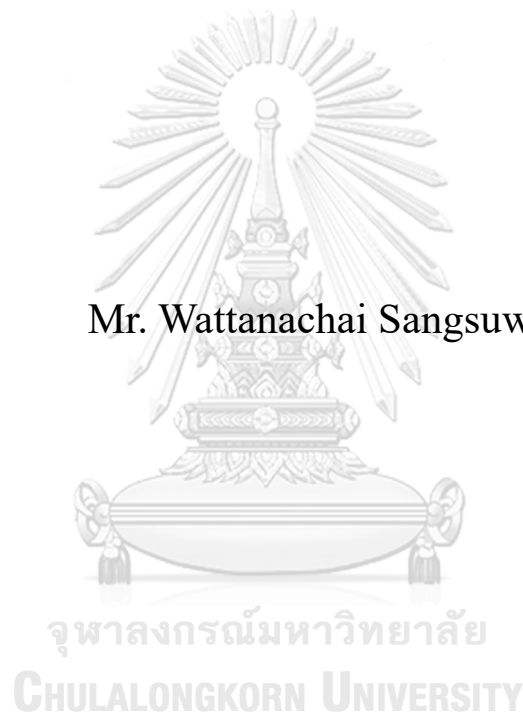


**A STUDY OF AUDITORS' JUDGEMENT WHEN TAKING
MANAGEMENT'S PERSPECTIVE ON MANAGEMENT
DISCUSSION AND ANALYSIS**

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**A Dissertation Submitted in Partial Fulfillment of the Requirements
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การศึกษาคุณยพินิจของผู้สอบบัญชีเมื่อใช้มุมมองของผู้บริหารต่อคำอธิบายและวิเคราะห์ของฝ่าย
จัดการ



วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรดุษฎีบัณฑิต
สาขาวิชาการบัญชี ภาควิชาการบัญชี
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วัฒน์ชัย แสงสุวรรณ : การศึกษาคุณลักษณะของผู้สอบบัญชีเมื่อใช้มุมมองของผู้บริหารต่อคำอธิบายและวิเคราะห์
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การวิจัยเชิงทดลองนี้ศึกษาผลกระทบจากมุมมองของฝ่ายบริหารที่มีต่อการตัดสินใจของผู้สอบบัญชีในการตรวจสอบคำอธิบายและการวิเคราะห์ของฝ่ายบริหาร การศึกษานี้คาดการณ์ว่าการกระตุ้นมุมมองของฝ่ายบริหารจะเป็นประโยชน์ต่อผู้สอบบัญชีโดยช่วยให้พวกเขาสามารถตรวจสอบคำอธิบายและการวิเคราะห์ของฝ่ายบริหารได้แม่นยำยิ่งขึ้นว่าคำอธิบายและการวิเคราะห์ของฝ่ายบริหารคิดในสาระสำคัญหรือไม่ ตรงกันข้ามกับการคาดการณ์ของเรา การกระตุ้นมุมมองของฝ่ายบริหารต่อผู้สอบบัญชีส่งผลตรงข้ามกับที่ตั้งใจไว้ ผลการวิจัยพบว่า ผู้สอบบัญชีที่ได้รับการกระตุ้นจากมุมมองของผู้บริหารมีแนวโน้มที่จะยอมรับคำอธิบายและวิเคราะห์ของฝ่ายจัดการที่มีลักษณะเชิงบวกที่ผิดปกติอย่างมีนัยสำคัญ กล่าวอีกนัยหนึ่งคือผู้สอบบัญชีมีแนวโน้มน้อยที่จะร้องขอให้ฝ่ายบริหารเปลี่ยนแปลงคำอธิบายและวิเคราะห์ของฝ่ายจัดการ การกระตุ้นมุมมองของฝ่ายบริหารกลับไปกระตุ้นแรงจูงใจที่มีอยู่แล้วของผู้สอบบัญชีให้พวกเขามีแนวโน้มที่จะรักษาความสัมพันธ์ที่ดีกับลูกค้าโดยสนับสนุนตามข้อสรุปที่ฝ่ายบริหารต้องการ ผลการศึกษานี้เพิ่มความเข้าใจเกี่ยวกับการได้รับการกระตุ้นจากมุมมองของฝ่ายบริหารมีอิทธิพลต่อการตัดสินใจของผู้สอบบัญชีเมื่อสอบทานคำอธิบายและวิเคราะห์ของฝ่ายจัดการ นอกจากนี้ ผลของการศึกษานี้เน้นให้เห็นถึงอคติที่อาจเกิดขึ้นซึ่งมาจากการกระตุ้นให้ผู้สอบบัญชีพิจารณามุมมองของฝ่ายบริหาร



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KEYWORD Management Discussion and Analysis, Perspective Taking,
D: Motivated Reasoning

This experimental research examines the effect of management's perspective on auditors' judgment when they review management discussion and analysis (MD&A). This study predicts that prompting management's perspective would benefit auditors by enabling them to more accurately review MD&A whether or not the MD&A is materially misstated. Contrary to our expectations, prompting auditors with a management's perspective will backfire. The results find that auditors prompted by management's perspective are significantly more likely to accept MD&A that has an abnormally positive tone. In other words, auditors are less likely to ask management to alter MD&A that has such abnormally positive language. Management's perspective will trigger auditors' pre-existing motivation, making them much more likely to maintain a good relationship with clients to justify a management-preferred conclusion. This study expands the understanding of taking management's perspective could influence auditors' judgement when reviewing MD&A. Moreover, the findings of this study highlight the potential bias that comes from prompting auditors to take a management's perspective.



Field of Study: Accountancy

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.....
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.....

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There has been the divine light, as I believe, throughout the course of my studies that shone on and guided me. It has been through my innermost awareness and mindfulness that I felt it. Such light is from them and this dissertation be humbly given as my offering to them all – the Buddhas and Bodhisattvas. This doctoral dissertation is kindly supervised and guided by my honourable and merciful advisors, Asst. Prof. Juthathip Audsabumrungrat, Ph.D. My sincere thanks and gratitude go to her. This doctoral dissertation would not be completely written without Ms. Saifon Inkaew and Mr. Kiatniyom Kuntisook, Ph. D., whose advice given to me on one afternoon was helpful- a really nice talk. Their suggestions and comments are really appreciated. My sincere gratitude goes out in particular to Professor Hun Tong Tan for giving me the chance and helping me build my proposal by offering insightful advice and helpful comments. This doctoral dissertation could not have been accomplished without my committee. I would also like to thank my committee members for letting my defense be an enjoyable moment and for your brilliant comments and suggestions. This doctoral dissertation would never come into existence without financial support by 100th Anniversary Chulalongkorn University Fund for Doctoral Scholarship and The 90th Anniversary of Chulalongkorn University Fund (Ratchadaphiseksomphot Endowment Fund). My thanks go to it. This doctoral dissertation is a result, not only of my own effort alone, but also of that of several researchers having paved this part before me and whose names cannot be included within this space. Yet my thanks go to them. This doctoral dissertation is also a fruit of my friends and others around me who may have happened to inspire or help me in some way. Thank you. This doctoral dissertation would not be finished unless I received the morale and kind support from my beloved ones, you know whom you are. This is also for them with love. And this doctoral dissertation with its merits be given to my parents – my bodhisattvas, my fortitude, my inspiration and my everything. I love you. With all my heart.

Wattanachai Sangsuwan

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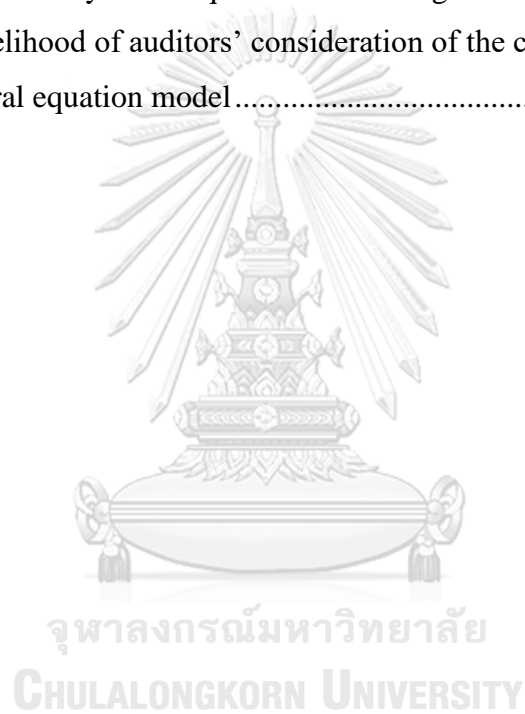
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CHAPTER 1

INTRODUCTION

1.1 Motivation

As in previous studies, financial statements alone are not sufficient to comprehend and evaluate companies' overall performance and prospects (Feldman, Govindaraj, Livnat, & Segal, 2010; Huang, Teoh, & Zhang, 2014). Management's Discussion and Analysis (MD&A) has become a core element of the communication package deemed crucial for external reporting that is of help to various stakeholders (e.g., investors, analysts, creditors, etc.) (J. R. Cohen, Gaynor, Holder-Webb, & Montague, 2008) and as, certainly and significantly, one of the most important and most read components of financial reporting (Rogers & Grant, 1997; Tavcar, 1998).

Item 303 of Regulation S-K by the US Securities and Exchanges Commission (SEC) mandates that the MD&A is to be included in a public company's annual and quarterly report in order to provide the results of operation, trends related to liquidity, critical accounting estimates, contractual obligations, off balance sheet arrangements, and the other information that is not captured in financial statements. The MD&A is, thus, a narrative explanation that describes the firm's financial statements and other statistical data. Its objective is to supplement and complement the financial statements by providing readers with an insider's view of a publicly traded company's financial performance that may not be fully reflected in the financial statements themselves.

