DOES EXPERIENCE AFFECT AUDITORS' PROFESSIONAL JUDGMENT? EVIDENCE FROM PUERTO RICO

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ABSTRACT

Auditors use professional judgment to collect and evaluate evidence to issue an opinion on the fairness of a business entity's financial statements. Prior research finds that international auditing firms should consider cultural aspects when planning an audit examination and that the experience and knowledge possessed by an auditor influences the decision-making processes in an audit. This paper examines whether experience could affect the professional judgment of auditors during the planning phase of an audit. The investigation consists of a survey made among auditors working in audit and accounting firms, Independent Practitioners, and university senior students majoring in accounting to determine if the years of work experience of an auditor influences the evaluation of the internal control environment and the assessment of fraud risk for a firm operating in different countries with different cultural characteristics. The results obtained suggest that experience does not seem to affect their decisions when they are based on professional judgment.

JEL: F23, M40, M41, M42

KEYWORDS: Experience, Culture, Internal Control, Fraud Risk, Individualism/Collectivism, Power Distance, Uncertainty Avoidance, Short and Long-Term Vision, Professional Judgment

INTRODUCTION

The assessment of fraud risk is one of the most important steps in an audit examination of the financial statements of a business entity. If the entity (audit client) is located in another country, independent auditors (with or without experience) will have to make decisions based on their professional judgment. The country where an auditor performs the audit field-work procedures is one of the factors that will be considered in the decision-making process, especially when the client is located in a country with different cultural characteristics. Cohen, Pant and Sharp (1993) and Tsakumis, Campbell and Doupnik (2009) assert that international firms of Certified Public Accountants (CPAs) should consider cultural aspects when planning an audit examination.

The results of this study are important because of the increasing professional liability currently faced by CPA firms that provide audit and assurance services. Their reputation and brand name in the global business environment has been tarnished by recent accounting fraud scandals. This implies that auditors must be alert to fraud risk factors ("red flags") that may affect the fairness of the entity's financial statements, which could be caused by significant deficiencies or material weaknesses in a firm's system of internal controls. The literature identifies differences in the audit environments and the performance of multi-cultural analysis between countries using accounting students or auditors in countries like USA, Canada, Asia, and Mexico. Hofstede's cultural dimensions (1980, 2001) are frequently used to predict the effects of cultural differences: individualism and collectivism, power distance, masculine and feminine, uncertainty avoidance, and long versus short-term vision.

Prior research describes the use of auditors with different levels of experience, the most common being the use of students. Several studies have examined the effect of the auditor's experience on professional judgment and the decisions made by auditors (Ashton and Brown, 1980; Hamilton and Wright, 1982; Bedard, 1989; Bonner and Lewis, 1990; Libby and Frederick, 1990; Ho and May, 1993; Davis, 1996). However, these studies do not address how the experience of the auditors could affect their professional judgment in their assessment of the possibility of fraud and on the reliability of a firm's internal control system in environments with different characteristics.

The objective of this investigation is to examine whether experience affects the decisions made by auditors during the planning stage of an audit. To the best of our knowledge there are no previous studies that address whether the number of years of work experience of independent auditors could affect their assessment of fraud risk and the reliability of a firm's internal control environment during an audit examination of a client with global operations and cultural diversity in its workplace. The remainder of the paper is organized as follows. Section 2 describes the relevant literature. Sections 3 and 4 describe the hypotheses development, the research design, and the data sources for this investigation. Sections 5 and 6 present the methodology used and the empirical results obtained. Section 7 presents our conclusions.

LITERATURE REVIEW

Culture

The definitions for culture are many and varied. Kroeber and Kluckhohn (1952) identified over 160 definitions of the word culture. The most often cited definition of culture is the one provided by Hofstede (1983) that defines it as a collective programming of the mind, hard to change, that distinguishes one group of people from others. According to Hofstede (1983), regional and national differences remain and are one of the crucial problems for management, particularly for managers of multinational firms. For Hofstede, cultural programming is difficult to change, unless you isolate or detach individuals from their culture. From 1968 to 1972, Hofstede collected and analyzed data on 100,000 individuals who were working at The International Business Machines Corporation (IBM) in fifty different countries and in three geographical regions. The objectives of Hofstede's 1983 study were to create a terminology to describe cultures that had an empirical basis and use that information systematically gathered from a number of cultures, instead of only using anecdotal impressions. The results of the aforementioned study and subsequent studies allowed Hofstede to develop a model to identify the cultural patterns of each group consisting of four primary dimensions: individualism and collectivism, power distance, uncertainty avoidance and masculinity (or femininity).

In 1985, Hofstede added a fifth dimension looking for a long-term alternative: long-term vision. This dimension was the result of a study in which Hofstede (2001) collected and analyzed data on students in 23 countries. In 2010, Hofstede added a sixth dimension, indulgence versus restriction, based on data analysis made by Minkov with the World Values Survey for 93 countries (Hofstede G, Hofstede G.J, and Minkov, 2010). The dimension of individualism or collectivism essentially measures the relationship that an individual has with others. The dimension of power distance, large or small, considers how societies work with people who are not equal in physical and in intellectual capacities. The dimension of uncertainty avoidance reflects how society deals with the fact that time "flows" in one direction, and that the future although uncertain, will always arrive. The male and female dimension presents the divided gender roles in a society. The dimension of long-term (versus short-term) orientation refers to a future-oriented culture. The sixth dimension, indulgence versus restraint, relates to the topic of happiness in countries.

Impact of Culture on Audit Procedures

Several studies have been made on how culture can affect audit procedures, especially during the planning phase, where the independent auditor can use more professional judgment. For Cohen et al. (1993), increased merger activity among public firms and the expansion of CPA firms have created the need for global CPA firms to consider the impact of international cultural diversity in their decision-making processes and the ethical sensitivity of their employees. Hughes et al. (2009) find that cultural characteristics seem to influence the ability of recently graduated auditors to perform analytical review procedures that require prediction changes in balance sheet accounts. Ge and Thomas (2007) note that Canadian accounting students most frequently used ethical factors and made ethical decisions during an audit more frequently than Chinese accounting students.

According to Tsui (1996), cultural differences seem to affect the levels of ethical reasoning among auditors. Cohen et al. (1995) conducted a study of auditors in Latin America, Japan, and the United States, which suggests that culture is related to the ethical evaluations of the subjects studied and the likelihood that they or their colleagues performed a task. The results obtained by Sim (2010) also imply that the auditors' report on internal controls should be aware that national culture is an important factor to be considered by auditors in their assessment of control risk.

