand the rationale underlying their reporting decisions.

The results indicate that staff auditors are not influenced by senior preferences, information source, or time deadline pressure. Coupled with prior research concerning manager and senior reactions to superior preferences (e.g., Wilks 2002; Otley and Pierce 1996), this result suggests that staff auditors are less likely than managers and seniors to bias decisions toward the preferences of superiors. Similarly, in a direct comparison of staff auditors and seniors, Payne and Ramsay (2005) find that staff auditors exhibit

greater professional skepticism than seniors regarding client assertions. Collectively, these results suggest that susceptibility to certain undesirable behaviors begins above the staff level.

The remainder of the paper is organized as follows. The second section provides background information and develops the research question and hypotheses. The third section discusses the experimental design. The fourth section presents the results of the experiment. The fifth section concludes with a discussion of the study's implications, possible extensions for future research, and limitations.

BACKGROUND AND HYPOTHESES

Compromises

The need for audit firms to achieve the conflicting goals of audit quality and engagement management goals (e.g., McNair 1991) creates situations in which individual auditors must balance quality and engagement management objectives (e.g., meeting deadlines; e.g., Cohen and Trompeter 1998; Trompeter 1994). Within the firm, audit seniors experience the greatest pressure to balance quality goals and meeting deadlines because seniors have the responsibility to ensure that fieldwork will ensure quality audits in a cost-effective manner consistent with firm profitability goals (McNair 1991). Senior preferences that arise from pursuing the conflicting goals of quality and profitability are communicated to staff auditors through formal and informal communications (Dirsmith and Covalleski 1985). Staff auditors' lack of tacit managerial knowledge (an understanding of both the economics of auditing and relationships with clients) may prevent them from realizing that seniors who emphasize meeting deadlines likely do not intend to sacrifice quality to meet deadlines (Tan and Libby 1997). Therefore, senior

preferences can undermine audit quality goals if staff auditors treat quality and profitability goals as mutually exclusive.

Superior Preferences and Coping Patterns

Accountability impacts auditor decision-making because auditors have incentives to develop and sustain positive images with superiors, clients, and third party evaluators (Messier and Quilliam 1992).⁴ Tetlock (1985, 1992) describes the acceptability heuristic (i.e., making decisions that are preferable to parties to whom the decision-maker is accountable) as the simplest method of coping with accountability. Relying on the acceptability heuristic to cope with accountability offers two primary benefits (Tetlock 1985, 1992). First, the acceptability heuristic allows decision-makers to minimize cognitive effort by avoiding the need to develop counterarguments. Second, the acceptability heuristic provides a method to manage performance evaluations by making decisions perceived as acceptable to superiors. Prior audit research indicates that manager decisions are consistent with partner preferences (Wilks 2002; Gramling 1999; Cohen and Trompeter 1998) and senior decisions are consistent with manager preferences (Otley and Pierce 1996). However, it remains unclear whether staff auditors use the acceptability heuristic to bias their judgments and decisions toward senior preferences.

Within the firm, staff auditors work closest with the senior who supervises the audit team and compiles the initial performance evaluations for staff (Hirst and Koonce 1996). The relative inexperience of staff auditors compared to seniors and managers hinders the development of significant relationships with both clients and third parties (Dirsmith and Covalleski 1985). Accordingly, staff auditors are assumed to feel a larger degree of accountability to seniors relative to managers, partners, clients, and third

parties, and are more likely to use the acceptability heuristic when interacting with seniors than with other potential evaluators.

Prior research has not addressed the extent to which auditors rely on the acceptability heuristic in the presence of time deadline pressure. Whether the acceptability heuristic is used in this context is questionable because of the potential influence time deadline pressure has on cognitive processes and coping patterns (DeZoort and Lord 1997). If the combination of time deadline pressure and the implicit accountability inherent both in the audit environment and subordinate-superior relationships induces sufficient stress to cloud cognitive processes, staff auditors likely will use the acceptability heuristic (Janis and Mann 1977).

