

The effect of personal experience or knowledge on gap auditor's expectations of funders and quality of their decisions

Arezo Shishe Bor¹, Alborz Abbasi² (corresponding author)

Department of Accounting, Yazd science and research branch, Islamic Azad university, Yazd, Iran.

Department of Accounting, Yazd branch, Islamic Azad university, Yazd, Iran.

mohsen8203934@yahoo.com

Abstract: The aim of this study was to investigate auditor's expectations gap as the intermediary in the relationship between work experience and accounting loan officers and work experience and loan officers, quality of decision. This is a correlative survey study and has an applied purpose. The population of study is consisted of audit institutions and banks in Yazd province and the sample size was 310 participants. This study used random sampling method for sampling. In this study, a researcher made questionnaire was used to collect data. The hypotheses were investigated using SPSS software. The results show that work experience of financial suppliers will significantly influence on auditor's expectations gap and its amount of influence is equal to 6.10, and negative (inverse). It means that as work experience of financial suppliers increases, auditor's expectations gap decreases. Work experience of financial suppliers will significantly influence on auditor's expectations gap and its amount of influence is equal to 6.10, and negative (inverse). Work experience of financial suppliers related to job will significantly influence on auditor's expectations gap and its amount of influence is equal to 0.320, and negative (inverse). It means that as work experience of financial suppliers related to job is increased, auditor's expectations gap is decreased. Work experience related to financial suppliers job is increased, auditor's expectations gap is decreased. Auditor's expectations gap will significantly influence on loan decision making quality and its amount of influence is equal to 0.61, and negative (inverse). It means that as auditor's expectations gap is increased, loan decision making quality is decreased. Work experience of financial suppliers has no significant impact on the loan decision making quality. Work experience of financial suppliers related to job has no significant impact on loan decision making quality. Auditor's expectations gap has significant impact on loan decision making quality.

[Arezo Shishe Bor, Alborz Abbasi. **The effect of personal experience or knowledge on gap auditor's expectations of funders and quality of their decisions.** *N Y Sci J* 2016;9(9):11-14]. ISSN 1554-0200 (print); ISSN 2375-723X (online). <http://www.sciencepub.net/newyork>. 3. doi: [10.7537/marsnys090916.03](https://doi.org/10.7537/marsnys090916.03).

Keywords: Audit expectations gap, financial suppliers

Introduction

Humphrey et al., 1992 considered expectations gap as one of the critical issues in relation to the audit and regulatory profession and defined expectations gap components as follows:

- 1 - Responsibility of auditors in relation to fraud
- 2 - Auditor's independence
- 3 - Notification and reporting

Expectations gap was firstly proposed by Li Jiu as the difference between the independent auditor's expected performance level and users of financial statements. Also the history of expectations gap dates back to auditing firms in the nineteenth century. Professionally expectations gap have been recognized as a prominent issue so that researchers suggest that expectations gap is a critical issue for independent audit performance and is important in the audit function and development of standards. (Aghaie, Musazadeh Abbasi and Jahan Ara 2011). The purpose of standard audit report is to transfer different and separate messages for users by auditors. Some of these messages including the auditor's opinion are explicitly provided for users; however, part of the messages

implicit in the standard accounting report requires deduction by users. For example, the responsibility for preparing the financial statements, compliance of applied principles with the terms of audit and judgment are the implicit messages in the current audit report.

Audit reduces crediting problems arising from conflicts of interest and adds its reliability (Hassas Yeganeh et al., 2004). By accepting more responsibility and expansion of its role or strengthening public education on the role and restrictions of audit, auditing profession can respond to the needs of society and limit expected gap. Therefore we examine the effect of training on the audit and come to the conclusion that audit training reduces expectations gap but is not enough and practical analysis in the field of audit is essential to reduce this gap (Aghaie et al., 2012). The aim of this study was to evaluate the impact of personal experience or knowledge on auditor's expectations gap of financial suppliers and their decision's quality.