When it comes to MD&A, the incremental information theory can help us understand its role (Brennan & Merkl-Davies, 2013; Merkl-Davies & Brennan, 2007). According to the literature, which clearly demonstrates the incremental value of the information in the MD&A, the MD&A contains the additional data needed to reduce earnings prediction error and dispersion, increase firm performance predictability, and enhance the information environment (Barron, Kile, & O'keefe, 1999; Clarkson, Kao, & Richardson, 1999; A. K. Davis & Tama-Sweet, 2012). These studies

unambiguously demonstrate that qualitative information enhances financial information and produces incremental content that prompts investors to tone change (Campbell, Chen, Dhaliwal, Lu, & Steele, 2014; Feldman et al., 2010; F. Li, 2008, 2010; Mayew, Sethuraman, & Venkatachalam, 2014; Muslu, Radhakrishnan, Subramanyam, & Lim, 2015). In summary, the general aim of the MD&A is to level the informational playing field by giving the investors an opportunity to look at a company through the eyes of the management on the basis of both short and long-term analysis of the business of the company, and also to predict the trends and future events that may affect future operations of the business (Bryan, 1997).

It has to be noted that the SEC requires publicly-traded firms to provide an MD&A in their annual and quarterly reports, whereas, the specific disclosure within the MD&A is voluntary. Nevertheless, the SEC requires only certain topics to be included within such disclosures in the MD&A. (Securities and Exchange Commission, 2003a). This leaves the companies with freedom to opt to customize the MD&A in order to provide information about their company and industry-specific trends in a manner that affects their bottom lines (J. R. Cohen et al., 2008). In other words, this is an indication that under the discretion of the SEC, this regulation brings about an opportunity for a company's manager to engage in the MD&A by means of exercising his/her discretion which possibly affects, or for worst, modifies the extent of the detail to be provided and the language to be used. Undeniably, this is also a likely loophole left to be manipulated to mislead stakeholders' perceptions and decisions.

Although the main objective of MD&A is to reduce the information asymmetry between managers and stakeholders and to be a valuable source of information for the stakeholders, including investors therein (J. R. Cohen et al., 2008; F. Li, 2010), there still exists an ample controversy over the informativeness of the MD&A. Indeed, the informativeness of the MD&A could be impaired by management's discretion in the way that the management could demonstrate an organization's information in a way favorable to the preference of the management. It is within the possibilities that the management, for an instance, would be using a more positive linguistic tone or more forward-looking analysis when discussing the firm's performance (Huang et al., 2014). Supported by prior research, including the SEC's,

not only are these MD&A – which are qualitative disclosures – often inconsistent, repetitive, or untrue (Meiers, 2006), but also lack informativeness because of the complexity of language (Securities and Exchange Commission, 2003a; Tavcar, 1998). When it comes to qualitative disclosures, particularly for this study, namely, the MD&A, it should be born in mind that, as to the related archival studies, the managers, in order to serve their own personal interests, can induce favorable market reactions (return on assets), influence analyst forecasts, or mask poor operating performance by manipulating the tone of the language used in the qualitative disclosures (Cho, Roberts, & Patten, 2010; A. K. Davis & Tama-Sweet, 2012). This additionally indicates that there will be widespread use of impression management techniques for the purpose of making poor environmental performance seem like a friendly environment. Such use of positive language in the MD&A qualitative disclosure to influence stakeholders' perception is called an “impression management technique”.

Impression management technique has long been used by managers to communicate information about their organization. We can rather confidently state that managers are likely to involve themselves with such impression management; this is because they want to portray the organization's information in any favorable ways by means of using a more positive linguistic tone in the MD&A when discussing the firm future performance or forward-looking analysis, for example. Moreover, the managers may manipulate the language of the MD&A qualitative disclosure to influence the perception of stakeholders on the image of their companies (Beretta, Demartini, & Trucco, 2019; Brennan & Merkl-Davies, 2013; Melloni, Caglio, & Perego, 2017; Merkl-Davies & Brennan, 2011). The related literature reports that the managers do impression management on the MD&A with the knowhow of presentation of non-financial information through adopting a positive linguistic tone to present organization's information/performance despite the unfavorable reality and such presentation affects investors' judgements (Blau, DeLisle, & Price, 2015; W. Li, 2017; Riley & Luippold, 2015; Triki, Arnold, & Sutton, 2015). The impression management can be explained by the economics-based theories, especially the agency theory (Merkl-Davies & Brennan, 2007). It focuses on the relationship between managers and investors, which is characterized by

contractual obligations and utility maximization. It means that management has economic incentives to disclose any messages considered capable of conveying the good – rather than the bad – performances to the investors (Rutherford, 2003).

Even though the MD&A is not audited by an auditor, both professional and nonprofessional investors enhance and prefer to use the information content in the MD&A provided by the management (Arnold, Bedard, Phillips, & Sutton, 2011; Hodge & Pronk, 2006; Rowbottom & Lymer, 2010). Arnold, Bedard, Phillips, and Sutton (2010) explored which nonfinancial information - either notes to financial statements or the MD&A – investors prefer to use while making their investment decision and found that notes to financial statements were utilized less than the MD&A by both professional and nonprofessional investor groups even though notes to financial statements were audited. Investors perceived that the notes to financial statements were too complex and hard to understand. This accordingly implies that investors prefer to use the information in the MD&A despite its lower level of assurance, as the MD&A is only review-level assurance while the notes to financial statements are audited. Additionally, unaudited information, like MD&A, is more likely to be perceived by professional and non-professional investors alike as being audited. They tend to depend too heavily on this information in MD&A, which affects their desire to invest. (Arnold et al., 2010; Bedard, Sutton, Arnold, & Phillips, 2012). It seems that the investors use the information in the MD&A to assess the risk involved in the company and finally make their decision. As a result, if there is a material inaccuracy in the MD&A, investors may make a poor choice, which would cause a large loss to the economy.

In recent years, the quality of the MD&A has received increased attention from regulators, academics, and practitioners (J. R. Cohen et al., 2008; F. Li, 2010). The quality of the MD&A can be negatively impacted by tone manipulation, as was previously mentioned. Investors, however, lack the ability to recognize this managerial opportunity, which is likely to result in increased discretionary tone, or to understand this strategic incentive, which may influence investors to make different decision (Huang et al., 2014). J. R. Cohen et al. (2008) propose that auditors can contribute to raising the quality of the MD&A disclosure by reviewing and assessing it. What is also to be noted here is that the research has more recently recommended

that the lower degree of an auditor's engagement will lead to selective disclosure by management of listed companies (Wheeler, Cereola, & Louwers, 2014). The International Standards on Auditing (ISA) 720 (revised), The Auditor's Responsibilities Relating to Other Information, which was released in April 2015 by the International Auditing and Assurance Standards Board (IAASB), defines the extent of an auditor's responsibilities for other information, both financial and non-financial information (i.e., information other than financial statements and the auditor's report thereon), to be included in a company's annual report. Additionally, an auditor is not required to audit the MD&A; instead, they must read it and take into account any other information that is inconsistent with the financial statements or the auditor's knowledge based on the information they gathered while conducting the audit. This is done to make sure that no materially misleading information is included with the intention of boosting the credibility of the financial statements. One must understand that major inconsistencies in the other information may impair the credibility of the audited financial statements and the auditors' reports, which may in turn cause investors to make unwise economic judgement (J. R. Cohen et al., 2008). The Auditor's Responsibilities Relating to Other Information provide that an auditor's duties related to other information must be followed whether the auditor obtains the additional information before or after the date of the auditor's report. For the audit of financial statements for periods ending on or after December 15, 2016, the ISA 720 (Revised) became applicable.

The other information in a company's annual report can be either qualitative and quantitative data or financial and non-financial information. An MD&A, a management report, a management commentary, a chairman's statement, and a corporate governance report are just a few examples of the other information. However, it should be noted that the ISA 720 (Revised) does not cover other information created to satisfy the requirements of a particular stakeholder group or to meet a specific regulatory aim, such as reports on corporate social responsibility, sustainability, human rights, etc.

An auditor must not only examine the MD&A but also make sure that there are no material misstatements between the other information and the audited financial statements as well as with the auditors' knowledge in order to increase the credibility

of the audited financial statements (ISA 720 (revised)). When reviewing the MD&A, auditors must look for material misstatements or inconsistencies in the information. If such material misstatements or inconsistencies are found, they must alert those in charge of management and take further action, such as asking management to make the necessary corrections or conducting additional audit procedures, as needed.

Regarding earlier research that suggested an auditor's MD&A duties might enhance the quality of MD&A, this study will concentrate on perspective taking, which results in a knowledge of another person's thoughts, attitudes, and concerns in a given circumstance (Epley, Caruso, & Bazerman, 2006). This means that the auditors, who adopt the perspective of the client's manager, will be more responsive and understand the situation that the management is trying to mislead the investors, if the MD&A's misstatement results from the management's actions motivated by the benefit from such an MD&A's misstatement. Perspective taking is a method that tries to merge an observer's mentality with that of his/her target in order to think and feel the same way as the target does. The benefits of perspective taking are also outlined in the perspective taking theory of psychology, which calls for accurately ascertaining another's ideas, attitudes, or concerns in a certain circumstance (Epley et al., 2006). Thus, considering another person's actions from that person's perspective leads to an improved understanding of how external factors may have influenced the person's behavior (Finlay & Stephan, 2000; Galinsky & Moskowitz, 2000). Galinsky and Mussweiler (2001) provide additional evidence in favor of the idea that adopting a different perspective might improve judgement and decision-making by minimizing anchoring effects, confirmation bias, and in-group prejudice.