Alternatively, the combination of time deadline pressure and implicit accountability can generate a low level of stress (DeZoort and Lord 1997). In the context of this study, if staff auditors experience a low level of stress, they are expected to display a coping pattern of defensive avoidance, i.e., allowing others to take responsibility for decisions (Janis and Mann 1977). The presence of an organizational hierarchy facilitates defensive avoidance because responsibility for decisions can be moved up or down the hierarchy. The use of defensive avoidance is possible for staff auditors who realize that they have *de facto* power to not extend fieldwork beyond the deadline by not reporting the information. Reporting the information to the senior allows staff auditors to avoid responsibility for potential subsequent outcomes of not investigating the information. Consequently, defensive avoidance is an attractive alternative to relying on the acceptability heuristic.

Staff auditors have alternative coping patterns in response to senior preferences in the context of this study. Staff auditors can rely on the acceptability heuristic and base reporting decisions on senior preferences. Alternatively, staff auditors can rely on a coping pattern of defensive avoidance and report subjective information regardless of senior preferences to avoid responsibility for negative outcomes.⁵ If time deadline pressure generates high stress, staff auditors will likely rely on the acceptability heuristic, and base reporting decisions on senior preferences to both manage performance evaluations and cope with the inherent accountability in staff-senior relationships. These alternative decision-paths regarding reporting decisions in response to time deadline pressure and the implicit accountability that arises from staff-senior relationships lead to the following research question:

RQ₁: In the presence of time deadline pressure, will staff auditors base reporting decisions on senior preferences?

Shifting Responsibility to Client Personnel

Responsibility is a distinct, but related, construct from accountability. The development of RQ₁ referred to the availability of the acceptability heuristic to cope with the implicit accountability inherent in superior-subordinate relationships and the *de facto* ability of staff auditors to shift responsibility to the senior for the decision to not investigate information concerning subjective audit issues. The development of the following hypotheses focuses on the responsibility for providing the information that forces the senior to extend fieldwork beyond the deadline.

The presence of an external information source (e.g., a client employee) provides the opportunity for staff auditors to shift responsibility for providing information near

deadlines. Staff auditors will likely have increasing opportunities to shift responsibility to client personnel in the current environment. Section 302 of SOX requires that the client CEO and CFO provide certification of financial statements (Sarbanes and Oxley 2002), which likely will set tones of increasing cooperation with auditors throughout all levels of client hierarchies.

Psychology research indicates that four situational factors increase the likelihood that decision-makers will externalize responsibility: (1) the presence of another person; (2) the expertise of the other person; (3) outcome severity; and (4) familiarity with the other person (Tennen and Affleck 1990). The first and second conditions are present when staff auditors receive information from client employees in proximity to deadlines because the client employee has knowledge of, and possibly authority over, the audit area in question. The third condition is also present in such a situation because, if staff auditors report subjective information near the deadline, the senior will almost certainly have to extend fieldwork beyond the deadline. Furthermore, missing the deadline can have negative consequences for both firm profitability and the performance evaluations of the senior and staff auditors. The fourth condition is present in such a situation only if the auditor has had prior contact with the client employee presenting the information.

The presence of three of the four situational factors under which decision-makers externalize responsibility and the possibility that the client employee will tell another member of the audit team is expected to increase the likelihood that staff auditors will report client-provided information relative to self-discovered information. In addition, Kaplan (2004) notes that presenting information in proximity to deadlines can lead to unfavorable scrutiny on the diligence and competence of a staff auditor, and possibly a

poor evaluation from the senior. However, staff auditors can attempt to shift attention and the responsibility for providing the information that causes the senior to extend fieldwork beyond the deadline when client personnel provide the information. Consequently, the following hypothesis is proposed:

H₁: In proximity to deadlines, staff auditors are more (less) likely to report subjective information that is presented by client personnel (self-discovered).

Unshared Information

Audit evidence is considered unshared (i.e., unique) information until an individual auditor reports it to another member of the audit team (Stasser and Titus 1985). A group member is more (less) likely to discuss shared (unshared) information with other group members. Auditor susceptibility to withholding unshared information is exacerbated by three inherent features of the audit environment: (1) accountability; (2) high information-load; and (3) the subjective nature of audit information. Accountable decision-makers are less likely to communicate unshared information to team members than decision-makers who will not conceivably be called to justify their decisions (Stewart et al. 1998). In addition, auditors operate in a high information-load environment (Hammersley 2004), reducing the extent of information sharing among team members (Stasser and Titus 1987). Finally, audit decisions often are subjective in nature, and team members are more (less) likely to discuss objective (subjective) unshared information (Stasser and Stewart 1992).