Fraud and Culture

According to Watson (2003), people with different cultural backgrounds have different opinions as to how to deal with fraud. Brulenski and Zayas (2004) assert that if an event of potential fraud is identified, the auditor should evaluate whether it has a material effect or impact on the entity's financial statements. This could involve performing additional audit procedures and considering what other aspects of the audit examination could be affected. Fraud research has increased in recent years because of the many well publicized cases of management misbehavior, weak governance, and corporate failures. Brulenski and Zayas (2004) assert that recent events, new legislation, and new professional guides have increased customer expectations regarding the independent auditor's responsibility to detect fraud. This has been positive since public confidence in auditors was weakened by the occurrence of accounting scandals such as Enron, where fraudulent accounting practices were allowed (or ignored) by the CPA firm of Arthur Andersen LLP. Several studies have identified some factors associated with the culture of a country that may allow the existence of fraud. Davis and Ruhe (2003) find that the dimensions of collectivism and power distance seem to be associated with corruption. For Husted (1999), the cultural profile of a corrupt country is associated with a high level of power distance and high uncertainty avoidance. Getz et al.

(2001) state that a country with a high rejection of uncertainty avoidance and a country with large power distance seems to be positively associated with corruption. The authors also suggest that corruption is inconsistent with a long-term oriented culture. Tax evasion is another event whose occurrence might be considered as fraud. Tsakumis et al. (2007) and Richardson (2008) associate countries that do not meet their tax commitments with a low level of individualism. Tsakumis et al. (2007) also associate countries that do not meet their tax commitments with a culture of large power distance. Bribery is another factor that has been associated with Hofstede's cultural dimensions. Sanyal and Guvenli (2009) find that companies operating in countries with a high degree of individualism and with a long-term vision are less likely to engage in the payment of kickbacks or bribes.

Experience and the Independent Auditor's Professional Judgment

An independent auditor uses professional judgment to collect and evaluate evidence to determine whether an entity's financial statements present fairly, in all material respects, its financial position, results of

operations and cash flows, in conformity with either accounting principles generally accepted in the United States of America (U.S. GAAP), or International Financial Reporting Standards (IFRS). According to Ashton, Keinmuntz, Sullivan and Lawrence (1988, cited in O'Donnell 1995), auditors must integrate their internal information (knowledge stored in memory) to gather evidence and arrive at a conclusion based on their judgment. Several studies have linked the auditor's experience level with their professional judgment and ability to make decisions. According to Ashton and Brown (1980), there is more agreement among the judgment of experienced auditors than among less experienced auditors. In addition, more experienced auditors have an easier time explaining their judgmental decisions than less experienced auditors. Hamilton and Wright (1982) find that although experience has an important role in decision-making, its role is more significant in the context of less structured decisions.

Bedard (1989) reviews the literature on experience in auditing and compares the cognitive approach with the behavioral approach. According to the cognitive approach, the process of thinking and knowing is what determines human behavior; the behavioral approach suggests that external (environmental) factors are what determine behavior. Using the cognitive approach, Bedard (1989) notes that there will be a difference in knowledge between more experienced auditors and less experienced auditors. He also states that these differences may lead more experienced auditors to use a different decision-making process than less experienced auditors. However, using the behavioral approach, Bedard (1989) explains that more experienced auditors do not behave differently than less experienced auditors. Other researchers have studied how audit procedures performed may affect the auditor's professional judgment. The typical hierarchy in a CPA firm is the following (from the highest rank to the lowest rank); Partners, Managers, Senior Auditors, and Staff Auditors. Cohen and Kida (1989) state that the substantive audit procedure known as "analytical review" has a greater effect on the judgment of an Audit Manager than on the judgment of a Senior Auditor. In addition, they note that the reliability of a firm's internal controls affects the Senior Auditor more than the Audit Manager.

Experience and knowledge have been identified as possible factors that may influence an auditor's performance. Bonner and Lewis (1990) note that although experienced auditors have a stronger performance, on average, than auditors with less experience, knowledge, and innate ability provide a better explanation for the difference in their performance. Libby and Frederick (1990) find that experienced auditors exhibit a more complete understanding of the errors in the financial statements and are able to generate a larger amount of explanatory hypotheses to explain them. For these researchers, experienced auditors can reach a proper conclusion more quickly than their less experienced colleagues. Ho and May (1993) used auditors and students to analyze two cases, one in which they used their knowledge in auditing and another that did not need prior knowledge of the subject. The researchers found that the ability to reason and judgment used by auditors and students were not very different from each other in the case where it was not necessary to use auditing knowledge. In the case of an audit, experience and knowledge resulted in different responses between auditors and students.

Davis (1996) finds that the ability to recognize and select relevant information in a complex judgment process is a contrast between the enhanced performance achieved by those who make decisions and those that have experience. Comparing recently promoted (new) Senior Auditors with "more experienced" Senior Auditors, Davis (1996) concludes that the "more experienced" Senior Auditors exhibit a higher level of selective attention to relevant information. In addition, more experienced Senior Auditors demonstrate greater consistency between their responses to selected relevant information and their responses to their preliminary assessment of control risk; selected less relevant information and arrived at their judgment in less time than less experienced Senior Auditors.

RESEARCH DATA AND METHODOLOGY

Hypotheses Development

Experience may be an important factor influencing the judgment made by auditors in their evaluation of the reliability to be placed on a firm's internal control environment and the assessment of possible fraud risk factors. For Ho and Chang (1994), professional knowledge and not national culture, is the factor that plays a dominant role in the auditor's probabilistic judgments. It has been noted that such knowledge and experience are the factors that can determine the difference in the decisions made by auditors. Libby and Frederick (1990) find that experienced auditors may generate more hypotheses that can explain errors in a firm's financial statements. The authors also note that experienced auditors can reach a proper conclusion more quickly than recently designated (less experienced) auditors. Similar to these researchers, Davis (1996) states that more experienced Senior Auditors arrive at a judgment in less time than less experienced Senior Auditors. Ho and May (1993) use students and auditors in their study and agree that experience and knowledge result in a different response in the cases analyzed by each group.

Bedard (1989) uses a cognitive approach and notes that the knowledge gap between more experienced Senior Auditors and less experienced Senior Auditors may result in a different decision-making process by the more experienced auditors. Independent practitioners and university senior students majoring in accounting have been used in prior studies related to audit engagements, culture, and the auditor's experience and professional judgment. University senior students have also been used to investigate the impact of culture on audit procedures (Welton and Davis 1990; Patel and Psaros, 2000; Hughes et al., 2008). Prior research suggests that the years of work experience and knowledge of an auditor influences their decision-making processes in an audit engagement.