To further explore perspective taking and to appreciate the usefulness of which perspective taking contributes to an audit, it is worthwhile examining how perspective taking plays a crucial role, especially in an audit context, as shown in to begin with, Church, Peytcheva, Yu, and Singtokul (2015) experiment, which is conducted on the basis of providing a manager-mind task in order to stimulate auditors to consider a manager's perspective. The findings demonstrate that adopting the manager's perspective has a positive impact on auditors' assessments and improves their comprehension of the manager's perspective on financial reporting, which eventually improves an auditor's performance. Furthermore, Hamilton (2016)

demonstrates that an auditor who adopts a manager's perspective is more likely to diagnose the fraud in the planning phase that was perpetrated purposefully than an auditor who does not adopt a manager's perspective. Altiero, Kang, and Peecher (2022) conducted an experiment by prompting auditors to consider the perspective of an investor when they identify an audit adjustment to correct misstatements. Nevertheless, they present the opposing results. Their findings demonstrate that auditors who are prompted by investors' perspective are less likely to view audit modifications as substantial since these auditors already have motivations that tend to support a management-preferred outcome. As stated previously, the results of the experiment by Altiero et al. (2022) differ from those that served as the inspiration for this study in that perspective-taking is not always, or necessarily, presented by showing more of the expected actions, that is, an increase in the likelihood of considering transactions to be material in favor of an investor's preference, even though they gain some target's insights from taking such a perspective (i.e. an investor want). The reason for this is because the auditor believes that investor's preferences would endanger him if he made decisions in support of an investor's objective. In conclusion, adopting someone else's viewpoint in particular circumstances may have a higher chance of backfiring than succeeding, resulting in more favorable actions of the taker instead of satisfying the target. This argument inevitably raises another question of what the auditor's behavior would be like under auditors' pre-existing motivation to support the management-preferred conclusion, where the auditor takes the management's perspective but is asked to perform the different tasks, including assessment and correction decision. Another thing to keep in mind is that prior research shows that an auditor who is prompted by management's perspective would perform better in the planning and assessment tasks (Church et al., 2015; Hamilton, 2016); in contrast, there haven't been any studies on the investigation of an auditor in the correction decision task; for this reason, this study will conduct such an investigation to fulfill the loophole.

Additionally, this study explores and tests the theory of how perspective taking affects auditors' judgement. Previous literature suggests that auditors with pre-existing motivation tend to support management-preferred conclusions when presented with ambiguous situations that allow them to do so (Hackenbrack &

Nelson, 1996; Kadous, Kennedy, & Peecher, 2003; Wilks, 2002). For example, when the auditors' affinity for the client is relatively high (Koch & Salterio, 2017). Thus, it would be more challenging to investigate whether perspective taking occurs through auditors' consideration of the circumstances to increase auditors' adoption of management's preferred conclusion.

1.2 Research Objectives

There are two research objectives for this study. The first objective is to examine whether auditors who are prompted by management's perspective could more readily recognize management's manipulation in the MD&A than auditors who are not prompted by management's perspective, and if so, whether auditors who are prompted by management's perspective would request management alter the material misstatement of the MD&A. Second, this study further examines the cognitive mechanisms to determine whether the auditors' consideration of the circumstances that support the client's preferred conclusion mediates the relationship between perspective taking and the auditors' correction decision.

This study will therefore start with the arguments that perspective taking (prompted vs. unprompted) leads to different levels of likelihood of the MD&A reflecting the current state of the company, likelihood of the MD&A containing a positive tone, and probability of a request for the management's MD&A alteration. Next, the study investigates whether auditors' consideration of the circumstances mediates the relationship between perspective taking and the auditors' consideration of requesting management to alter the MD&A.

1.3 Research Questions

The following research questions are attempted to be answered by this study:

1. Does perspective-taking affect auditors' judgement and decision-making when reviewing the MD&A?

2. Does the auditors' consideration of the circumstances mediate the relationship between perspective-taking and the auditors' consideration of requesting management to alter the MD&A?

1.4 Conceptual Framework

The conceptual framework of this study is built on these two pillars. The first pillar is the main effect of perspective taking on auditors' judgement and decision-making. The second pillar is a mediator factor, which can mediate the relationship between perspective taking and the auditors' judgement and decision-making.

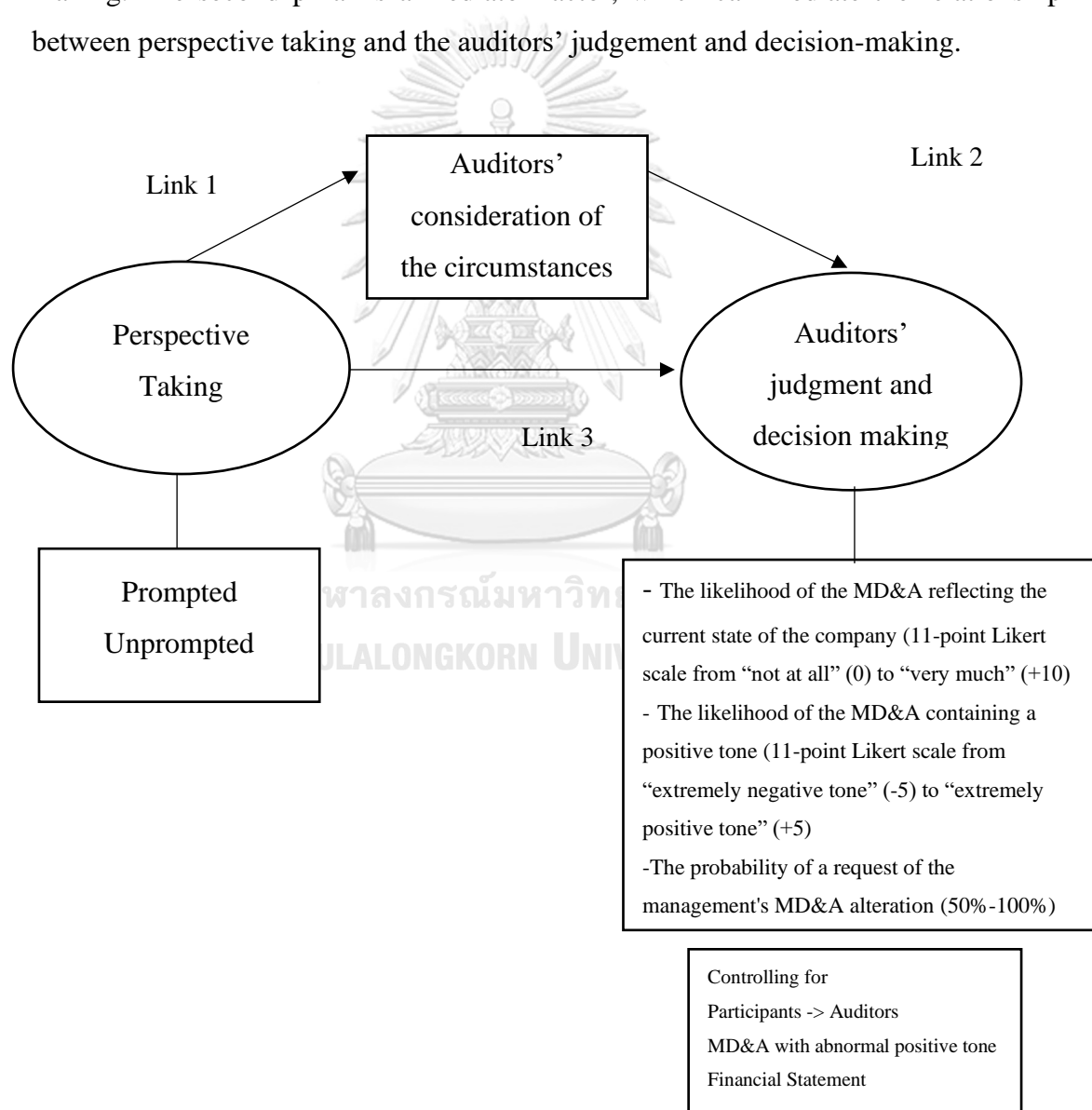


Figure 1.1 Conceptual Framework of This Study

1.5 Research Design and Summary of Findings

To test my predictions, this study conducted a 1 x 2 between-subjects experimental design. Perspective taking was manipulated as either a management-prompted or unprompted condition as an independent variable. Eighty audit managers from one of the Big 4 audit firms participated in this study. Auditors of this rank routinely analyze the effects of an audit adjustment on the financial statements and determine what information should be recommended to the partners for the purpose of the audit adjustment (Abdolmohammadi, 1999). Koch and Salterio (2017) found that auditors with this rank were inclined to motivate reasoning to reach a management-preferred conclusion. They were asked to assume the role of an audit manager who was in charge of reviewing MD&A while doing the case material.

The case studies to be conducted under this study represent scenarios where auditors were required to review the MD&A. After reading the case material, participants were asked to rate how likely it was that the MD&A would represent the company's current status, using an 11-point Likert scale ranging from 0 (not at all) to 10 (very much), and whether or not it would have a positive or negative tone, using an 11-point Likert scale ranging from -5 (extremely negative tone) to +5 (extremely positive tone) in the assessment decision. Finally, participants were asked to rate the probability of a request of the management's MD&A alteration. The probability estimations for either a "request to correct a decision" or a "refusal to correct a decision" in the range of 50% to 100%. These two scales were designed to determine whether participants may successfully cross the threshold in their correction decision regarding whether the MD&A should be requested to alter or not. If the participants made a decision to request the clients to alter (not to alter) the MD&A, they indicated their probability estimate for the request to alter decision (refusal to alter decision). I would inform participants that their probability decision could not be lower than 50% since a probability of a request (a refusal) with a lower than 50% likelihood would indicate that auditors believed MD&A was likely to receive a refusal (a request). After participants finished the case, they did a manipulation check by answering the questions concerning perspective-taking. After having finished their tasks and manipulation check questions, participants were required to answer either

demographic questions or a set of post-experiment questions for knowledge testing to complete the experiment in this study.

Moreover, I also conducted a mediating analysis test by providing circumstances that explain the process by which perspective taking leads auditors' consideration of the circumstances to adopt management's preferred conclusion.