Stasser and Titus (1985) suggest that decision-makers tend to avoid responsibility for reporting information that can induce negative outcomes by suppressing such

information. However, the presence of an external information source provides an alternative decision-path wherein staff auditors can report the information and externalize responsibility to the client employee. Furthermore, the client employee could provide the information to other members of the audit team, making it shared information. In contrast, when information is self-discovered, staff auditors are unable to externalize responsibility for providing the information which prompts the senior to extend fieldwork beyond the deadline. Staff auditors are expected to be especially likely to share client-provided information relative to self-discovered information when the senior emphasizes meeting deadlines. The incentive to shift responsibility for reporting the information that leads to extended fieldwork diminishes when the senior emphasizes quality rather than meeting the deadline. Therefore, the main effect predicted in H₁ is expected to be especially strong when staff auditors report to seniors who emphasize meeting deadlines. This interaction is depicted in Figure 1, and stated formally:

H₂: In proximity to deadlines, staff auditors are more (less) likely to report subjective information that is presented by client personnel (self-discovered), especially when reporting to seniors who emphasize meeting deadlines.

INSERT FIGURE 1 ABOUT HERE

METHOD

Participants

The participants used for hypothesis testing consisted of 67 graduate and upper-level undergraduate accounting students at a large university in the southeastern United States. All undergraduate students had recently returned from internships. The students

are assumed to be proxies for staff auditors for two reasons. First, the participants have similar educational backgrounds as staff auditors. Second, many participants have professional experience as interns with public accounting firms, increasing their similarity to staff auditors. Table 1 presents demographic information on the final sample of the 67 participants who passed the manipulation checks and were used for hypothesis testing. Most participants were between 21 and 24 years old (96 percent) and possessed public accounting experience (88 percent). Of those with public accounting experience, 48 percent worked with a Big 4 firm, the majority (64 percent) had audit experience, and the mean public accounting experience was five months.

INSERT TABLE 1 ABOUT HERE

Experimental Task

The participants were told that they are employed as staff auditors for a public accounting firm and are currently on an audit team conducting fieldwork onsite at the headquarters of a hypothetical client. The participants were given selected information from an audit sample pertaining to improvement costs that the client originally expensed. However, more information was required to accurately determine whether the costs should be capitalized or expensed. The total improvement cost was slightly below the materiality threshold for capitalization, but participants were unable to determine whether additional costs related to the project were incurred or whether the proper accounting treatment was to capitalize or expense the costs without gathering additional evidence. After reading the details of the case, participants were asked to decide whether to report the information to the supervising senior.

Experimental Design

A 2 x 2 between-subjects design was used to test the research question and hypotheses. Senior preference (*PREF*) was manipulated as a preference for audit quality or meeting the deadline for completion of field work. Information source (*SINFO*), was manipulated as either self-discovered or client-provided. In the self-discovered condition, the staff auditor discovers that the improvement costs pertain to the same project while performing sample analysis. In the client-provided condition, a client employee explains that two of the items in the sample pertain to the same project while the staff auditor is performing sample analysis. Time deadline pressure was present in all four conditions.

The research instrument consisted of three parts. The first part contained client background information, manipulations concerning the preference of the supervising senior and the information source, and questions concerning the primary dependent variable and the rationale behind the reporting decision. The second part contained manipulation checks and related questions. The third part included additional questions designed to obtain demographic information.

Dependent Variable

Binary data concerning the primary dependent variable of interest was obtained through a question concerning whether participants would report to the senior the information presented in the details of the audit. Responses to additional questions intended to elicit information concerning the participants' decision-making processes were measured using Likert-based 11-point scales. The participants also provided information on their age, gender, and work experience.⁶

Control Group

A control group, intended to examine the effect of time deadline pressure, was included in addition to the four groups used for hypothesis testing. In this condition, time deadline pressure is absent, the senior emphasizes meeting deadlines, and the information is self-discovered. The senior preference and information source manipulations for the control group were selected because they represent the conditions in which staff auditors have incentive to not report the information. The demographic characteristics of the participants in the control group were qualitatively similar to the demographic characteristics of the participants used for primary analyses.