In this study we consider whether the number of years of experience of auditors working in CPA firms in Puerto Rico at different levels of responsibility ("Staff Auditors", "Senior Auditors", Managers, Partners) or Independent Practitioners, and university senior students majoring in accounting could affect their professional judgment in their evaluation of the internal control environment and assessment of fraud risk in a client that operates in different countries with cultural diversity in its workplace. We use four of Hofstede's (1980, 2001) cultural dimensions (individualism and collectivism, power distance, uncertainty avoidance and long or short-term vision) to examine the effects of cultural differences and whether experience has any effect on the decisions made by auditors related to their evaluation of an entity's internal controls and their assessment of a client's fraud risk. We predict that the three groups of participants in our study will respond differently to certain situations in their evaluation of the internal control environment and assessment of fraud risk. Based on our prediction we present the following hypotheses:

H1: Participants will make different decisions regarding their assessment of the reliability of a firm's internal controls depending on their years of work experience.

H2: Participants will make different decisions regarding their assessment of the possibility of fraud in a firm depending on their years of work experience.

Research Design and Sample Selection

This study consisted of administering questionnaires (see Appendix I) to the following groups: Staff Auditors, Senior Auditors, Audit Managers and/or Partners of CPA firms in Puerto Rico, Independent Practitioners and university senior students majoring in accounting. Table 1 summarizes the process of the sample selection and the composition of the study sample. A total of 168 questionnaires were distributed during the first quarter of 2011, with 12 questionnaires being discarded because they did not

answer all of the questions, leaving the sample with 156 eligible participants. The scenarios were distributed as evenly as possible: where Scenario I (an individualistic country or a collectivistic country) was analyzed by 37 participants; Scenario II (a country with high power distance and a country with low power distance) was analyzed by 37 participants; Scenario III (a country with a high degree of uncertainty avoidance and a country with a lower degree of uncertainty avoidance) was analyzed by 42 participants; and Scenario IV (a country with long-term vision and a country with short-term vision) was analyzed by 40 participants. The participants in this study were 86 females and 70 males.

The current occupation of the participants in the study is as follows: 57 are university senior students majoring in accounting, 24 are Staff Auditors and 26 are Senior Auditors in a CPA firm, 21 are classified as either Audit Manager or Partner in a CPA firm, 23 are Independent Practitioners, and 5 were classified as "Other". The years of work experience of the participants are as follows: 77 participants have 0-2 years' experience, 23 participants have 3-5 years' experience and 56 participants have 6 years or more of work experience. The place of employment of the participants in the study are as follows: 14 work in international CPA firms, 61 work in local CPA firms, 20 work as Independent Practitioners, three work in industry, 57 are students and one works in a financial institution.

Table 1: Sample Selection

Sample participants	Total surveys distributed	168
	Less:	
	Incomplete surveys	(12)
	Total sample participants	**156**
Participants by Scenario	Scenario I	37
	Scenario II	37
	Scenario III	42
	Scenario IV	40
	Total	**156**
Participants by Gender		86
Female		70
Male	**Total**	**156**
Participants by Current employment status	1. Accounting student (Senior year)	57
	2. Staff Auditor in a CPA firm	24
	3. Senior Auditor in a CPA firm	26
	4. Manager or Partner in a CPA firm	21
	5. Independent Practitioner	23
	6. Other	5
	Total	**156**
Participants classified by Years of Experience	0-2 years	77
	3-5 years	23
	6 or more years	56
	Total	**156**
Participants by Place of Employment	International Firm	14
	Local Firm	61
	Independent Auditor	20
	Corporation	3
	Students	57
	Financial Institution	1
	Total	**156**

This table presents the sample participants in the study classified by gender, occupation, years of work experience and place of employment.

Each participant evaluated two hypothetical countries, with different cultural characteristics depending on Hofstede's dimensions (1980, 2001). Participants were not explicitly informed of the dimension that was analyzed. Each participant answered 12 questions divided as follows: four questions related to the reliability of internal controls, four questions related to the assessed possibility of fraud and four questions requested demographic information (gender, occupation, number of years worked as an auditor,

and name of employer). An ordinal scale was used for the perception of the reliability of internal controls and the likelihood of fraud, ranging from significantly "lower than" to significantly "higher than".

Research Data

The questionnaire used in this study was developed using a model created by Huber (2001). The scenarios that describe the characteristics of the countries using four of Hofstede's dimensions (1980, 2001) were modified. In addition, several questions about their assessment of fraud risk were added. Each participant received an informed consent form and another document that described the countries in which a company operates. The majority of the descriptions used on the questionnaire were the characteristics used by Hofstede (1980, 2001) for each dimension, modifying them only to construct more clear and complete sentences. Each questionnaire took approximately 20 minutes to complete. Some questionnaires were sent online, if the participant so required.

This study investigates the association between years of work experience and the evaluation of the reliability of internal controls and fraud risk. Our model considers years of work experience as the independent variable and the reliability of a firm's internal control environment and the perception of the possibility of fraud as the dependent variables. A nonparametric analysis of variance was used (Kruskal-Wallis test) to compare the different sample groups and determine whether there was a difference among the participants in the study of their perception of the reliability of internal controls and their assessment of fraud risk given their years of work experience.

EMPIRICAL RESULTS

Hypothesis 1 predicts that participants will make different decisions regarding their perception of the reliability of a company's internal controls depending on their years of work experience. Tables 2 through 5 provide the results of questions 1-4 on their perception of the reliability of internal controls for all the scenarios examined. Hypothesis 2 predicts that participants will make different decisions regarding their perception of the potential for fraud in a company depending on their years of work experience. Tables 6 to 9 present the results of questions 5-8 on their perception of the possibility of fraud. The sample was stratified by years of work experience. Group 1 included participants with 0-2 years of work experience; group 2 included participants with 3-5 years of experience; and group 3 included participants with 6 or more years of experience. The Kruskal-Wallis test calculates an average rank of the responses from the participants to examine the difference between the groups. A significance level of 10 percent was established for the perception decisions on the reliability of internal controls and the possibility of fraud. The answer sheet provided to the participants was coded to allow possible answers to the questionnaire's questions as: a, b, c, d and e. To facilitate the analysis of responses, answers were coded as follows: a = 1, b = 2, c = 3, d = 4 and e = 5.