According to the findings, the results are not consistent with the assessment decision hypothesis; however, the correction decision hypothesis is consistent. Auditors who are prompted by management's perspective are more likely to indicate that MD&A reflects the current stage of the company and have a less positive tone in an assessment decision than auditors who are not prompted by management's perspective. Furthermore, compared to auditors who are not prompted by management's perspective, auditors who are prompted by management's perspective are more likely to not request that management alter the MD&A. These results suggest that adopting a management's perspective makes auditors more accepting of such aggressive MD&A. Prompting a management perspective triggers auditors' client-preferred directional goals, which will make auditors intensify their propensity to rationalize management-preferred conclusions in both assessment and correction decisions (Guiral, Ruiz, & Rodgers, 2011; Kadous, Leiby, & Peecher, 2013; Ng & Shankar, 2010).

In addition, this study investigates which variables mediate the effect of perspective taking on the probability of a request of the management's MD&A alteration. The results suggest that auditors' consideration over maintaining a positive relationship with their clients partially mediates the effect of perspective taking on the probability of a request for the management's MD&A alteration. On the contrary, losing their client in the future, future litigation risk, and client resistance to editing fail to mediate such effects on the probability of a request for the management's MD&A alteration. Overall, the results confirm the main findings.

1.6 Contributions

This study makes several contributions to academics, practitioners, regulators and standard setters in several ways. A number of studies have examined the impact

of MD&A on stock prices and investor responses (Barron et al., 1999; Brown & Tucker, 2011; Clarkson et al., 1999; F. Li, 2008) but there is little evidence regarding auditor bias when reviewing the MD&A. This study complements existing theories and furthers understanding of empirical issues in auditors' judgement and decision-making.

To begin with, in order to apply the perspective taking theory in reality, auditors shall come to realize that they can develop their thoughts, feelings, and inner mental states to constitute much more understanding about the management's needs. This can cause the auditors prompted with the management perspective to be able to perceive more with their management intention while they are reviewing the MD&A.

Next comes the second contribution. This study adds theoretical insights to the accounting literature on MD&A and extends prior accounting research by documenting the potential bias of auditors' reviewing MD&A. Particularly, this study adds to the literature on the drawbacks of prompting auditors to take management's perspective. Regarding to Church et al. (2015) and Hamilton (2016), they previously demonstrated the benefit of taking the perspective as a manager for auditors. However, this study provides another piece of evidence showing the negative effects of perspective taking. In other words, management's perspective does not improve auditors' ability to accurately review MD&A. The findings demonstrate that auditors who are prompted by management's perspective are more likely to indicate that MD&A reflects the current stage of the company and has a less positive tone in an assessment decision than auditors who are not prompted by management's perspective, resulting in clients not being requested to alter the abnormal positive tone of MD&A. Prompting auditors to take management's perspective causes them to justify their conclusion with management preferred conclusion. It can thus be deemed here that the results shall be of importance and help for auditors themselves in order to be aware of the bias potentially taking place while making a decision. Specifically, this study demonstrates that the management's perspective could not only obstruct auditors' assessment decisions but also impair their accuracy in correction decisions.

The third contribution can be deemed an extension of the perspective taking literature in psychology by providing evidence of the auditor's decision-making. Epley and Dunning (2006) indicate that perspective taking enhances people's

judgement and decision-making. This illustration of auditors' judgement bias toward client's preference from this study would shed some light on the limitation of using perspective taking for auditors. Even though auditors perceive and gain the insight in favor of the personal benefit of the management, they are more likely to support a management preferred conclusion. In other words, prompting a management perspective triggers auditors' pre-existing motivation, which makes auditors intensify their propensity to rationalize management-preferred conclusions in both assessment and correction decisions.

Fourth, this study accordingly documents the mediators for the process by which circumstance consideration affects auditors' correction decisions. According to previous auditing research, auditors are more likely to support client-preferred aggressive accounting treatment when their relationships with their clients are close and highly amicable (Koch & Salterio, 2017), the risk of becoming engaged is minimal (Hackenbrack & Nelson, 1996), or the risk of losing the client is felt by the auditor (Blay, 2005). A mediation analysis shows that perspective taking stimulates auditors' consideration to maintain a positive relationship with their client, which in turn causes them to accept the clients' MD&A with an unusually positive tone. In sum, the results support the idea that perspective-taking leads auditors to take more consideration into account to maintain good relationships with their clients. The effect of perspective taking on auditors' correction decisions is partially explained by maintaining a positive client relationship.

Finally, this study also contributes to regulators and standard setters by providing audit bias evidence that might come from prompting auditors to take management's perspective. The results indicate that MD&A may contain overly positive-toned information, which is potentially misleading. Under ISA 720 (Revised), auditors are not required to provide an assurance MD&A. The need for expanded auditor involvement in MD&A is further questioned in light of this by regulators (Canadian Institute of Chartered Accountants (CICA), 2003; International Accounting Standards Board (IASB), 2005; Public Company Accounting Oversight Board (PCAOB), 2004). My work should therefore be of interest to regulators and standard-setting agencies that have stressed the significance of information disclosure

to the general public in order to actively draw attention to this issue and the necessity for more regulatory action.

1.7 Organization of the Study

The rest of this study is divided into the following sections: Section two reviews the relevance of the literature and the development of hypotheses. The experimental methods, materials, and design are all described in Section three. Section four explains the manipulation check and findings. Finally, Section five discusses the conclusion, implications, and limitations of this study.



CHAPTER 2

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Institutional Background of Management's Discussion and Analysis

2.1.1 Definition and Implications of Management's Discussion and Analysis

Most regulations and accounting standards across the world—United State Code of Regulation S-K (2010, Section 299.303), Canadian National Instrument 51 (2004, Section 102) and International Financial Reporting Standards, to name but a few—require the management of registered and publicly-traded firms to include narrative disclosure, which is called Management's Discussion and Analysis (MD&A) in their annual and quarterly reports (W. Li, 2017). According to Item 303 of Regulation S-K by the Securities and Exchange Commission (SEC), the MD&A should provide the discussion of liquidity and capital resources, results of operations, off-balance sheet arrangements, critical accounting estimates, significant contractual obligations, and other materials and relevant information that are not captured in the financial statements. The MD&A should enhance understanding of the factors influencing a company's performance and convey management's qualitative and interpretive insights applicable to the firm's performance (Bagby, Kintzele, & Kintzele, 1988). The justification for this need is as follows:

“The Commission has long recognized the need for a narrative explanation of the financial statements, because a numerical presentation and brief accompanying footnotes alone may be insufficient for an investor to judge the quality of earnings and the likelihood that past performance is indicative of future performance. MD&A is intended to give the investor an opportunity to look at the company through the eyes

of management by providing both a short and long-term analysis of the business of the company (SEC, 1987)¹”.

2.1.2 Purpose of MD&A

The purpose of MD&A is to provide relevant information about the financial performance of a company from its past, present, and future in terms of the prospect to help stakeholders, including investors, analysts, lenders, and other creditors, with more complete information that will help them evaluate the amounts and certainty of cash flows from operations and outside sources in order to make a decision in response to its aim of whether or not it should go on to invest in or provide a loan to the company (Bryan, 1997; J. R. Cohen et al., 2008). In addition, MD&A helps to reduce information asymmetry between managers and the market (J. R. Cohen et al., 2008; F. Li, 2010). The Securities and Exchange Commission (2003a) published an interpretive release to give clarification on the main goals for the MD&A. Such interpretative guidance requires public companies:

“To provide narrative explanation of a company’s financial statement that enable investor to see the company through the eyes of management, to improve overall financial disclosure and provide the context within which financial statements should be analyzed, and to provide information about the quality of, and potential variability of, a company’s earnings and cash flow so that investors can ascertain the likelihood that past performance is indicative of future performance.”

2.1.3 Content of the MD&A

The MD&A should express management's qualitative and interpretive insights into the factors contributing to the firm's performance and should increase understanding of the elements affecting the firm's performance (Bagby et al., 1988). For the purpose of comprehending the benefit of MD&A, one first has to understand the content of MD&A. It is Item 303 of Regulation S-K that gives us an understanding of such content as it stipulates MD&A to provide certain information, namely, liquidity, capital resources, results of operations, off-balance sheet arrangements, tabular disclosure of contractual obligations, and forward-looking

¹ SEC Exchange Ac Release No. 24,356 (Apr. 23, 1987).

disclosures. This study is now to elaborate on the content of MD&A by explicating each element required under Item 303 of Regulation S-K with the aim of providing an understanding of MD&A as in the following.

1. Liquidity

The capacity of a company to produce enough cash to meet its future financial obligations is known as liquidity. The following information must be included in order for MD&A to give its complete content on liquidity for any company:

- a. A company is required to list any known trends, demand, obligations, events, or uncertainties that may or are conceivably likely to cause a major change in the registrant's liquidity.
- b. If a material deficiency in liquidity is identified, a company must indicate the course of action that the registrant has taken or proposes to take to expect remedy for the deficiency.
- c. A company must recognize and characterize its internal and external sources of liquidity separately, as well as any relevant underused sources of liquid asset.
- d. A company must describe both long- and short-term liquidity and indicators of the company's liquidity condition.
- e. A company must present restrictions on the ability of subsidiaries to transfer funds to the company.

2. Capital Resources

The capital resources of the company are used to evaluate the firm's future capital needs as well as its own essential capital resources. The following information must be included under Capital Resources by MD&A:

- a. An explanation of significant capital commitments as of the end of the most recent fiscal period and an indicator of the purpose of such commitments and the expected funding source needed for fulfilling commitments.
- b. A description of any known material trends in capital resources, including any expected material changes in the mix and relative cost of such resources. Changes in funding from stock, debt, and off-balance sheet financing arrangements must be taken into account in the description.

