



## **OPINION SHOPPING: DOES AUDITOR'S INDEPENDENCE RELATE TO COMPROMISING BEHAVIOR ?**

Hendy Hendrawan  
Dyah Ekaari Sekar Jatiningsih  
Aditama Nugraha Putra



- Extant research:
  - Opinion shopping do exist
  - Management's initiatives
- Opinion shopping:
  - Going concern consideration
  - Client's acceptance
- Auditor:
  - Rational Economic Decision
  - **Compromise** – adjust going concern opinion

- Factors affecting
  - Opinion shopping
  - Auditor's **independence**
- Auditor:
  - Costly Situation
  - Moral Reasoning
  - **Compromise or Not Compromise**
- Previous Research
  - Secondary data testing the existence of opinion shopping
  - Survey on management's acceptance of going concern opinion

# Research to be addressed

Investigation should be made to observe **more directly** auditor's behavior concerning opinion shopping and its relation to costly situation and their moral reasoning

- Objective
  - To examine the effect of costly situation and moral reasoning on auditor's compromising behavior
  
- Why this research is important
  1. Previous studies had suggested factors affecting opinion shopping phenomenon but have not directly observed costly situation's and auditor's independence together with their moral reasoning level
  2. Current study shows how costly situation affects independence and in turn leads to compromising behavior under auditor's rational economic decision
  3. Auditor's compromising behavior is observed more directly - in costly situation and at specific level of moral reasoning

- **Costly Situation and Compromising Opinion**
  - Rational economic decision and opinion shopping
  - Costly Situation and auditor's tendency to adjust going concern opinion
  - Previous research result confirming:
    - The existence of opinion shopping
    - Acceptance of going concern opinion
    - Relationship between costly situation and independence

**H1a Individuals in costly situation tend to compromise their going concern opinion**

- **No Cost Situation and Compromising Opinion**
  - Rational economic decision and opinion shopping
  - Costly Situation and auditor's tendency to adjust going concern opinion
  - Previous research result confirming:
    - The existence of opinion shopping
    - Acceptance of going concern opinion
    - Relationship between costly situation and independence

**H1b Individuals in no cost situation tend to maintain their going concern opinion**

- **Moral Reasoning , Cost Situation and Compromising Opinion**
    - Level of moral reasoning in auditor and its effect on behavior
    - DIT as instrument measuring moral reasoning
    - Previous research result confirming:
      - The higher the moral reasoning level, the more ethically individuals will be
      - In costly situation, auditor will maintain their opinion
- H2 Individuals in costly situation tend to maintain their going concern opinion when he/she has high moral reasoning level**



- Experimental design
- 2x2 between subject factorial design

		MORAL REASONING	
		High	Low
COSTLY SITUATION	Cost		
	No Cost		

- Participants: 74
- Task: participants as auditor, determining opinion
- Manipulation check
- Randomization

- **Moral reasoning**

Classified into “high” and “low” as a categorization. Subjects of the experiment are measured using DIT instrument

- **Costly Situation**

*Manipulated by:* varying condition in which subjects involved in auditing their client

→ cost: there is consequence if auditor giving going concern opinion

→ no cost : thereis no consequence if auditor gives going concern opinion

- **Opinion**

Going concern opinion or non going concern opinion which will be given to client

- Descriptive statistics**

COSTLY SITUATION	Moral reasoning Level		Total
	High	Low	
Cost	4,2457 (0.08849) <i>n</i> = 5	4,1963 (0.09774) <i>n</i> = 6	4,2187 (0.09259) <i>n</i> = 11
No Cost	4,1789 (0.11716) <i>n</i> = 9	4,3387 (0.05861) <i>n</i> = 5	4,236 (0.12579) <i>n</i> = 14
Total	4,2027 (0.10936) <i>n</i> = 14	4,261 (0.1081) <i>n</i> = 11	4,2284 (0.11054) <i>n</i> = 25

*Lower mean = more compromising*

- Ancova Result**

Opinion			
	MS	F-Stat	p-value
<i>Factors</i>			
Costly Situation	0.018	1.867	0.186
Moral Reasoning	0.008	0.875	0.36
Cost*Moral	0.065	6.696	0.017

$$R^2 = 0.309 \quad N = 25$$

- Mean Difference Across Groups

Group ( <i>J</i> )	Mean Difference ( <i>I</i> ) - ( <i>J</i> )				
	Group ( <i>I</i> )	1	2	3	4
1			0.0494	0.06681	0.09307
		<i>sig.</i>	0.875	0.689	0.536
2				0.01742	14246
		<i>sig.</i>	0.99	0.159	
3					0.15988
		<i>sig.</i>	0.063		

- **Conclusion**

This study confirm cause and effect relationship between auditor's independence and compromising behavior.

The less costly the condition, the more independent and less compromise an auditor will be

- **Limitations**

Experimental task could not incorporate all aspect of complexities in real auditing context

- **Future research**

This study is starting point of more explanatory study investigating opinion shopping phenomenon



# UMY

UNIVERSITAS  
MUHAMMADIYAH  
YOGYAKARTA

Unggul & Islami