Table 2 presents the results obtained for questions 1-4 from the 37 participants who examined the scenario of one individualistic country and one collectivistic country and their perceived reliability of internal controls. Question 1 (amount of time required to study and evaluate a firm's internal controls) resulted in an average rank for group 1 of 17.63, group 2 has an average rank of 10.5, and Group 3 has a value of 22.79. This results in a 4.284 Chi-square statistic with a significance level of 0.117. Question 2 (effectiveness of the internal control environment) resulted in an average rank as follows: group 1 has 18.60, group 2 has 25.50, and group 3 has 18.18. This results in a Chi-square statistic of 1.38 with a significance level of 0.500. Question 3 (management's vision of the importance of internal controls) resulted in an average rank as follows: group 1 has 20.00, group 2 has 22.50 and group 3 has 16.82. This results in a Chi-square statistic of 1.181 with a significance level of 0.554.

Table 2: Kruskal-Wallis Test to Determine Whether There Is a Difference in the Perception of Auditors Regarding the Reliability of Internal Controls Considering Their Years of Work Experience

Scenario 1: Individualistic country *(Country A) versus Collectivistic country* (Country B).
Panel A: Average Rank of the Responses

Question	Group by experience[a]	**N**	**Average rank[b]**
Question 1	1	20	17.63
As an auditor, you would expect that the amount of time needed to study and evaluate internal control of the company in country A is _____ as the same company operating in country B.	2	3	10.50
	3	14	22.79
	Total	**37**	
Question 2	1	20	18.60
As an auditor, you would expect that the effectiveness of the control environment of the company in country A is _____ as the same company operating in country B.	2	3	25.50
	3	14	18.18
	Total	**37**	
Question 3	1	20	20.00
As an auditor, you would expect that management's vision of the importance of internal controls of the company in country A is _____ as the same company operating in country B.	2	3	22.50
	3	14	16.82
	Total	**37**	
Question 4	1	20	20.70
As an auditor, you would expect that the effectiveness of control activities used by the company in country A is _____as the same company operating in country B.	2	3	16.67
	3	14	17.07
	Total	**37**	

Panel B: Statistical tests – Years of Work Experience *

	1	2	3	4
Question number				
Chi-square	4.284	1.388	1.181	1.216
Df	2	2	2	2
Significance Level	0.117	0.500	0.554	0.544

This table presents the average rank of the responses obtained from the participants in the study that examined an individualistic country and a collectivistic country and their perceptions of the reliability of internal controls in a firm based on their years of work experience.
(a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience.
*(b) Refers to the average rank of the participants' responses. * indicates significance at the 10 percent level.*

Question 4 (what an auditor expects regarding the effectiveness of a company's internal control activities) resulted in an average rank for group 1 of 20.70, Group 2 has a value of 16.67, and group 3 has 17.072. This results in a Chi-square statistic of 1.216 with a significance level of 0.544. The significance level of the average rank for all the questions in the questionnaire suggest no statistically significant difference in the responses obtained from the participants in the groups divided by years of work experience. The lowest significance level, although not deemed to be significant, for question number 1, was related to the amount of time required to evaluate a firm's system of internal controls.

Question 2 (effectiveness of the internal control environment) resulted in an average rank as follows: group 1 has 17.94; group 2 has an average rank of 20.83, and group 3 has an average rank of 19.62. This results in a Chi-square statistic of 0.437 with a significance level of 0.804. Question 3 (management's vision of the importance of internal controls) resulted in an average rank as follows: group 1 has a value of 20.31, the average rank for group 2 is 25.00 and for group 3 is 14.42. This results in a 4.916 Chi-square statistic with a significance level of 0.086. Question 4 (what an auditor expects related to the effectiveness of internal control activities) resulted in an average rank for group 1 of 19.25, for group 2 it is 19.75 and for group 3 it is 18.31. This results in a Chi-square statistic of 0.118 and a significance level of 0.943.The significance levels of average rank for questions number 1, 2 and 4, suggest no statistically significant difference in the responses from the participants in the groups divided by years of work experience. However, the average rank for question number 3 (management's vision of the importance of internal controls of a firm) suggests that there is a significant difference in the responses obtained from the participants when they are divided by years of work experience.

Table 3 presents the results obtained for questions 1-4 from the 37 participants who examined the scenario of a country with large power distance and a country with small power distance. Question 1

(amount of time required to study and evaluate a firm's internal controls) resulted in an average rank for group 1 of 18.42, group 2 has an average rank of 16.83; group 3 has an average rank of 20.81. This results in a Chi-square statistic of 0.726 with a significance level of 0.695.

Table 3: Kruskal-Wallis Test to Determine Whether There is a Difference in the Perception of Auditors Regarding the Reliability of Internal Controls Considering Their Years of Work Experience

Scenario 2: Country with high power distance (Country A) versus *Country with low power distance. (Country B).*

Panel A: Average Rank of the Responses

Question	Group by experience[a]	**N**	**Average rank[b]**
Question 1	1	18	18.42
	2	6	16.83
As an auditor, you would expect that the amount of time needed to study and evaluate internal control of the company in country A is _____ as the same company operating in country B.	3	13	20.81
	Total	**37**	
Question 2	1	18	17.94
	2	6	20.83
As an auditor, you would expect that the effectiveness of the control environment of the company in country A is _____ as the same company operating in country B.	3	13	19.62
	Total	**37**	
Question 3	1	18	20.31
	2	6	25.00
As an auditor, you would expect that management's vision of the importance of internal controls of the company in country A is _____ as the same company operating in country B.	3	13	14.42
	Total	**37**	
Question 4	1	18	19.25
	2	6	19.75
As an auditor, you would expect that the effectiveness of control activities used by the company in country A is _____as the same company operating in country B.	3	13	18.31
	Total	**37**	

Panel B: Statistical tests – Years of Work Experience *

Question number	1	2	3	4
Chi-square	0.726	0.437	4.916	0.118
Df	2	2	2	2
Significance Level	0.695	0.804	0.086	0.943

*This table presents the average rank of the responses obtained from the participants in the study that examined a country with high power distance and a country with low power distance and their perceptions of the reliability of internal controls in a firm based on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience. (b) Refers to the average rank of the participants' responses. * indicates significance at the 10 percent level.*

Table 4 presents the results obtained for questions 1-4 from the 42 participants who examined the scenario of a country with a country with a higher degree of uncertainty avoidance and a country with a lower degree of uncertainty avoidance. Question 1 (amount of time required to study and evaluate a firm's internal controls) resulted in an average rank for group 1 of 17.81, for group 2 it is 25.56 and for group 3 it is 23.50. This results in a Chi-square statistic of 3.552 with a significance level of 0.169.