3. Results of Operations

The company's operating results show any significant changes in its reported income from ongoing activities. The following must be mentioned or included in a company's results of operations:

a. Any unusual or infrequent events or transactions or any significant economic changes that materially affect income from continuing operations and indicate the extent to which income is affected.

b. Significant components of revenues and expenses that, in the registrant's judgement, should be stated in order to understand the registrant's results of operations.

c. Any known patterns and risks that could reasonably be anticipated to materially affect net sales, earnings from ongoing operations, or both. The change in the relationship between costs and revenues must be declared if the registrant is aware of the circumstances that will result in it.

d. The extent to which the financial statements disclose material increases in revenues and which provide narrative discussion of the extent to which such increases are due to increases in prices, volume changes, the amount of goods or services being sold, or to the introduction of new products or services.

e. Discussion of how inflation and price changes affect sales revenue from ongoing operations.

4. Off-Balance Sheet Arrangements

A corporation is required to submit an off-balance sheet on the MD&A report by organizing the information as in the following:

a. Discussion of the nature and the business purposes of such off-balance sheet arrangements.

b. Description of the importance to the company of such off-balance sheet arrangements in respect of its liquidity, capital resources, market risk support, credit risk support, or other benefits.

c. Identification of the amounts of revenues, expenses, and cash flows of the company arising from such arrangements; the nature and amounts of any retained interests, securities issued and other indebtedness incurred by the company in connection with such arrangements; and the nature and amounts of liabilities of the

company arising from such arrangements that are or are reasonably likely to become material and the triggering events or circumstances that could cause them to arise.

d. Describe any known event, demand, commitment, trend, or uncertainty that will or is reasonably likely to result in the termination or significant reduction in the availability of its off-balance sheet arrangements that provide material benefits to the company, as well as the course of action the company has taken or proposes to take in response to any such circumstances.

5. Tabular Disclosure of Contractual Obligations

On a company's MD&A report, the tabular disclosure of contractual obligations must be made with the information being presented in a tabular manner and broken down by the periods during which payments are due.

6. Forward-Looking Disclosures

The following information must be included by a corporation in the forward-looking disclosure information on the MD&A report:

- a. Known trends, demands, commitments, events or uncertainties.
- b. Projecting a future trend or occurrence or forecasting a less predictable impact of a known event, trend, or uncertainty that is reasonably anticipated to materially affect liquidity, capital resources, or operations is voluntary forward-looking information.

2.1.4 Benefits of MD&A Disclosure

Bearing its content as having been previously mentioned in mind, MD&A is an effective tool to provide the opportunity for a company to communicate with users information crucial to the realization of the company's performance, potential, and prospects (CPA Canada, 2014). Additionally, the SEC issued a ruling stipulating the importance of MD&A in terms of increasing a company's financial transparency and helping investors evaluate a company for the purpose of investment decision-making. To visualize the advantages of MD&A disclosure, it is reasonable to study the ruling issued by SEC (Securities and Exchange Commission, 2003b) suggesting that:

“MD&A also provides a unique opportunity for management to provide investors with an understanding of its view of the financial performance and condition of the company, an appreciation of what the financial statements show and do not

show, as well as important trends and risks that have shaped the past or are reasonably likely to shape the future.”

With reference to the SEC (Securities and Exchange Commission, 2003a), MD&A mandates that registrants discuss and evaluate their company's operations in a way that is best suitable to their particular conditions in their industry as seen through the eyes of people who manage the firm. According to Item 303, a management is urged to talk about the variables and trends that could have an impact on a company's operations in the future (J. R. Cohen et al., 2008; Pava & Epstein, 1993). As shown in prior studies, such factors and trends would result in both professional and nonprofessional investors enhancing informational content in MD&A, which is not audited, as provided and presented by management (Arnold et al., 2011; Hodge & Pronk, 2006). Moreover, Arnold et al. (2010) explore whether or not investors prefer MD&A rather than notes to financial statements as non-financial information channels to be considered for their investment decision-making. It is concluded that notes to financial statements are less accessed than MD&A by both professional and non-professional investor groups in that the investors perceive that the notes to financial statements are too complex and hard to understand. This implies that investors prefer to use information in MD&A, even though this information provides a lower level of assurance. In other words, MD&A, which is not subject to audit, provides only review-level assurance, whereas notes to financial statements, which are subject to audit, convey greater reliability. Bedard et al. (2012) also conclude that investors are more likely to believe that unaudited information, e.g., MD&A, business data and risk factors, quarterly summary in the 10-K, and financial information on the corporate website, is audited. Hence, it is not surprising that there is an over-reliance on unaudited information among investors. Evidence from the literature suggests that investors heavily rely on nonfinancial information, such as the MD&A, which can affect their willingness to invest. Moreover, investors also prefer to use qualitative information over quantitative information (Arnold et al., 2010; Hodge & Pronk, 2006; Rowbottom & Lymer, 2010). This information can be summed up by saying that investors utilize the MD&A information to assess the risk involved in a company's operations and decision-making.

2.1.5 The Quality and Usefulness of MD&A

To comprehend the benefit of disclosure of MD&A, it is worthwhile to have an examination of the quality and usefulness of MD&A. In general, the nature of MD&A is a special disclosure because, although regulators specify the particular elements of MD&A, management discretion is also permitted to be mentioned inside MD&A to make the information more complete. As a result, the decision-making abilities of the stakeholders will improve (Brown & Tucker, 2011; A. K. Davis & Tama-Sweet, 2012). Therefore, it is not beyond the bounds of possibility to state that the nature of MD&A is a mixture of mandatory and discretionary disclosures (Brown and Tucker, 2011).

For the purpose of illustrating the usefulness of the MD&A disclosure, it is considered important to take a look at the prior research that has examined the quality and usefulness of MD&A. Starting from archival studies, Barron et al. (1999) examine the predictive value of MD&A by using the SEC's rating of MD&A as a proxy for MD&A quality. They conclude that lower errors and less dispersion in the analyst's earning forecast are related to excellent MD&A quality. Additionally, a strong correlation was found between MD&A quality and analysts' earnings forecast using the disclosure score as a proxy for MD&A quality (Clarkson et al., 1999). In other words, the MD&A determines the accuracy of the analysts' earnings projections. In addition, F. Li (2008) makes the claim that MD&A readability and earning persistence are connected. Furthermore, the score-based modification developed by Brown and Tucker (2011) to serve as a proxy for MD&A quality shows that the stock price reacts to the MD&A modification scores. Barton and Mercer (2005) claim that in experimental research, analysts offer better earnings estimates and stock valuations when they believe management's explanation to be plausible. In contrast, the explanations, which are implausible due to their blaming poor performance on external factors, can persuade or mislead the analysts to provide lower earnings forecasts and assess a higher cost of capital. Cianci and Kaplan (2010) state that the plausibility of management's explanation for poor performance influences investors' investment decision-making. W. Li (2017) reports that when a company reports a negative performance, low-insight MD&A (repetition of the financial statement information) influences investors to build higher persistence. This finding occurs

because of the investors' asymmetric responses to the MD&A, and the author warns regulators and standard-setters to think about ways to raise investors' awareness of their negative bias because there is evidence that management tries to hide its disclosure when the company's performance is subpar.

2.2 Impression Management

Social psychology introduces the idea of impression management, which focuses on studying how people show themselves to others to be positively evaluated by others (Hooghiemstra, 2000). Goffman (1959) explains that impression management is a performance of self in relation to an audience. Impression management is the practice of directing an audience's perception of a person, an object, an event, or an idea, occasionally with the goal of drawing audiences (Gioia, Schultz, & Corley, 2000; Schlenker, 1980). In sum, impression management may enhance pleasing aspects of an organization or confuse fewer pleasing aspects by attempting to manipulate organizational audiences' perceptions (Gioia et al., 2000).

2.2.1 Impression Management in a Corporate Reporting Context

The concept of impression management is applied in accounting research, especially in discretionary narrative disclosures in order to analyze why management attempts to induce audiences' perceptions of organizations' financial performance (Clatworthy & Jones, 2001, 2003, 2006; Courtis, 2004a; Rutherford, 2003) and social environment performance (Hooghiemstra, 2000). The content in corporate narrative disclosures should be selected by management to be displayed and presented in a way that is designed to mislead readers about the company's accomplishments (Godfrey, Mather, & Ramsay, 2003).

The narrow view of impression management is based on agency theory that focuses on the relationship between managers and investors, in which management has an economic incentive to strategically manipulate discretionary narrative disclosures that convey good performance rather than convey bad performance to shareholders' perceptions of financial performance (Clatworthy & Jones, 2001, 2003, 2006; Courtis, 2004a; Rutherford, 2003). On the other hand, a wider theory shifts the

focus of analysis such that management manipulates discretionary narrative disclosures to impress shareholders about social and environmental performance and organizational legitimacy (Breton & Côté, 2006; Hooghiemstra, 2000; Linsley & Kajuter, 2008). The results of impression management in discretionary narrative disclosures cause lower quality in financial reporting (Brennan & Merkl-Davies, 2013). Importantly, when a firm is faced with poor financial performance, a crisis, or an incident, management impression is used to persuade the audience to restore reputation, image, or legitimacy (Craig & Amernic, 2008; Linsley & Kajuter, 2008; Merkl-Davies & Koller, 2012; Ogden & Clarke, 2005).

2.2.2 Impression Management in Disclosure Medias

Management generally uses his discretion on narrative disclosures, especially narrative disclosures that are in the unregulated sections of corporate documents. Examples include chairman's statements (Smith & Taffler, 1992, 2000), CEO letters to shareholders (Amernic & Craig, 2007; Craig & Amernic, 2008; Hooghiemstra, 2010), press releases (Bowen, Davis, & Matsumoto, 2005; Matsumoto, Pronk, & Roelofsen, 2011), and conference calls (A. K. Davis & Tama-Sweet, 2012). However, management also uses its discretion in regulated sections of corporate documents. MD&A is an example (Feldman et al., 2010).