Background

Ahmed Khalegh and Hesam Yrganeh (2004) in a study entitled as expectations gap between auditors and users of the accredited independent auditors reviewed expectations gap between auditors and users of accredited independent auditor. The results indicate that there is a significant difference between the audit expectations gap and users of accredited independent auditor role. Ismail-Zadeh et al., in their quasi-experimental and post-test research addressed the relationship between external auditors and institutional investors. The results indicate that auditors and institutional investors disagreed about the messages contained in the audit report concerning the credit or fraud, the audit process and the messages contained in the audit report on the reasonable criteria and evaluation of information. Jahan Ara et al., in a study titled as the role of accountability training in the expectations gap between auditors and users of financial statements concluded that accountability training reduced the limitations of an audit response to community needs and expectations gap. The results of this investigation showed that audit training to the users of financial statements reduces the expectations gap between auditors and users of the financial statements. Alikhani (2001) in a study investigated the gap between the attitudes of independent auditors and a group of audit report users on the evaluation of laws and regulations in the financial statements audit by independent auditors. The results showed that there is a significant difference between auditors' thoughts and users of accounting statements regarding to the

duty of independent audits about the evaluation of compliance with laws and regulations. Further there is no significant difference between auditor's attitude and audit reports regarding to the compliance with rules and rejected or conditional comments.

Research purpose

Research objectives are divided into three main and secondary groups follows:

Main purpose 1: To determine the status of accounting financial suppliers on auditor's expectations gap.

Secondary purpose 1 -1: To determine work experience of financial suppliers on the auditors' expectations gap.

Secondary purpose 1 -2. Work experience related to financial suppliers job is effective on the auditors' expectations gap.

Main purpose 2- To determine the impact of auditors' expectations gap on loan decision making quality.

Methodology

Research method has been selected according to objective, character, theme and executive facilities of study. This method has an applied purpose and used survey and correlation for the study of variables. The population of study consisted of audit institutions and banks in Yazd province and the sample size was 310 participants. This study utilized random sampling method for sampling. In this study, a questionnaire was used to collect data.

Table 1: Calculation of reliability of questions in the questionnaire				
Variable	Number of questions	Number of questionnaire	Cronbach's alpha	
auditors' expectations gap	10	1-10	878.0	
Loan decision making quality	4	11-14	799.0	
Total questionnaire	14		885.0	

The above table shows Cronbach's alpha and the total number of questionnaire and its variables. Since Cronbach's alpha of total questionnaire and variables is greater than 0.7, then the reliability of test is acceptable. The validity of this study is confirmed by teachers and consultant's opinions. In this study demographic data was described using descriptive statistics, frequency tables, circular and bar charts and analyzed using SPSS 18 software; for the assessment of hypotheses direct or indirect relationship between variables will be used.

Data analysis

In this part, statistical analysis was carried out to determine the distribution of statistical samples from variables such as gender, education, occupation and age.

According to the table, 290 of participants were 211 males, 79 females and indicates that 27% are males and 73 percent are women. Also, about 48 percent of participants aged between 31 and 40 years old. In terms of education, 64% have a bachelor's degree, 13 percent associate's degree, and 11 percent in high school diploma, 10 percent a master's degree and above 2 percent higher school. On the other hand, 52 percent of the sample was accountant.

Percent	Frequency	Group	Variable
72.8	21	Male	Gender
27.2	79	female	
2.1	6	below high school	Education level
10.7	31	diploma	
13.4	39	Associate Degree	
64.1	186	Bachelor	Age
9.7	28	M.A and above	
29	84	between 21-30	
48.3	140	between 31-40	
14.8	43	Between 41-50	Occupation
7.9	23	Above 50	
18.6	54	Accountant	
51.7	150	Auditor	
3.8	11	Boss of bank	
15.2	44	financial director	Occupation
10.7	31	Loan expert (bank employee)	
100	290	Total	

Inferential statistics

result	determination coefficients	t-statistic	path	coefficients
confirmed	0.18	4.549180	-0.296356	Work experience of financial suppliers← auditors' expectations gap.
confirmed	4.025339	-0.319897	Work experience related to financial suppliers job	auditors' expectations gap.
confirmed	0.39	15.707416	-0.607274	Auditors' expectations gap – loan decision making quality
rejected	0.844129	-0.057153	Auditors' expectations gap - loan decision making quality	
rejected	1.109724	0.074092	Work experience related to financial suppliers job – loan decision making quality	

Test research hypothesis

Hypothesis (1): Work experience of financier suppliers is effective on the auditors' expectations gap.

