

THE RISE OR THE FALL OF INDEPENDENCE COMPLIANCE: A 1940-2000 EVIDENCE

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This study examines the violations of the independence requirement that have occurred during the last six decades (1940-2000). The purpose is to provide evidence on the frequencies of these violations during the accounting profession post-transformation period (since the 1980's), relative to the prior periods. The study provides extensive evidence on violations of the independence requirement, through the examination of "all" the independence violations subjected to the SEC releases since their initiation in year 1940. The complete set of the Enforcement-Related Accounting Series Releases (ERASRs) as well as the Accounting and Auditing Enforcement Releases (AAERs) furnishes the basis of the evidence established in the study.

The research hypothesis predicts that violations of the professional independence requirement since the post-transformation of the profession are less frequent than the violations occurred in the prior periods. Independence violations examined are measured on the basis of the number of: auditors and audit firms, audit clients, the financial statements audit-years subject to the violation, and the violated independence conditions. A "binomial" test procedure is employed for the hypothesis tests. Contrary to the research prediction, the test results show that, in terms of all employed measures, the frequency of the independence violations since the profession post-transformation period is greater than that occurred in the prior periods.