2.2.3 Communication choices in impression management

Merkl-Davies and Brennan (2007) claim that impression management induces management to make discretionary narrative disclosures by using the following manipulation techniques.

1. Reading Ease Manipulation

Especially when there is unpleasant news, discretionary narrative disclosure is altered to make it difficult to read (F. Li, 2008; Smith & Taffler, 1992).

2. Rhetorical Manipulation

Rhetorical manipulation is the idea that managers utilize rhetorical tools to influence their outcomes, such as the use of empathic language, personal pronouns, or hedges to convey modesty (Hyland, 1998).

3. Thematic Manipulation (News content/Tone)

By exaggerating positive news and downplaying negative information, managers alter discretionary narrative disclosure. The key themes employed by managers are future, discussion of major events and an overview of the year and finance/investment (Clatworthy & Jones, 2001, 2003; Smith & Taffler, 1995, 2000; Staw, McKechnie, & Puffer, 1983).

4. Visual and Structural Manipulation (Emphasis)

This trick overemphasizes the good news by using structure and visual emphasis. To put it another way, visual emphasis and structure can be manipulated for the purpose of positioning good news firsthand in documents (Bowen et al., 2005), hiding bad news in the middle passage in documents (Courtis, 1998), highlighting text (Brennan, Guillamon-Saorin, & Pierce, 2009), and using color (Courtis, 2004b) and repetition (Courtis, 1996; Davison, 2008).

5. Performance Comparisons

For the greatest possible representation of company performance, managers choose benchmarks from prior years or any other one as comparators (Lewellen, Park, & Ro, 1996; Schrand & Walther, 2000; Short & Palmer, 2003).

6. Choice of Earning Number (Selectivity)

This involves the selection of an alternative favorable earnings number that is adjusted with a one-time expense, which does not comply with GAAP but the management chooses to disclose in the accounting narrative, such as pro forma earnings (W. B. Johnson & Schwartz Jr, 2005).

7. Attribution of Performance

When things go well, a firm takes credit; when things go wrong, it blames other forces (Baginski, Hassell, & Hillison, 2000).

2.2.4 Theoretical Perspectives on Managerial Impression Management

Theoretical perspectives on managerial impression management play a crucial role in understanding why managerial impression management takes place. There are certain theoretical perspectives worthwhile considering for the purpose of accessing the insights of the management of an organization. Merkl-Davies and Brennan (2011) divided managerial impression management into four categories, including economic

perspective, social psychology perspective, sociology perspective, and critical perspective, as will be discussed below.

a. Economic perspective.

Generally speaking, the mainstream perspective on impression management is explained under agency theory assumptions (Merkl-Davies & Brennan, 2007). Indeed, managers may manipulate financial report to deceive some stakeholders about the company's true economic success. This is a legitimate application of judgement and decision-making (Healy & Wahlen, 1999). As a result, managers may take advantage to distort disclosures in order to present a self-interested image of corporate performance with the aim of maximizing their personal wealth (Abrahamson & Park, 1994; Curtis, 2004a; Rutherford, 2003). Brennan and Merkl-Davies (2013) state that impression management highlights positive organizational outcomes and creates a confusing negative organizational outcome. It is possible to opine explicitly that managers display and present selected information intended to distort readers' perceptions of company achievement (Godfrey et al., 2003). The motivation underlying those managers' slanted reports is their own self-interest in increasing their pay and maximizing their personal fortune (Curtis, 2004a; Rutherford, 2003).

b. Social Psychology Perspective

The concept of impression management in social psychology is explained by Goffman (1959) under a psychological view that takes into account social relations in the decision context while making a consideration. He asserts that a person is an actor who performs on stage in front of an audience. The concept of social psychology is different from the economic perspective. Impression management is not the result of rational decision making on material gain, but rather results from the actual, imagined, and implied presence of organization audiences in believing that their managers are accountable (Allport, 1954; Brennan & Merkl-Davies, 2013). This helps us to understand that financial reports serve as an accountability mechanism to address the concerns of shareholders. Therefore, managers necessarily engage in impression management to adjust the performance descriptions to match the standard that results from an expectation that shareholders will evaluate their performance with the aim of acting as an accountability mechanism to resolve external parties' complaints (Frink & Ferris, 1998).

This self-serving bias in discretionary narrative disclosures is explained by the attribution theory that is involved with people's explanations of events (Heider, 1958; Jones & Davis, 1965; Kelley, 1967). The management assigns actions and events in a biased manner because they want to claim credit for success and refuse to acknowledge failure (Knee & Zuckerman, 1996). Self-serving bias in the context of financial reporting assigns favorable company outcomes to internal sources and negative company outcomes to external forces, with the result that investors' view of financial performance is influenced (Aerts & Cheng, 2011; Clatworthy & Jones, 2003; Hooghiemstra, 2008).

c. Sociology Perspective

The sociological perspective in impression management is structured either by different stakeholder groups or by society. Managers' decisions are influenced by the rules of mutually agreed-upon systems of norms and values that are internalized through socialization (Granovetter, 1985). Two theories, namely the stakeholder and legitimacy theories, can both account for this. First, stakeholder theory explains that management tries to manage perceptions in an effort to respond to expectations from various stakeholder groups or in response to pressure from the public and media (Hooghiemstra, 2000). Second, the legitimacy theory posits that impression management arises from incongruity between a company's and society's norms and values. These two ideas support the notion that management seeks to increase or restore corporate legitimacy by harmonizing the norms and values of the organization with those of the community, particularly when the legitimacy of the organization is threatened (Brennan & Merkl-Davies, 2013). Furthermore, according to Ashforth and Gibbs (1990), one idea of symbolic management is considered to be impression management. In order to conform to societal norms and ideals, symbolic management implies that their actions are intended to change how the public perceives the organization. Ultimately, this leads to the company behaving in a way that addresses stakeholder concerns (Aerts & Cormier, 2009; Brennan & Merkl-Davies, 2013; Hooghiemstra, 2000).

d. Critical Perspective

The critical perspective is posited by a critical realist with the viewpoint of combining organizational reality with a critical concept (Brennan & Merkl-Davies,

2013). The goal of critical perspective study is to expose a covert corporate financial report in addition to changing oppressive reality (Chua, 1986). A decision made by managers while disclosing company reporting is assumed not to be driven by self-interest utility maximization but by a company's narrative documents focusing on privilege language and thought rooted in managerial capitalism (Craig & Amernic, 2004a).

After examining each of the above-mentioned theoretical perspectives on managerial impression management, it can be said that management launches discretionary narrative disclosures ostensibly because they can contribute to the emergence and maintenance of unequal power relations through the positioning and representation of people and things (Fairclough and Wodak, 1997). In order to portray his company in a positive light, the manager may use language such as rhetorical, semantic, and grammatical devices as a medium for impression management, focusing on the perception of the organization and firm performance, social, political, or environmental issues affecting organizations (Craig & Amernic, 2004a, 2004b; Crowther, Carter, & Cooper, 2006).

2.3 Tone Management in the Management Discussion and Analysis

Not only are the management or discretionary accruals known as a tool to manipulate investors' perceptions of a company, but tone management is also an alternative or complementary tool to influence investors' impressions of a firm (Huang et al., 2014; Teoh, Welch, & Wong, 1998; Xie, 2001). To elaborate on this, the tone of qualitative text can be a tool for managers either to improve their understanding of, or to vaguely define, company fundamentals (Huang et al., 2014). According to Huang et al. (2014), rhetoric is a value-neutral tool that can be used by persons of virtuous or depraved character. This capacity can be used for good or bad purposes; it can cause great benefits as well as great harm. F. Li (2010) shows that the tone of forward-looking in the MD&A can help predict how well a company would perform in the future. The study by Feldman et al. (2010) adds to the value relevance of MD&A disclosure. Their findings show a positive relationship between management's tone change expressed through words in MD&A (Teoh et al., 1998) and

excess market returns. Moreover, Mayew et al. (2014) put an emphasis on the capacity of MD&A tone in predicting bankruptcy by using tone analysis. Both studies lend support to the usefulness of linguistic tone for bankruptcy prediction. This can also be explained by the incremental information theory (Brennan & Merkl-Davies, 2013; Merkl-Davies & Brennan, 2007). Interestingly, empirical studies further show that the informativeness of qualitative disclosures in corporate SEC filings can significantly improve the information environment. It can be summarized here that, with all these studies borne in mind, qualitative information supplements financial information and makes incremental information content available to investors by "tone change" (Campbell et al., 2014; Feldman et al., 2010; F. Li, 2008, 2010; Mayew et al., 2014; Muslu et al., 2015).

Nevertheless, although the regulations and standards require MD&A to be included in annual and quarterly reports for public entities with specific components of information, the information content and format are deliberately unstructured (Bagby et al., 1988; Bryan, 1997; J. R. Cohen et al., 2008). For this reason, according to Brown and Tucker (2011), standards offer specific guidance, but they also give managers the freedom to tailor the level of detail provided and the language used in MD&A to meet particular company and industry trends and needs that have an impact on their bottom line. Thus, a manager may compromise the accuracy of MD&A by not only engaging in selective disclosure to influence a stakeholder's perception and decision, but also by omitting, misrepresenting, or even withholding negative information. This inevitably creates information asymmetry (Arslan-Ayaydin, Boudt, & Thewissen, 2016; J. R. Cohen et al., 2008; Huang et al., 2014; Kothari, Shu, & Wysocki, 2009; Meiers, 2006; Schleicher & Walker, 2010; Verrecchia, 2001). Another thing to be borne in mind is that prior research supports these claims, demonstrating that external stakeholders respond to not only the content, but also the timing and form of financial disclosures (Bagnoli, Kross, & Watts, 2002; Begley & Fischer, 1998; Bowen et al., 2005; Sedor, 2002; Sengupta, 2004). In short, this means that a manager considers the strategy in terms of timing and form while disclosing financial disclosures.