H0: Work experience of financier suppliers has significant impact on the auditors' expectations gap.

According to Table 3, absolute value of the t-statistic is equal to 4/55 and greater than 1/96, then null hypothesis is rejected. It means that at the level of 95%, work experience of financial suppliers has significant impact on auditors' expectations gap and it is 0.296 and negative. It implies that with increasing levels of work experience of financial suppliers, auditors' expectations gap decreases.

Hypothesis (2): Work experience related to financial supplier's job has impact on the auditors' expectations gap.

Hypothesis 0: Work experience related to financial supplier's job has no significant impact on the auditors' expectations gap.

Hypothesis 1: Work experience related to financial supplier's job has a significant impact on the auditors' expectations gap.

According to Table 3, absolute value of the t-statistic is equal to 4/025 and greater than 1/96, then null hypothesis is rejected. It means that at the level of 95%, work experience related to the financial supplier's job has significant impact on auditors' expectations gap and it efficiency is 0.320 and negative. It implies that with increasing levels of work experience related to the financial supplier's job, auditors' expectations gap decreases.

Hypothesis (3): Auditors' expectations gap has impact on the loan decision making quality.

H 0: Auditors' expectations gap has no significant impact on the loan decision making quality.

H 1: Auditors' expectations gap has significant impact on the loan decision making quality.

According to Table 11, absolute value of the t-statistic is equal to 15 /75 and greater than 1/96, then null hypothesis is rejected. It means that at the level of 95%, auditors' expectations gap has significant impact on the loan decision making quality and its efficiency is 0.61 and negative. It implies that with increasing auditors' expectations gap level, loan decision making quality decreases.

Hypothesis 4: work experience of financial supplier has no significant impact on loan decision making quality.

H0: work experience of financial supplier has no significant impact on loan decision making quality.

H1: work experience of financial supplier has significant impact on loan decision making quality.

Hypothesis 5: work experience related to financial supplier's job has significant impact on loan decision making quality.

H0: work experience related to financial supplier's job has no significant impact on loan decision making quality.

H1: work experience related to financial supplier's job has significant impact on loan decision making quality.

According to Table 11, absolute value of the t-statistic is equal to 1.11 and greater than 1/96, and then null hypothesis is not rejected. It means that at the level of 95%, work experience related to financial supplier's job has no significant impact on loan decision making quality.

Discussion and conclusion:

Work experience of financial suppliers has significant impact on auditors' expectations gap and its efficiency is 0.296 and negative (inverse). It implies that with increasing work experience of financial suppliers, auditors' expectations gap decreases. Work experience related to financial

supplier's job has significant impact on auditors' expectations gap and its efficiency is 0.320 and negative (inverse). It implies that with increasing work experience of financial supplier's job, auditors' expectations gap decreases. Auditors' expectations gap has significant impact on loan decision making quality and its efficiency is 0.61 and negative (inverse). It implies that with increasing auditors' expectations gap, auditors' expectations gap, loan decision making quality decreases. Work experience related to financial suppliers has no significant impact on loan decision making quality. Work experience related to financial supplier's job has no significant impact on loan decision making quality. Auditors' expectations gap has significant impact on loan decision making quality. Work experience of financial suppliers has impact on the loan decision making quality through auditors' expectations gap. Auditors' expectations gap has significant impact on the loan decision making quality. Work experience related to financial supplier's job has significant impact on the loan decision making quality through auditors' expectations gap.

References:

1. Google. <http://www.google.com>. 2016.
2. Ma H, Cherng S. Nature of Life. Life Science Journal 2005;2(1):7-15. doi: [10.7537/marslsj020105.03](https://doi.org/10.7537/marslsj020105.03). <http://www.lifesciencesite.com/lj/life0201/life-0201-03.pdf>.
3. Ma H. The Nature of Time and Space. Nature and science 2003;1(1):1-11. doi: [10.7537/marsnsj010103.01](https://doi.org/10.7537/marsnsj010103.01). <http://www.sciencepub.net/nature/0101/01-ma.pdf>.
4. National Center for Biotechnology Information, U.S. National Library of Medicine. <http://www.ncbi.nlm.nih.gov/pubmed>. 2016.
5. Wikipedia. The free encyclopedia. <http://en.wikipedia.org>. 2016.