Question 2 (effectiveness of the internal control environment) resulted in an average rank as follows: group 1 has a value of 19.58, group 2 has a value of 19.11 and for group 3 it is 25.23. This results in a 3.902 Chi-square statistic with a significance level of 0.142. Question 3 (management's vision of the importance of internal controls) resulted in an average rank as follows: group 1 has a value of 22.17, group 2 has a value of 20.28 and for group 3 it is 21.43. This results in a 0.170 Chi-square with a significance level of 0.919. Question 4 (what an auditor expects related to the effectiveness of control activities) resulted in an average rank for group 1 of 20.14, for group 2 it is 19.11 and for group 3 it is 24.57. This results in a Chi-square statistic of 2.369 with a significance level of 0.306.

The significance levels of average rank for question numbers 1, 2, 3 and 4, suggest no significant difference in the responses obtained from the participants when they are divided by years of work experience.

Table 4: Kruskal-Wallis Test to Determine Whether There is a Difference in the Perception of Auditors Regarding the Reliability of Internal Controls Considering Their Years of Work Experience

Panel A: Average Rank of the Responses

Question	Group by Experience[a]	N	Average rank[b]
Question 1	1	18	17.81
	2	9	25.56
As an auditor, you would expect that the amount of time needed to study and evaluate internal control of the company in country A is _____ as the same company operating in country B.	3	15	23.50
	Total	**42**	
Question 2	1	18	19.58
	2	9	19.11
As an auditor, you would expect that the effectiveness of the control environment of the company in country A is _____ as the same company operating in country B.	3	15	25.23
	Total	**42**	
Question 3	1	18	22.17
	2	9	20.28
As an auditor, you would expect that management's vision of the importance of internal controls of the company in country A is _____ as the same company operating in country B.	3	15	21.43
	Total	**42**	
Question 4	1	18	20.14
	2	9	19.11
As an auditor, you would expect that the effectiveness of control activities used by the company in country A is _____as the same company operating in country B.	3	15	24.57
	Total	**42**	

Panel B: Statistical tests – Years of Work Experience *

Question number	**1**	**2**	**3**	**4**
Chi-square	3.552	3.902	0.170	2.369
df	2	2	2	2
Significance Level	0.169	0.142	0.919	0.306

** Significant at the 10 percent level.This table presents the average rank of the responses obtained from the participants in the study that examined a country with a higher degree of uncertainty avoidance and a country with a lower degree of uncertainty avoidance and their perceptions of the reliability of internal controls in a firm based on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience. (b) Refers to the average rank of the participants' responses.*

Table 5 presents the results obtained for questions 1-4 from the 40 participants who examined the scenario of a country with a long-term vision and a country with a short-term vision related to the perception of the reliability of a firm's internal controls. Question 1 (amount of time required to study and evaluate a firm's internal controls) resulted in an average rank for group 1 of 20.43, for group 2 it is 23.60, and for group 3 it is 19.50. This results in a Chi-square statistic of 0.493 with a significance level of 0.782. Question 2 (effectiveness of the internal control environment) resulted in an average rank as follows: group 1 is 20.40, for group 2 it is 16.10, and for group 3 it is 22.21. This results in a Chi-square statistic of 1.150 with a significance level of 0.563. Question 3 (management's vision of the importance of internal controls) resulted in an average rank as follows: group 1 has a value of 19.26, for group 2 it is 21.70 and for group 3 it is 21.93. This results in a 0.559 Chi-square statistic with a significance level of 0.756. Question 4 (what an auditor expects regarding the effectiveness of internal control activities) resulted in an average rank for group 1 of 19.55, for group 2 it is 19.10 and for group 3 it is 22.43. This results in a Chi-square statistic of 0.718 with a significance level of 0.698. The significance levels of average rank for question numbers 1, 2, 3 and 4, suggest no significant difference in the responses obtained from the participants when they are divided by years of work experience.

Table 5: Kruskal-Wallis Test to Determine Whether There Is a Difference in The Perception of Auditors Regarding the Reliability of Internal Controls Considering Their Years of Work Experience

Scenario 4: Country with long-term vision (Country A) versus Country with short-term vision (Country B).
Panel A: Average Rank of the Responses

Question	Group by Experience[a]	N	Average Rank[b]
Question 1	1	21	20.43
As an auditor, you would expect that the amount of time needed to study and evaluate	2	5	23.60
internal control of the company in country A is _____ as the same company	3	14	19.50
operating in country B.	**Total**	**40**	
Question 2	1	21	20.40
As an auditor, you would expect that the effectiveness of the control environment of the	2	5	16.10
company in country A is _____ as the same company operating in country B.	3	14	22.21
	Total	**40**	
Question 3	1	21	19.26
As an auditor, you would expect that management's vision of the importance of internal	2	5	21.70
controls of the company in country A is _____ as the same company operating in	3	14	21.93
country B.	**Total**	**40**	
Question 4	1	21	19.55
As an auditor, you would expect that the effectiveness of control activities used by the	2	5	19.10
company in country A is _____as the same company operating in country B.	3	14	22.43
	Total	**40**	

Panel B: Statistical tests – Years of Work Experience *

Question number	1	2	3	4
Chi-square	0.493	1.150	0.559	0.718
df	2	2	2	2
Significance Level	0.782	0.563	0.756	0.698

** Significant at the 10 percent level. This table presents the average rank of the responses obtained from the participants in the study that examined a country with long-term vision and a country with a short-term vision and their perceptions of the reliability of internal controls in a firm based on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience(b) Refers to the average rank of the participants' responses.*

The significance levels for all the scenarios examined (except for one question) do not show a statistically significant difference. Only question number three in Scenario 2, which relates to management's vision of the importance of a firm's internal controls, presents a statistically significant difference. Overall, the results obtained and their significance levels do not seem to support the hypothesis that participants will make different decisions regarding their perception of the reliability of a firm's internal controls depending on their years of work experience.

Table 6 presents the results obtained for questions 5-8 from the 37 participants who examined the scenario of an individualistic country and a collectivistic country. Question 5 (what an auditor expects regarding improper revenue recognition in a company) resulted in an average rank for group 1 of 18.30, group 2 has a value of 15.83, and for group 3 it is 20.68. This results in a Chi-square statistic of 0.780 with a significance level of 0.677. Question 6 (what an auditor expects regarding a firm's understatement of expenses) resulted in an average rank for group 1 of 19.10, for group 2 it is 14.67, and for group 3 it is 19.79. This results in a Chi-square statistic of 0.648 with a significance level of 0.723. Question 7 (what the auditor expects regarding the number of unusual related party transactions in a firm) resulted in an average rank for group 1 of 17.30, group 2 has a value of 17.83, for group 3 it is 21.68. This results in a Chi-square statistic of 1.634 with a significance level of 0.442.