As demonstrated in previous research, managers can use the tone of language in the MD&A as an opportunistic strategy to mislead investors. To explain such

opportunistic behavior, it is worthwhile considering the study by A. K. Davis and Tama-Sweet (2012), positing that the managers can utilize tones of the language across alternative disclosure outlets between press release and MD&A with the incentive to report strategically. Their findings show that managers who are more concerned with the effects of information disclosure on stock prices are more motivated to report strategically by elevating the proportion of upbeat language and lowering the proportion of all pessimistic language in their earnings press releases relative to the MD&A in order to elicit favorable market reactions. It can be summarized that managers have an opportunity for strategic reporting with the utility of the tone of the MD&A in an attempt to reduce the negative market reaction. There is another most similar study, having examined the tone management of words in earnings press releases. The study by Huang et al. (2014) explores whether the tone of language used informs or misinforms investors. According to their research, an overly upbeat tone indicates that future performance would be poor, which may indicate that the manager is trying to mislead investors. Additionally, managers opportunistically manage more positive tone due to incentives derived from either their desire to achieve a certain level of prestige or economic motives, which are frequently linked to agency problems, such as the motivation to raise stock prices, meet or beat analysts' forecasts, or even conceal their subpar operating performance. It is, thus, irrefutable to purport the viewpoint that an abnormally positive tone is associated with the presence of strategic incentives and misleads investors.

To summarize, the tone of language used in the MD&A conveys incremental information content that affects the company's information and inexorably adds to financial information provided to investors. Nonetheless, under the guise of incentives to manage the tone of MD&A, opportunistic managers have a tendency to proceed with an impressive management strategy by using more optimistic and future-focused language to deceive investors and trigger favorable market reactions when the company is confronted with a financial condition problem (Caserio, Panaro, & Trucco, 2019).

2.4 The International Standard on Auditing (ISA) 720 (revised)

The International Auditing and Assurance Standards Board (IAASB) states the objective of ISA 720 (Revised) as follows:

“The IAASB wanted to ensure that ISA 720 appropriately reflected the context of today’s financial reporting environment, thereby promoting further alignment of users’ expectations and auditors’ responsibilities.

“The IAASB also sought to serve the public interest by ensuring that there is an appropriate auditor response in the event the other information could undermine the credibility of the audited financial statements and the auditor’s report.” (IAASB AT A GLANCE, April 2015)

The Auditor’s Responsibilities Relating to Other Information, International Auditing Standard 720 (Revised), The Auditor’s Responsibilities Relating to Other Information, was updated by the IAASB in April 2015 and expands and clarifies the auditor's obligations with regard to other information, including both financial and non-financial other than financial statements and the auditor’s report thereon. The ISA 720 (Revised) states that in order to provide transparency and the credibility of financial statements, auditors are not required to audit and provide assurance on other information included in a company’s annual report. Instead, they are encouraged to read and take into account any other information that is materially inconsistent with the financial statements. Whether the other information is acquired by the auditor before or after the date of the auditor’s report, the auditor’s obligations connected to it still apply. The credibility of the financial statements and the auditor’s reports may be weakened by such a material misstatement of the other information. Moreover, the material misstatement is also likely to lead to inappropriate influence over the economic decisions of the users for whom the auditor’s report is prepared (J. R. Cohen et al., 2008).

Other information must be identified as financial or non-financial information and included in a company’s annual report, subject to ISA 720 (Revised). Accordingly, the following documents are identified as such other information: namely, management reports, management commentaries, operating and financial reviews, Chairman’s statements, and lastly, corporate governance statements or

reports. However, it has to be remarked that the following are not deemed as the aforementioned other information within the scope of the ISA 720 (Revised): separate industry or regulatory reports, sustainability reports; diversity and equal opportunity reports; product responsibility reports, labour practices and working conditions reports, human rights reports, and other regulatory filings with the government agencies. Notably, ISA 720 (Revised) does not require an auditor to make an opinion on the other information, nor does it require him/her to obtain audit evidence beyond what is required to form an opinion based on the financial statements. It only requires the auditor to read the other information in order to consider whether there is any material inconsistency between the other information and the financial statements or the auditor's knowledge based on the obtained information while conducting the audit. An auditor must also be constantly on the lookout for indications that other information is unrelated to financial statements or that knowledge gained during the audit process looks to be materially misstated.

When an auditor learns about or notices that the other information seems to be materially misstated, the auditor must discuss with management and, if necessary, carry out other procedures to determine whether the other information, the financial statement, or the auditor's understanding of the entity has been materially misrepresented or not.

When the auditor concludes that the other information is materially misstated, the auditor has to request the management to correct the other information. If management does not correct, the auditor must communicate the matter to the parties charged with governance. To explain this in greater depth, it is worthwhile to look at the two scenarios that are most likely to occur as in the following:

Situation 1: If the auditor determines that other information obtained before the date of the auditor's report contains a material misstatement and such other information is not corrected by management. Firstly, the auditor should take action by reporting the implications in the auditor's report and communicating with those charged with governance to consider the manner to inform the material misstatement in the auditor's report. The auditor would issue a disclaimer opinion on the financial statements if he/she doubt on management integrity. Secondly, the auditor may consider withdrawing from the engagement—so-called withdrawal from the

engagement—if withdrawal is possible under the applicable law and regulations. In case the withdrawal is not possible, the auditor may either raise this issue by informing the legislature and outlining the situation or they may take other suitable steps.

Situation 2: If the auditor determines that other information acquired after the date of the auditor's report contains a material misstatement. The auditor should take action by checking whether or not the material misstatement has been corrected. If it has been remedied, the auditor should take the extra step to confirm that management has made the change and that it has been communicated with individuals who get the other information. If it has not been fixed, the auditor should act appropriately by taking into account their legal rights and obligations and coming up with a proper method of informing the users of the wrong material misstatement of the other information such as issuing a new or revised auditor's report, addressing this material misstatement during shareholders' meeting, etc.

Importantly, for both an audit of financial statements of a listed firm and a non-listed entity, the auditor's report would include a distinct section with the heading "Other Information" or any other suitable heading, at the time of the auditor's report. The auditor's report shall, moreover, include a statement stating that the management is responsible for the other information and that the auditor's opinion does not cover such other information; together with that, the auditor expresses neither the audit opinion nor any form of assurance conclusion on the other information. To summarize, the ISA 720 (Revised) outlines the auditor's duties in relation to examining the other information as reading, considering, and reporting that there is no material misstatement, but not assuring the accuracy of the other information.

2.5 Perspective Taking

Perspective taking can be defined as the ability to entertain the psychological perspective of another by intuiting another person's thoughts, feelings, and inner mental states (A. K. Davis & Tama-Sweet, 2012; Epley & Caruso, 2009; Galinsky & Moskowitz, 2000). Although previous research has shown that people do not naturally possess any perspective-taking skills at birth, this does not mean that they cannot

acquire them in life. Additionally, it must be understood that not all people may acquire these perspective-taking abilities to the same extent (Callaghan et al., 2005; Flavell, 1999; Gopnik & Meltzoff, 1994). For many years, it has been understood that perspective-taking has significant effects when psychological vision issues arise. Understanding the viewpoint of the opposing side is a straightforward and efficient method for coming up with the finest solution (Epley et al., 2006). For instance, Piaget (1932) and Mead (1934) agree that the ability to shift perspectives is a major development in cognitive functioning. The ability to develop perspective-taking allows us to reduce egocentric bias in our judgement, to understand others' expectations, and lastly, to have a beneficial effect on interpersonal relations. Kohlberg (1976) noted that the ability to engage in role-taking is a major part of the development of moral reasoning. According to Richardson, Hammock, Smith, Gardner, and Signo (1994), taking into account the perspectives of others can increase the likelihood of being altruistic, whereas failing to do so can lead to social hostility.

Prior to thorough comprehension of perspective taking, its foundation cannot be disregarded. Principally, perspective-taking is a cognitive process associated with an observer's thoughts and feelings about a target that becomes more "self-like". As explained by M. H. Davis, Conklin, Smith, and Luce (1996), they believe that the representation of the target will more closely resemble the observer's own self-representation during role taking and the observer and target will share more common elements. The merging of self and others will occur as a result of active perspective-taking. There will naturally be some overlap between the representations of the self and other people in the absence of intentional perspective-taking. The degree of representational overlap will necessarily rise as a result of perspective taking.

There are three different kinds of self-other merging; namely, merging of: (1) resources, (2) perspectives, and (3) characteristics. In regards to merging, there are two things to keep in mind. Firstly, Aron and colleagues, who investigate corresponding to the sharing between the observer and the target by specific characteristic domains, opine that people who have close relationships, e.g., spouses, family members, including target traits, better understand others as if they were themselves (Aron, Aron, Tudor, & Nelson, 1991). It is rather explicitly understood that this kind of merging is created by the strong affective bonds of intimate

relationships. As described by M. H. Davis et al. (1996), the second point is in contrast to Aron et al. (1991). Their work focuses on the sharing of resources and perspectives on the presupposition that the observer and the target are strangers and not intimate. Their study explains that even if a person is not intimately involved with another person, an attempt to consider their perspective will still lead to a comparable phenomenon. Cognitive perspective taking is frequently defined by psychologists as including another person's thoughts, attitudes, interests, feelings, or worries in a particular scenario (Chartrand & Bargh, 1999; Epley et al., 2006). In short, it can be preliminarily summarized here that even if a person is not in a close relationship with an observer, the merging of the self and the other can occur through creating target representations that more closely resemble those of the self (M. H. Davis et al., 1996).

Furthermore, prior study indicates that perspective-taking can enhance people's judgements and decision-making. It is possible to lessen self-centered biases in judgement as a result of taking into account another's perspective, which focuses on the ideas, attitudes, understandings, behaviors, or worries in a particular circumstance (Epley et al., 2006). It is interesting to note that perspective-taking lessens in-group favoritism, stereotype accessibility, and confirmation bias (Galinsky & Moskowitz, 2000).

