

# **The Impact of Audit Risk and Qualitative Materiality Factors on Auditor Judgments**

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**Abstract:** Four qualitative materiality factors are investigated in this study in settings of low audit risk or high audit risk. The results of this study indicate that auditors consider qualitative materiality factors when evaluating the materiality of a quantitatively immaterial misstatement, but do not consider all qualitative factors to be as likely to require an audit adjustment. Auditors fail to consider audit risk in the materiality decision. The materiality decisions of the auditors were not affected by whether the company had a high audit risk or a low audit risk. This failure to consider audit risk in the materiality decision is inconsistent with the auditing standards and may not be an effective way to make materiality decisions. The materiality decision is a professional judgment where the amount of auditor experience may have an impact on the decision. In this study, more experienced auditors were more likely to require an audit adjustment for a qualitative factor with an immaterial quantitative misstatement than were less experienced auditors.

**Key words:** Audit risk, Qualitative materiality factors, Proposed audit adjustment