Question 8 (what an auditor would expect regarding the incorrect or inappropriate use of the allowance for uncollectible accounts in a company) resulted in an average rank for group 1 of 16.18, group 2 has a value of 9.00, and group 3 has a value of 25.18. This results in a 9.834 Chi-square statistic with a significance level of 0.007.The significance levels of average rank for question numbers 5, 6, and 7 suggest no statistically significant difference in the responses obtained from the participants who examined Scenario 1, when they are divided by years of work experience. However, the average rank for question number 8 (what an auditor would expect regarding the incorrect or inappropriate use of the

allowance for uncollectible accounts in a company) suggests that there is a significant difference in the responses obtained from the participants.

Table 6: Kruskal-Wallis Test to Determine Whether There is a Difference in the Perception of Auditors Regarding the Possibility of the Existence of Fraud in a Firm Considering Their Years of Work Experience

Scenario 1: Individualistic country (Country A) ***versus Collectivistic country (Country B).***
Panel A: Average Rank of the Responses

Question	Group by experience[a]	**N**	**Average rank[b]**
	1	20	18.30
Question 5	2	3	15.83
	3	14	20.68
As an auditor, you would expect that improper revenue recognition in a company operating in country A is _____ as the same company operating in country B.	**Total**	**37**	
Question 6	1	20	19.10
	2	3	14.67
As an auditor, you would expect that understatement of expenses in a company operating in country A is _____ as the same company operating in country B.	3	14	19.79
	Total	**37**	
Question 7	1	20	17.30
	2	3	17.83
As an auditor, you would expect the number of unusual related party transactions in a company operating in country A is _____ as the same company operating in country B.	3	14	21.68
	Total	**37**	
Question 8	1	20	16.18
	2	3	9.00
As an auditor, you would expect that the incorrect use of the allowance for uncollectible accounts in a company operating in the country to be _____as the same company operating in country B.	3	14	25.18
	Total	**37**	

Panel B: Statistical tests – Years of Work Experience

Question number	5	6	7	8
Chi-square	0.780	0.648	1.634	9.834
df	2	2	2	2
Significance Level	0.677	0.723	0.442	0.007***

This table presents the average rank of the responses obtained from the participants in the study that examined an individualistic country and a collectivistic country and their perceptions of the possibility of the existence of fraud in a firm based on their years of work experience.
(a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience.
(b) Refers to the average rank of the participants' responses. ***, ** and * indicate *significance at the 1, 5 and 10 percent levels.*

Table 7 presents the results obtained for question numbers 5-8 from the 37 participants who examined the perception of the auditors on the possibility of fraud in a scenario of a country with large power distance and a country will small power distance. Question 5 (improper revenue recognition in a company) resulted in an average rank for group 1 of 19.53, group 2 had a value of 17.00, and for group 3 it was 19.19. This results in a Chi-square statistic of 0.284 with a significance level of 0.868. Question 6 (what an auditor would expect regarding the understatement of expenses in a firm) resulted in an average rank for group 1 of 17.03, group 2 had a value of 19.00, and for group 3 it was 21.73.

This results in a Chi-square statistic of 1.663 with a significance level of 0.435. Question 7 (what an auditor expects regarding the number of unusual related party transactions in a company) resulted in an average rank for group 1 of 18.75, for group 2 it was 16.08 and for group 3 it was 20.69. This results in a Chi-square statistic of 0.857 with a significance level of 0.652. Question 8 (what an auditor expects regarding the incorrect or inappropriate use of the allowance for uncollectible accounts in a company) resulted in an average rank for group 1 of 20.81, for group 2 it was 16.33, and for group 3 it was 17.73.

This results in a Chi-square statistic of 1.175 with a significance level of 0.556. The significance levels of the average rank for Question numbers 5-8 suggest no statistically significant difference in the responses obtained from the participants who examined Scenario 2, when divided by years of work experience.

Table 7: Kruskal-Wallis Test to Determine Whether There Is a Difference in the Perception of Auditors Regarding the Possibility of the Existence of Fraud in a Firm Considering Their Years of Work Experience

Scenario 2: Country with high power distance (Country A) ***versus Country with low power distance (Country B).***

Panel A: Average Rank of the Response

Question	Group by experience[a]	**N**	**Average rank[b]**
Question 5 As an auditor, you would expect that improper revenue recognition in a company operating in country A is _____ as the same company operating in country B.	1	18	19.53
	2	6	17.00
	3	13	19.19
	Total	**37**	
Question 6 As an auditor, you would expect that understatement of expenses in a company operating in country A is _____ as the same company operating in country B.	1	18	17.03
	2	6	19.00
	3	13	21.73
	Total	**37**	
Question 7 As an auditor, you would expect that the number of unusual related party transactions in a company operating in country A is _____ as the same company operating in country B.	1	18	18.75
	2	6	16.08
	3	13	20.69
	Total	**37**	
Question 8 As an auditor, you would expect that the incorrect use of the allowance for uncollectible accounts in a company operating in the country to be _____as the same company operating in country B.	1	18	20.81
	2	6	16.33
	3	13	17.73
	Total	**37**	

Panel B: Statistical tests – Years of Work Experience *

Question number	5	6	7	8
Chi-square	0.284	1.663	0.857	1.175
Df	2	2	2	2
Significance Level	0.868	0.435	0.652	0.556

*This table presents the average rank of the responses obtained from the participants in the study that examined a country with high power distance and a country with low power distance and their perceptions of the possibility of the existence of fraud in a firm on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience. (b) Refers to the average rank of the participants' responses. * indicates significance at the 10 percent level.*

Table 8 presents the results obtained for question numbers 5-8 from the 42 participants who examined the scenario of a country with a higher degree of uncertainty avoidance and a country with a lower degree of uncertainty avoidance. Question 5 (improper revenue recognition in a company) resulted in an average rank for group 1 of 21.72, for Group 2 it was 17.67 and for group 3 it was 23.53.

This results in a Chi-square statistic of 1.430 with a significance level of 0.489. Question 6 (what an auditor would expect regarding the understatement of expenses) resulted in an average rank for group 1 of 24.89, for group 2 it was 15.39 and for group 3 it was 21.10. This results in a Chi-square statistic of 4.303 and a significance level of 0.116. Question 7 (what an auditor would expect regarding the number of unusual related party transactions) resulted in an average rank for group 1 of 22.81, for group 2 it was 18.58 and for group 3 it was 21.70. This results in a Chi-square statistic of 0.961 with a significance level of 0.619. Question 8 (what an auditor would expect regarding the incorrect or inappropriate use of the allowance for uncollectible accounts in a company) resulted in an average rank for group 1 of 21.22, for group 2 it was 19.28 and for group 3 it was 23.17. This results in a Chi-square statistic of 0.664 with a significance level of 0.718. The significance levels of the average rank for question numbers 5-8 suggest

no statistically significant difference in the responses obtained from the participants, who examined Scenario number 3, when the groups were divided by years of work experience.