RESULTS

Manipulation Checks and Preliminary Analyses

The original sample space consisted of 124 participants. The participants passed the manipulation check questions as follows: *PREF* (71 percent) and *SINFO* (89 percent). For conservatism, participants who failed at least one manipulation check were eliminated, leaving 67 participants for primary analyses and 13 participants in the control group.⁷

Overall, participants agreed that it was equally as important to the supervising senior to complete fieldwork before the deadline ($M = 8.97$, $SD = 1.57$ with “1” = not at all important and “11” = extremely important) as to produce fairly stated financial statements ($M = 8.87$, $SD = 1.65$) ($t = 0.36$, $p = 0.720$).⁸ However, there were some differences across conditions, indicating that the senior preferences were communicated to the participants. Participants whose senior emphasized meeting the deadline believed that it was more important to the senior to meet the deadline ($M = 9.97$, $SD = 0.88$) than to produce fairly stated financial statements ($M = 7.82$, $SD = 1.45$). This difference was

significant ($t = 7.29, p < 0.001$). Participants whose senior emphasized audit quality believed that it was more important to the senior to produce fairly stated financial statements ($M = 9.88, SD = 1.12$) than to meet the deadline ($M = 8.00, SD = 1.48$). This difference also was significant ($t = 5.91, p < 0.001$).

The participants found the case to be both realistic ($M = 8.42, SD = 1.65$ on an 11-point scale with “1” = not at all realistic and “11”= extremely realistic) and understandable ($M = 7.87, SD = 1.96$ on an 11-point scale with “1” = not at all understandable and “11”= extremely understandable). The participants did not find it difficult to reach their reporting decisions ($M = 3.78, SD = 2.15$ on an 11-point scale with “1” = not at all difficult and “11”= extremely difficult) or to justify their decisions if required by the senior ($M = 3.94, SD = 2.01$ with “1” = not at all difficult and “11”= extremely difficult). The participants were also confident that their reporting decisions were consistent with audit standards ($M = 8.37, SD = 1.70$ with “1” = not at all confident and “11”= extremely confident).

Primary Analyses

The majority of participants (88 percent) chose to report the information to the senior. RQ₁ concerns whether staff auditors will rely on the acceptability heuristic when making reporting decisions or report information regardless of senior preference. Results relevant to RQ₁ are shown in Table 2. The analysis reveals no significant main effect of *PREF* ($\chi^2 [1] = 0.002, p = 0.964$) as 88 (88) percent of participants reported the subjective information to seniors emphasizing meeting the deadline (quality).⁹

INSERT TABLE 2 ABOUT HERE

The first hypothesis (H₁) predicts that staff auditors will be more (less) willing to report information received in proximity to deadlines from client personnel compared to self-discovered information. Results relevant to H₁ are shown in Table 2. The analysis reveals no significant main effect of *SINFO* ($\chi^2 [1] = 0.002, p = 0.964$) as 88 (88) percent of participants reported self-discovered (client-provided) audit information.

INSERT TABLE 3 ABOUT HERE

The second hypothesis (H₂) predicts that staff auditors will be more (less) willing to report client-provided (self-discovered) information in proximity to deadlines, especially when reporting to seniors emphasizing meeting the deadlines. Results relevant to H₂ are shown in Table 3. The analysis reveals no significant interaction effect of *PREF* X *SINFO* ($\chi^2 [3] = 0.154, p = 0.985$).

The results of the primary analyses indicate that staff auditors tend to report audit information to seniors regardless of senior preference and information source. To gain insight into the rationale underlying the reporting decisions, an open-ended question asked the participants to briefly explain the rationale for their reporting decisions. These explanations are classified into five categories presented in Table 4.¹⁰

INSERT TABLE 4 ABOUT HERE

Explanations were coded as “defensive avoidance” when the responses indicated that the senior was better suited to make a decision or explicitly stated a desire to shift responsibility, consistent with psychology theory (Janis and Mann 1977). Explanations were coded as “audit quality” when the participants indicated that additional analysis was required or believed it was their duty as a staff auditor to report the information to the senior. Explanations were coded as “immaterial” when the participants described the

items as immaterial (i.e., less than the amount required for capitalization). Explanations were coded as “acceptability heuristic” when participants made explicit references to senior preferences. Finally, explanations were coded as “no explanation” when participants did not provide an explanation.

