

RATIONAL AND IRRATIONAL ANTECEDENTS OF CORPORATE FRAUD

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The study is an attempt to create a comprehensive theoretical model of fraudulent behavior in a corporate setting that integrates economic theory of rational choice in the literature on crime and punishment with socio-psychological theories about organizational characteristics influencing willingness and ability to commit fraud. Elements of resource allocation model, rational antecedents of fraud, at the individual level are hypothesized to interact with irrational antecedents, subcultural organizational factors, at the individual and group levels. Willingness to commit fraud is temporally preceded by rational considerations of net material returns; willingness may mutate into the ability to commit fraud under low perceived visibility of the fraudulent act by the relevant social group and/or anticipated support for the unethical behavior by the group. This association becomes weaker, but will not disappear, in the presence of internal control system. Dimensions of moderator variable, group (departmental) subculture are offered. Applications of the model to auditing and management practices are proposed.