Have you Seen... ?

Larry Abbott, University of Wisconsin – Milwaukee
Tamara Lambert, University of Massachusetts Amherst
Yinqi Zhang, American University

"The effects of disclosure type and audit committee expertise on Chief Audit Executives' tolerance for financial misstatements" By C. Norman, J. Rose, and I Suh. Accounting, Organizations and Society 2011 (36): 102-108.

This study examines factors affecting internal auditors' decisions to require misstatement adjustments. Using Chief Audit Executives and deputy Chief Audit Executives as participants, the authors manipulate the financial reporting location of a misstatement (i.e., whether the misstatement involves recognition as a capital lease vs. disclosure as an operating lease) and the level of audit committee expertise (high vs. low). They find that internal auditors require smaller amounts of misstatement correction for disclosed misstatements than for recognized misstatements. Contrary to expectations, they do not find that internal auditors require greater misstatement corrections when the audit committee has more financial expertise than less expertise. The researchers conclude that internal auditors face strong incentives to allow error/ bias in disclosed amounts and that audit committee characteristics may have little effect on such incentives.

"Norms, Conformity, and Controls" By W. Taylor and R. Bloomfield. Journal of Accounting Research 2011 (49): 753-790.

This study experimentally examines how formal controls influence people's norms. The authors use a modified public goods game to represent a variety of accounting settings and manipulate the presence of controls. They manipulate initial control presence (audit probability = 100% vs. 0%), a social welfare modifier (low vs. high), current control strength (weak vs. strong), and leg of current control strength round (i.e., each participant experiences each control strength twice during the experimental session. Results suggest that formal controls directly influence people's sense of what behaviors are appropriate in the setting (personal norms), and indirectly alter people's tendency to conform to the behavior of those around them (descriptive norms). Effects persist after the controls are changed. The authors conclude that the effects of current controls can be strongly influenced by past control strength and that principal-agent models should be further modified to incorporate correlations between personal norms and conformity to descriptive norms.

"Organisational commitment, role tension and affective states in audit firms" By A.

Garcia and O. Herrbach. Managerial Auditing Journal 2010 (25): 226-239.

This paper investigates the relationships between auditors' organizational commitment, role tension and affective states at work. Using a two-wave longitudinal survey on practicing Big 4 auditors in France, the authors find that respondents experience significant positive affect (e.g., pride, excitement) and negative affect (e.g., irritability, guilt) in the workplace. They also find that experiencing more frequent positive affect at work is correlated with organizational commitment while experiencing more frequent negative affect is associated with role conflict. The authors conclude that affective experiences of auditors are important because of their impact on judgment/interpersonal behavior and their consequences on individual well-being, which may affect intentions to remain with the firm and/or profession.

"Nationality and differences in auditor risk assessment: A research note with experimental evidence" By E. O'Donnell and J. Prather-Kinsey. Accounting, Organizations and Society 2010 (35): 558-564.

This study examines whether auditors from different countries come to different conclusions when they perform analytical procedures to assess the risk of misstatement in accounts. Using practicing auditors who were trained by and worked for the same international auditing firm as participants, the authors compared responses of respondents from the U.K., France and the U.S. to an analytical procedures task in which they assessed misstatement risk. Their findings provide evidence that nationality can cause auditors from different countries to reach different conclusions about the risk of misstatement in accounts even though they evaluate the same evidence, hold the same rank, and were trained by the same firm. The authors suggest that future research should explore how, why, and under what circumstances nationality can influence auditor judgment.

Have You Seen These Instructional Resources?

By the 2010-2011 Education Committee of the Auditing Section of the AAA

Jay Rich, Co-Chair – Illinois State University
Jason MacGregor, Co-Chair – Baylor University
Mark Peecher – University of Illinois
Paul Polinski – University of Illinois
Richard Riley - West Virginia University
Ray Whittington – Depaul University

"Taxonomy of Fraud" Serious Fraud Office (SFO), UK Criminal Justice System, Spring 2011.

The SFO developed a taxonomy that identifies seven main groups of fraud. Each of these groups are further broken down into categories consisting of a number of defined fraud types. The taxonomy was developed to help discover the many types of fraud committed. The web document can be downloaded from: http://www.sfo.gov.uk/taxonomy.swf

"PCAOB May Require Mandatory Audit Firm Rotation" by Michael Cohn, Accounting Today, June 2011.

In a speech on June 2nd at the University of Southern California's Leventhal School of Accounting in Pasadena, Calif., PCAOB Chairman James R. Doty talked about some of the changes in the auditor's reporting model that the PCAOB is planning to propose. The article can be obtained from http://www.accountingtoday.com/news/PCAOB-May-Require-Mandatory-Audit-Firm-Rotation-58660-1.html

"Clarified Auditing Standards: The Quiet Revolution" by J. Taylor and C. W. Thomas, Journal of Accountancy, June 2011.

Over the past few years, much attention has been paid to the issue of global harmonization of generally accepted accounting principles while, at the same time, a much quieter revolution has been taking place in generally accepted auditing standards (GAAS). The result will make GAAS for nonpublic companies easier to understand and apply, as well as more consistent across international borders.The article can be obtained from http://www.journalofaccountancy.com/Issues/2011/Jun/20113792.htm

"Using Debate to Enhance Critical Thinking in the Accounting Classroom: The Sarbanes-Oxley Act and U.S. Tax Policy" by J. M. Camp and A. L. Schnader (Volume 25 Issue 4). 2010.

While critical thinking is necessary for accountants in today's business world, cultivating students' critical thinking skills in an accounting classroom can be a challenge. The extant literature suggests that debate is a well-established pedagogical tool for enhancing student critical thinking skills, yet debate is not often used effectively in accounting classrooms. We provide suggestions for developing debates for use in the accounting classroom and two examples of debates used by the authors. The first requires students to argue for or against the extension of tax provisions currently being deliberated by Congress. The second requires students to examine the provisions of Sarbanes-Oxley and propose amendments to the bill.

"AuditEducation.info" by Paul Clikeman, University of Richmond 2011.

This website developed by Paul Clikeman contains information related to the study and teaching of financial statement auditing. Links are provided to articles, cases, classroom exercises, videos, academic research, textbooks, practice sets, accounting blogs and other related sites of interest. Professor Clikeman's website also allows users to search for educational materials, read other professors' comments, and leave their own suggestions.The website can be accessed at
http://auditeducation.info/
index.html

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