The most common justifications among the 67 participants used for hypothesis testing were defensive avoidance (28) and audit quality (27). However, in the absence of time deadline pressure (control group), the majority of explanations were coded as audit quality (9 of 13) compared to defensive avoidance (2), immaterial (1) and no explanation (1). These results suggest that although time deadline pressure did not affect reporting decisions, participants were more likely to express a desire for additional analysis than to be motivated by defensive avoidance in the absence of time deadline pressure. Perhaps time deadline pressure did not change reporting decisions because staff auditors view themselves primarily as information providers, have little concern for engagement management issues, and desire to act in accordance with audit standards.

The results of the questions that followed the primary dependent variable provide supplemental evidence that participants were motivated by defensive avoidance or quality concerns. The participants assessed the risk of material misstatement as low ($M = 4.39$, $SD = 1.86$ with “1” = very low and “11” = very high) and appear unconvinced that the senior would follow-up on the information ($M = 6.46$, $SD = 2.46$ with “1” = not at all likely and “11” = extremely likely). However, the participants wanted the senior to be aware of the information. Interestingly, the participants were not especially willing to report the information to a manager if the senior did not follow-up on the information ($M = 5.31$, $SD = 2.63$ with “1” = not at all likely and “11” = extremely likely).

Control Group

The majority of participants in the control group chose to report the information to the senior (12 of 13; 92 percent). Along with the results of the primary analyses above, this result suggests that time deadline pressure had a negligible effect on the actual reporting decision. There are no other results of note regarding the control group.

Exploratory Analyses

The primary dependent variable of interest was the reporting decision of the participants concerning the audit information. However, supplemental analyses were performed on several continuous variables to further investigate staff auditor decision-making. Two of these variables yielded marginally significant results: (1) the importance of the proximity to the deadline on decision-making (*PROXTD*); and (2) the probability that the senior will follow-up on the information (*SRFOLLOW*). Please refer to Table 5 for the results of the statistical analyses concerning these variables.

INSERT TABLE 5 ABOUT HERE

These ANOVA analyses provide several interesting insights. When the senior emphasizes quality, participants who self-discovered the information were more sensitive to the deadline ($M = 5.44$, $SD = 2.94$ with “1” = not at all important and “11” = very important) than those who received the information from client personnel ($M = 3.31$, $SD = 1.49$). This result provides further evidence that psychology theory concerning information source, which suggests that the above result should have been more prevalent when the senior emphasizes meeting deadlines rather than quality, does not apply in this context. The results concerning *PROXTD* also provide evidence that time deadline pressure generated low stress among participants, consistent with the frequent use of

defensive avoidance as a coping pattern. A mean of six (the scale midpoint) for the *PROXTD* scores would suggest moderate stress. Furthermore, the mean values in all conditions except when the senior emphasized quality and the information was self-discovered ($M = 5.44, SD = 2.94$) were significantly less than six ($p < 0.020$). This result also indicates that participants experienced low stress from time deadline pressure, consistent with the use of defensive avoidance as a coping pattern.

Second, in the case of client-provided information, the belief among participants that the senior would follow-up on the audit issue was higher in the case of a senior emphasizing quality ($M = 6.88, SD = 2.47$ with “1” = not at all likely and “11” = very likely) than in the case of a senior emphasizing meeting the deadline ($M = 5.18, SD = 2.40$). While this result is not unexpected, it is noteworthy because it represents the only case of a significant difference between quality and time deadline seniors.

DISCUSSION

This study examines the effects of senior preference and information source on staff auditor decision-making regarding subjective audit issues in the context of time deadline pressure. The unifying theme of prior audit and psychology research concerning superior preferences and information source is that information can be withheld both when subordinates act according to superior preferences to manage performance evaluations or fail to discuss unshared information within the audit team. Although the participants assessed the risk of material misstatement as low-to-moderate, they tended to report the information regardless of senior preference, information source, and time deadline pressure because they believed it was the appropriate decision (audit quality) or to avoid responsibility for decisions regarding the information (defensive avoidance).

The results provide an interesting insight into differences between various levels of auditors. Prior audit research suggests that both managers (e.g., Wilks 2002; Gramling 1999) and seniors (e.g., Otley and Pierce 1996) act according to the preferences of their immediate superiors. However, the results of this study suggest that staff auditors are not influenced by senior preferences. Collectively, these findings imply that staff auditors are less willing than seniors and managers to manage performance evaluations by biasing decisions toward the economic preferences of their superiors. The relative inexperience of staff auditors compared to seniors and managers likely precludes a full awareness of the economic incentives facing the firm, limiting the negative influences of pressures driven by economic incentives on staff auditor decision-making. Furthermore, the training staff auditors receive in the academic and professional settings emphasize quality while pressures in the audit environment increasingly emphasize profitability goals (e.g., meeting deadlines) as auditors progress within firm hierarchies. Such environmental pressures are more likely to affect seniors, managers, and partners, relative to staff auditors because of their respective tenures in the audit profession.