Table 8: Kruskal-Wallis Test to Determine Whether there is a Difference in the Perception of Auditors Regarding the Possibility of the Existence of Fraud in a Firm Considering their Years of Work Experience

Scenario 3: Country with a higher degree of uncertainty avoidance (Country A) ***versus Country with a lower degree of uncertainty avoidance (Country B).***

Panel A: Average Rank of the Responses

Question	Group by experience[a]	**N**	**Average Rank[b]**
Question 5	1	18	21.72
As an auditor, you would expect that improper revenue recognition in a company operating in country A is _____ as the same company operating in country B.	2	9	17.67
	3	15	23.53
	Total	**42**	
Question 6	1	18	24.89
As an auditor, you would expect that understatement of expenses in a company operating in country A is _____ as the same company operating in country B.	2	9	15.39
	3	15	21.10
	Total	**42**	
Question 7	1	18	22.81
As an auditor, you would expect that the number of unusual related party transactions in a company operating in country A is _____ as the same company operating in country B.	2	9	18.56
	3	15	21.70
	Total	**42**	
Question 8	1	18	21.22
As an auditor, you would expect that the incorrect use of the allowance for uncollectible accounts in a company operating in the country to be _____as the same company operating in country B.	2	9	19.28
	3	15	23.17
	Total	**42**	

Panel B: Statistical tests – Years of Work Experience *

Question number	5	6	7	8
Chi-square	1.430	4.303	0.961	0.664
df	2	2	2	2
Significance Level	0.489	0.116	0.619	0.718

** Significant at the 10 percent level This table presents the average rank of the responses obtained from the participants in the study that examined a country with a higher degree of uncertainty avoidance and a country with a lower degree of uncertainty avoidance and their perceptions of the possibility of the existence of fraud in a firm based on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience. (b) Refers to the average rank of the participants' responses.*

Table 9 presents the results obtained for question numbers 5-8 from the 42 participants and their perception of the possibility of fraud in a country with a long-term vision and a country with short-term vision. Question 5 (inappropriate revenue recognition in a company) resulted in an average rank for group 1 of 22.86, for group 2 it is 14.50 and for group 3 it is 19.11.

This results in a Chi-square statistic of 3.060 with a significance level of 0.217. Question 6 (what an auditor would expect regarding a firm's understatement of expenses) resulted in an average rank for group 1 of 22.79, for group 2 it was 19.10 and for group 3 it was 17.57. This represents a 2.677 Chi-square statistic with a significance level of 0.262. Question 7 (what an auditor would expect regarding the number of unusual related party transactions) resulted in an average rank for group 1 of 21.24, for group 2 it was 22.40 and for group 3 it was 18.71. This represents a Chi-square statistic of 0.630 with a significance level of 0.730.

Question 8 (what an auditor would expect on the incorrect or inappropriate use of the allowance for doubtful accounts) resulted in an average rank for group 1 of 22.71, for group 2 it was 18.90 and for group 3 it was 17.75. This represents a Chi-square statistic of 2.025 with a significance level of 0.363.
The significance levels of the average rank for question numbers 5-8 suggest no statistically significant difference in the responses obtained from the participants, who examined Scenario number 4, when the groups were divided by years of work experience. The significance levels for all the scenarios examined

(except for one question) do not present a statistically significant difference. Only question number eight from Scenario 1 presents a statistically significant difference. This question relates to what an auditor would expect on the incorrect or inappropriate use of the allowance for doubtful accounts. Overall, the results obtained and their significance levels do not seem to support the hypothesis that participants will make different decisions regarding their perception of the possibility of fraud in a firm based on their years of work experience. The results of our study do not support our hypotheses that experience is a factor that could determine differences in perception about the reliability of internal controls and the possibility of the existence of fraud. The Kruskal-Wallis tests performed suggest that experience does not seem to affect the decisions made by auditors when these decisions are based on professional judgment.

Table 9: Kruskal-Wallis Test to Determine Whether There is a Difference in the Perception of Auditors Regarding the Possibility of the Existence of Fraud in a Firm Considering Their Years of Work Experience

Scenario 4: Country with long-term vision (Country A) ***versus Country with short-term vision (Country B).***
Panel A: Average Rank of the Responses

Question	Group by Experience[a]	N	Average Rank[b]
Question 5	1	21	22.86
As an auditor, you would expect that improper revenue recognition in a company operating in country A is _____ as the same company operating in country B.	2	5	14.50
	3	14	19.11
	Total	**40**	
Question 6	1	21	22.79
As an auditor, you would expect that understatement of expenses in a company operating in country A is _____ as the same company operating in country B.	2	5	19.10
	3	14	17.57
	Total	**40**	
Question 7	1	21	21.24
As an auditor, you would expect that the number of unusual related party transactions in a company operating in country A is _____ as the same company operating in country B.	2	5	22.40
	3	14	18.71
	Total	**40**	
Question 8	1	21	22.71
As an auditor, you would expect that the incorrect use of the allowance for uncollectible accounts in a company operating in the country to beas the same company operating in country B.	2	5	18.90
	3	14	17.75
	Total	**42**	

Panel B: Statistical tests – Years of Work Experience *

Question number	5	6	7	8
Chi-square	3.060	2.677	0.630	2.025
df	2	2	2	2
Significance Level	0.217	0.262	0.730	0.363

** Significant at the 10 percent level. This table presents the average rank of the responses obtained from the participants in the study that examined a country with a long-term vision and a country with short-term vision and their perceptions of the existence of the possibility of fraud in a firm based on their years of work experience. (a) Group 1 is 0-2 years of work experience, group 2 is 3-5 years of experience, and group 3 is 6 or more years of experience. (b) Refers to the average rank of the participants' responses.*

CONCLUSIONS

The purpose of this investigation was to examine whether the number of years of work experience of auditors has an effect on their assessment of a firm's internal controls and fraud risk in a client that operates in different countries with different cultural characteristics. The results obtained from administering questionnaires to 156 participants (auditors working in CPA firms, Independent practitioners and university senior students majoring in accounting) suggest that experience does not seem to affect their decisions when they are based on professional judgment. The use of university senior students or auditors with limited experience does not seem to have a significant difference on audit-related research. This study has several limitations. First, the data for this study presents a self-selection bias from the participants who decided to respond to the study's questionnaire. Second, we did not obtain the same proportion of participants for the different types of categories in the sample. Third, the questionnaire had several leading questions wherein the participants could anticipate the desired response.