Similarly, in a direct comparison of audit firm hierarchical levels, Payne and Ramsay (2005) find that staff auditors exhibit more professional skepticism than seniors when evaluating the truthfulness of client assertions. Together with the results of Payne and Ramsay (2005) and prior research concerning superior preferences at the manager (e.g., Wilks 2002) and senior (Otley and Pierce 1996) levels, the results of this study suggest that auditor susceptibility to certain undesirable behaviors does not begin at the staff level.

An implication of these findings is that continual training is needed to maintain both high levels of professional skepticism and unfavorable attitudes toward managing performance evaluations based on economic incentives as auditors advance within accounting firms. Future research can investigate factors that would establish the foundations for such training. For example, a natural extension of this study is to investigate potential factors that increase the probability that seniors and managers, relative to staff auditors, base judgments on superior preferences.

A number of limitations should be considered when interpreting this study's findings. First, this study uses students as proxies for staff auditors. While the majority of participants have public accounting experience, it is unclear whether the experience of an intern provides a close approximation of the experience of staff auditors. However, the increased responsibilities placed upon the auditing profession by SOX increase the probability that the experiences of interns will more closely parallel those of staff auditors. Second, the motivation underlying decisions can only be estimated and not precisely determined by the researcher. In this study, motivations were estimated by matching justifications for decisions provided by the participants with appropriate psychology theory. Finally, the research instrument presented details of fieldwork for a fictitious client in narrative format. In practice, staff auditors ascertain such details through interaction with other auditors, client personnel, and client data.

¹ Time deadline pressure should not be confused with time budget pressure, which results from attempts to complete audit tasks within time constraints imposed by firm management (DeZoort and Lord 1997).

² Release No. 33-8128, effective November 15, 2002, requires public companies to file annual reports within 60 days of the end of their fiscal years instead of the historical 90-day requirement; small filers will remain under the 90 day rule. Release No. 33-8128 is being phased in over a three-year period.

³ Engagement management involves the business aspects of auditing such as meeting budgets and deadlines, establishing fee schedules, and retaining clients (Dirsmith and Covalleski 1985). This study examines one component of engagement management, meeting the deadline for completion of fieldwork.

⁴ DeZoort and Lord (1997, 55) note that accountants “are always accountable for their decisions” and define accountability pressure as the “pressure to justify one's judgments to significant others without specific reference to an evaluative group(s) or situation.” While this study does not manipulate or measure accountability pressure, an implicit accountability is present in superior-subordinate relationships.

⁵ The extent of stress generated by time deadline pressure is expected to drive the selection of coping patterns. If time deadline pressure generates high stress, staff auditors are expected to rely on the acceptability heuristic. If time deadline pressure generates low stress, staff auditors are expected to rely on a coping pattern of defensive avoidance.

⁶ Age, gender, and public accounting experience did not affect the results when included as control variables in a logistic regression analysis and did not differ across conditions for the participants used in hypothesis testing.

⁷ The loss of 35 percent of the sample is consistent with prior experimental studies. Payne and Ramsay (2005) report the loss of 37 percent of a sample of audit seniors and staff. Inclusion of participants who failed manipulation checks did not qualitatively alter the results of hypothesis testing.

⁸ All cited means exclude the control group because time deadline pressure was not imposed in this condition and the control group was not used for hypothesis testing.

⁹ Binary regression analysis for RQ₁, H₁, and H₂ yielded qualitatively similar results as the chi-square tests.

¹⁰ The researcher and an independent research assistant separately coded the explanations.

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FIGURE 1

Hypothesized Effects of the Superior Preference and Information Source on the Staff Auditor willingness to Report Subjective Audit Information under Time Deadline Pressure (H₂)



P (Report) represents the probability that staff auditors will report subjective audit information to the senior.

TABLE 1
Demographics
(n = 67)

<i>Participant Age</i>	
21 – 24	96%
25 – 29	2%
Greater than 30	2%
<i>Gender</i>	
Female	51%
Male	49%
<i>Public Accounting Experience</i>	
Yes	88%
No	12%
<i>Public Accounting Field</i>	
Audit	54%
Tax	36%
Both	10%
<i>Firm Type</i>	
Big 4	46%
Non Big 4	52%
Both	2%
<i>Public Accounting Duration (months)</i>	
Mean	5.1
Median	2.5
Mode	3.0

TABLE 2
Results of Statistical Tests for RQ₁ and H₁
(n = 67)

		<i>INFORMATION SOURCE</i>	
		<u>Self</u>	<u>Client</u>
<i>PREFERENCE</i> Time Deadline	Ratio Reporting	14/16	15/17
	Percent Reporting	88%	88%
Quality	Ratio Reporting	16/18	14/16
	Percent Reporting	89%	88%

Research Question 1

<i>PREFERENCE</i> (<i>p</i> = 0.964)	<u>Report</u>		
	<u>Yes</u>	<u>No</u>	<u>Total</u>
Time Deadline	29 (88%)	4 (12%)	33
Quality	<u>30 (88%)</u>	<u>4 (12%)</u>	<u>34</u>
TOTAL	59 (88%)	8 (12%)	67

Hypothesis 1

<i>INFORMATION SOURCE</i> (<i>p</i> = 0.964)	<u>Report</u>		
	<u>Yes</u>	<u>No</u>	<u>Total</u>
Self	30 (88%)	4 (12%)	34
Client	<u>29 (88%)</u>	<u>4 (12%)</u>	<u>33</u>
TOTAL	59 (88%)	8 (12%)	67

TABLE 3
Results of Hypothesis Test for H₂
(n = 67)

(*p* = 0.985)

<i>INFORMATION</i> <i>SOURCE</i>	<i>PREFERENCE</i>				<u>Total</u>
	<u>Time Deadline</u> <u>Report</u>		<u>Quality</u> <u>Report</u>		
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	
Self	14 (88%)	2 (12%)	16 (89%)	2 (11%)	34
Client	<u>15 (88%)</u>	<u>2 (12%)</u>	<u>14 (88%)</u>	<u>2 (12%)</u>	33
TOTAL	29 (88%)	4 (12%)	30 (88%)	4 (12%)	67

TABLE 4
Rationale for Decision
(n = 67)

<u>Rationale</u>	<u>Total</u>	<i>PREFERENCE</i>		<i>INFORMATION SOURCE</i>	
		<u>TD</u>	<u>Quality</u>	<u>Self</u>	<u>Client</u>
Defensive Avoidance	28 (42%)	12	16	15	13
Audit Quality	27 (40%)	15	12	14	13
Immaterial ^a	8 (12%)	4	4	4	4
Acceptability Heuristic	2 (3%)	0	2	1	1
No Explanation	2 (3%)	2	0	0	2

^a Participants who cited immateriality as the rationale for decision were the only participants who did not report the information.

TABLE 5
Exploratory Analysis: Cell Means
(n=67)

Panel A: Cell Means for PROXTD
(PREFERENCE x INFORMATION SOURCE; p = 0.087)

<i>PREFERENCE (p = 0.781)</i>		<i>INFORMATION SOURCE (p = 0.067)</i>	
		<u>Self</u>	<u>Client</u>
Time Deadline	Mean	4.25	4.18
	SD	2.91	1.98
	N	16	17
Quality	Mean	5.44	3.31
	SD	2.94	1.49
	N	18	16

Panel B: Cell Means for SRFOLLOW
(PREFERENCE x INFORMATION SOURCE; p = 0.279)

<i>PREFERENCE (p = 0.074)</i>		<i>INFORMATION SOURCE (p = 0.140)</i>	
		<u>Self</u>	<u>Client</u>
Time Deadline	Mean	6.69	5.18
	SD	2.58	2.40
	N	16	17
Quality	Mean	7.11	6.88
	SD	2.11	2.47
	N	18	16

Variable Coding:

PROXTD refers to the importance of the proximity of the deadline on participant decision-making and is measured on an 11-point scale with 1 = not at all important and 11 = very important.

SRFOLLOW refers to the probability that the senior will follow up on the information and is measured on an 11-point scale with 1 = not at all likely and 11 = very likely.