Finally, most of the auditors who responded did not have experience working in companies located in other countries. Future research could incorporate participants from other countries, including internal auditors (of public and private) multinational companies who have experience working in other countries.

APPENDIX I: QUESTIONNAIRE

Scenario I: The following describes the characteristics of two countries (Country A and Country B) in which a company has operations. Based on the information regarding these two countries, you will answer eight questions about planning an audit engagement for that company. Four additional questions are included to obtain demographic information.

Country A	**Country B**
Each person looks for himself and his immediate family.	**People are born into families that continue protecting themselves in exchange for loyalty.**
Identity is based on the person.	Identity is based on the social network to which each person belongs.
Laws and rights are the same for everyone.	Laws and rights differ by group.
There is a greater tendency for income equality among sectors of the economy.	There is a greater inequality between sectors of the economy.
The employer-employee relationship is seen as a mutually beneficial contract.	The employer-employee relationship is perceived in moral terms.
Promotion and employment decisions are based on skills and rules.	Promotion and employment decisions consider employee groups.
Managers choose pleasure, affection, and security as life goals.	Managers choose duty, expertise, and reputation as life goals.
There is a high employee turnover in the company.	There is low employee turnover in the company.
Societies promote individual initiative.	Individual initiative is socially discouraged.

Scenario II: The following describes the characteristics of two countries (Country A and Country B) in which a company has operations. Based on the information regarding these two countries, you will answer eight questions about planning an audit engagement for that company. Four additional questions are included to obtain demographic information.

Country A	**Country B**
Inequality is expected among people.	**Inequalities among people can be minimized.**
There are no channels of defense available against a superior's abuse of power.	There are channels of defense available against a superior's abuse of power.
There are significant differences in society's income levels.	There are no significant differences in society's income levels.
The tax system protects the rich.	The tax system aims to redistribute wealth.
Hierarchical levels in organizations reflect inequality between superiors and subordinates.	Hierarchical levels in organizations reflect a smaller proportion of supervisors.
There is a significant salary difference between top management and lower management.	The salary difference between top management and lower management is not significant.
Managers expect privileges and status symbols.	Privileges and status symbols are not well regarded by managers.
Organizations are highly centralized and operate within large pyramidal structures.	There is less centralization in organizations.
There is a perceived weak work ethic and a frequent belief that people often dislike their work.	There is a strong work ethic and a belief that people enjoy their work.

Scenario III: The following describes the characteristics of two countries (Country A and Country B) in which a company has operations. Based on the information regarding these two countries, you will answer eight questions about planning an audit engagement for that company. Four additional questions are included to obtain demographic information.

Country A	**Country B**
Workplace stress and anxiety levels are high.	**There is a feeling of less anxiety in the workplace.**
There are many laws and rules.	There are fewer rules and laws.
The legal system is fully developed and less tolerant of citizens' protests.	The legal system is more tolerant of protests by citizens.
Emphasis on conservatism, law and order and nationalism.	There is less nationalism and conservatism.
Businesses take fewer risks and there is less desire for job promotions.	There is a strong motivation for taking risks in business and increased desire for job promotions.
Hierarchical structures in organizations must be clear and respected.	Hierarchical structures in organizations can be overlooked or ignored.
Managers are chosen by seniority.	Managers are selected by certain criteria, rather than by seniority.
Competition among employees in the workplace is not promoted.	Competition among employees in the workplace can be fair and reasonable.
Managers are more involved in details, task-oriented and more consistent in their style.	Managers are more involved in strategies and are more flexible in their style.
Managers are less likely to take risky and individual decisions.	Managers are more likely to make risky and individual decisions.

Scenario IV: The following describes the characteristics of two countries (Country A and Country B) in which a company has operations. Based on the information regarding these two countries, you will answer eight questions about planning an audit engagement for that company. Four additional questions are included to obtain demographic information.

Country A	**Country B**
Human relationships are based on status.	**Human relationships are not a major issue.**
Children learn to save.	Children learn respect and tolerance for others.
Investments are mainly in real estate.	Investments are mainly in mutual funds.
People are satisfied with human relationships.	People are less satisfied with human relationships.
In business you are expected to work to obtain job promotions and reach the top positions in your market; immediate results are not expected.	In business, the greatest concern of an entity's control system is on the most recent operating results of the previous month, quarter, or year.
Society is characterized by saving and investment.	Society is characterized by spending rather than by saving.

Questionnaire : The questions must be answered in pencil on the "A" side of the EZDATA answer sheet, using the following guidelines to complete the blank spaces, unless otherwise indicated. In your reply to each question, you should consider Generally Accepted Auditing Standards (US GAAS), Statements on Auditing Standards (SAS), your experience, knowledge, and judgment.

	significantly lower than	**less than**	**equal to**	**greater than**	**significantly higher than**
1 As an auditor, you would expect that the amount of time needed to study and evaluate the company's internal control in country A is _____ as the same company operating in country B.	A	B	C	D	E
2 As an auditor, you would expect that the effectiveness of the control environment of the company in country A is _____ as the same company operating in country B.	A	B	C	D	E
3 As an auditor, you would expect that management's vision of the importance of internal controls of the company in country A is _____ as the same company operating in country B.	A	B	C	D	E
4 As an auditor, you would expect that the effectiveness of control activities used by the company in country A is _____as the same company operating in country B.	A	B	C	D	E
5 As an auditor, you would expect that improper revenue recognition in a company operating in country A is _____ as the same company operating in country B.	A	B	C	D	E
6 As an auditor, you would expect that understatement of expenses in a company operating in country A is _____ as the same company operating in country B.	A	B	C	D	E
7 As an auditor, you would expect that the number of unusual related party transactions in a company operating in country A is _____ as the same company operating in country B.	A	B	C	D	E
8 As an auditor, you would expect that the incorrect use of the allowance for uncollectible accounts in a company operating in the country to be _____as the same company operating in country B.	A	B	C	D	E

The following questions are related to your demographic status:

9. Indicate your gender:

Female
Male

10. From the following choices, select the one that best applies to your current situation:

I am currently employed as:
a. an accounting student in my final year of college studies.
b. Staff Auditor in a CPA firm.
c. Senior Auditor in a CPA firm.
d. Audit Manager or Partner in a CPA firm.
e. Independent Practitioner.
f. Other _____(please indicate the position; you do not have to provide this answer on the EZDATA answer sheet).

11. Indicate the number of years you have worked as an auditor. _____years.

12. If applicable, indicate the name of the firm for whom you work:

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