2.5.1 Role-taking Experience

According to the notion of role-taking, a person must be both self-aware and willing to participate in order to successfully "take the role of the other" in social interactions (Biddle, 1979; Mead, 1934). The same people act differently in different roles, whereas different people can act similarly when in similar roles (Turner, 1999). Significantly speaking, there is a relationship between role and perspective taking as illustrated in the prior studies' reports in that role taking is an antecedent of perspective taking (Piaget, 1932, 1950).

Evident in the prior research, role-taking experience improves perspective taking. Indeed, as to Trotman, Wright, and Wright (2005), it is obvious that the effect of role taking experience produces substantial and roughly equivalent improvements in perspective taking. Moreover, Iannotti (1978) states that role-taking experience is of importance to a socio-cognitive skill for developing a better understanding of social

behaviors and the process where cognitive and social behaviors interact with each other. Chalmers and Townsend (1990) explain the positive generalization effects of role-taking experience that facilitate understanding others' problems and incentives, interpersonal problem analysis, empathy, acceptance of individual differences, and referential communication. Sessa (1996) further demonstrates that team members who have more expertise using perspective-taking will be more aware of the various points of view and more likely to resolve conflicts by striving to comprehend and foresee the disagreement of others. Whereas, in terms of auditing, role-taking negotiation experience assists auditors to develop a mental model of one's negotiation counterpart when negotiating with clients (Trotman et al., 2005).

There are numerous pieces of evidence from earlier studies that emphasize the importance of role-taking experience. It can guide opponents to make more understanding of others' positions when faced with the tendency to overestimate social-projection bias (D. W. Johnson, 1967). Notably, Van Boven, Dunning, and Loewenstein (2000) find that individuals who are equipped with experience in another's role can beat the social-projection bias.

2.5.2 How to Induce Successful Perspective Taking

It has to be noted that the main objective of perspective taking requires getting beyond one's own psychological point of view to consider the perspective of another person, who may have a very different psychological point of view. Perspective taking requires three mental operations to be successful, including overcoming egocentrism and one's own state of being (Epley & Caruso, 2009).

To begin with the first mental operation, it is biologically or medically accepted that people only use 10% of their brains, and 90% of the brain is doing nothing. This means that people's brains still have a great deal of capability for effortful thinking, despite the hardness of effortful thinking and most people's inertia and avoidance of doing so. It is not surprising that most people rapidly rely on first impressions when evaluating others and tend to use simple heuristics for considerable decision making (Gigerenzer, Todd, & The ABC Research Group, 1999; Kahneman & Frederick, 2002). People must exert mental effort and hard thought while adopting another's perspective, such as through repeated or regular practices, in order to use

their brains to their full capability (D. Cohen & Gunz, 2002; Wu & Keysar, 2007). This means that the mental process of perspective taking must be activated in order to actively think about or consider another person's mentality through manipulating the instruction to consider another's perspective by replacing oneself with another person, or in particular, with another person's role or position (Church et al., 2015; Epley & Caruso, 2009).

The second mental operation will now be further explained. In general, people who are adopting another person's perspective typically need to overcome their own in order to ensure that they fully leave their own perspective behind (Griffin & Tversky, 1992). Several empirical findings indicate that even when someone tries to see things from another person's point of view, they may still make some judgements that are biased toward their own initial egocentric default (Epley, 2004; Keysar & Barr, 2002; Nickerson, 1999; Royzman, Cassidy, & Baron, 2003). The explicit instruction is that by reasoning about the other's perspective in a deliberate and effortful way while adopting another person's perspective, one increases the accessibility of self-related thoughts (Church et al., 2015; M. H. Davis et al., 2004). Notably, Epley and Caruso (2009) conclude that people are likely to maintain some residue of their own while they attempt to adopt another's perspective. This means that if the cues are ambiguous and there is some uncertainty about others' perspectives, an attempt to adjust one's own perspective will typically be insufficient and lead to judgements being likely biased toward the ego.

Finally, Epley and Caruso (2009) explain that the last mental operation is that people often use their own knowledge or perceptions as a guide when applying perspective-taking that can be subsequently subject to adjustment as people are attempting to get over themselves. To overcome one's own egocentric perspective and achieve an accurate sense of another's perspective requires some other information in its place in order to intuit another's perspective. Hence, precise perspective taking requires using diagnostic and accurate information about another's mental state and avoidance of non-diagnostic or worthless information.

2.5.3 Perspective Taking with Pre-existing Motivation

In order to effectively adopt another person's viewpoint, perspective taking is described in the psychology literature as a cognitive process that involves assuming another person's ideas, feelings, motives, and worries in a particular scenario, like putting oneself in their shoes (M. H. Davis et al., 1996; Epley et al., 2006; Galinsky & Moskowitz, 2000; Galinsky & Mussweiler, 2001). Objective perspective taking is relatively rare, and perspective takers may face difficulties getting beyond their own points of view to know about the fact from another's perspective even though they have already made a good attempt at perspective taking (Epley, 2004; Epley & Caruso, 2009). Prior psychological research suggests strategies for successful perspective-taking. For that success, it may need both intensive effort (M. H. Davis et al., 1996; Epley & Caruso, 2012; Van Boven & Loewenstein, 2003) and also the absence of pre-existing motivation (Ku, Wang, & Galinsky, 2015). In addition, psychological research explains the impact of motivated reasoning while individuals evaluate information and make judgements when they have an interest in achieving a specific outcome (Kunda, 1990). This leads to the disposition that individuals judge evidence by supporting their own preferred outcome rather than evidence that is opposite to their own preferred outcome (Ditto & Lopez, 1992; Lord, Ross, & Lepper, 1979). Thus, perspective taking will have a negative effect that will ultimately result in preventing the perspective taker from achieving the goals of perspective taking if it occurs in a situation that emphasizes the threat of a prior aim of the perspective taker (Ku et al., 2015; Sassenrath, Hodges, & Pfattheicher, 2016).

2.6 Judgement and Decision Making in Audit Task

Auditors are responsible for a variety of audit tasks for identifying material misstatements and providing an audit opinion relating to the financial statement (Abdolmohammadi, 1999; Bonner & Pennington, 1991). In their examination of the literature on judgement and decision-making in audit tasks, Nelson and Tan (2005) make the following four classifications of audit task activities: that is, (1) audit planning, together with the risk assessment and audit risk model, (2) analytical procedure and evidence evaluation, (3) correction decision, and (4) going concern

judgements and opinion modification. This study shall commence by providing each audit task with a description and explaining how each audit task relates to auditors' judgement and decision-making.

2.6.1 Audit planning, Together with the Risk Assessment and Audit Risk Model

During audit planning, an auditor should identify and evaluate major misstatement risks in the financial statements through audit risk model and establish audit strategy for such engagement (International Standard on Auditing (ISA) 300). To find possible material misstatements, auditors should assess risk in this method using a holistic risk approach or a decomposition risk approach. Thus, it is indisputable that proper audit planning assists an auditor in anticipating, identifying, and resolving potential risks that should be present in financial statements so that the auditor is capable of carrying out, organizing, and managing audit engagements in an effective and efficient manner (International Standard on Auditing (ISA) 315).

Last but not least, previous research on audit planning has demonstrated that auditors have cognitive biases (Audsabumrungrat, Pornupatham, & Tan, 2015; Phonsumlissakul & Audsabumrungrat, 2021) that vary depending on the method used in risk assessment (Nelson & Tan, 2005), audit risk model (Houston, 1999), task structure (Jiambalvo & Waller, 1984), lack of identifying the fraud risk factors (Hamilton, 2016), and finally, client's strategic disclosure (Riley & Luippold, 2015).

2.6.2 Analytical Procedure and Evidence Evaluation

The audit process also includes analytical techniques, which involve evaluating financial information by looking for feasible connections between financial and non-financial data. Analytical procedures range from simple comparisons to the use of complex models involving many relationships and elements of data (International Standard on Auditing (ISA) 520).

The ISA 520 requires analytical procedures during the planning stage of the audit. When preparing an audit, analytical processes should be utilized to determine the type, timing, and scope of auditing procedures that will be used to gather audit evidence for particular account balances or categories of transactions. To accomplish

this, the analytical techniques used in audit planning should concentrate on (a) improving the auditor's understanding of the client's business and transactions and events that have taken place since the last audit date and (b) identifying areas that may represent specific risks relevant to the audit. As a result, the processes' main goal is to spot unexpected transactions and events as well as quantities, ratios, and trends that could point to issues with financial statement and audit planning ramifications.

Moreover, the goal of analytical processes is used in the audit's overall review stage to help the auditor evaluate the overall financial statement presentation and the findings obtained. The overall review would generally include reading the financial statements and notes and considering (a) the sufficiency of the evidence gathered in response to unusual or unexpected balances identified during the planning stage of the audit or during the audit; and (b) unusual or unexpected balances or relationships that were not previously identified would generally constitute the overall review. Results of an overall review may indicate that additional evidence maybe needed (International Standard on Auditing (ISA) 520).

The value of an analytical technique as a substantive test that can affect the results of other audit procedures is also stressed by the American Institute of Certified Public Accountants (AICPA, 1978a). The auditor's reliance on substantive tests to achieve an audit objective related to a particular assertion may be derived from the tests of details, analytical procedures, or a combination of both. The decision about which procedure or procedures to use to achieve a particular audit objective is based on the auditor's judgement on the expected effectiveness and efficiency of the available procedures (International Standard on Auditing (ISA) 520).

Many researchers examine the cognitive processes that auditors use when performing analytical tasks. As reviewed by Koonce, Walker, and Wright (1993), most examine mental representation of the analytical procedure problem, hypothesis generation, information search, hypothesis evaluation, and action/decision.

2.6.3 Correction Decision

After sufficient evaluation of gathered evidence, auditors would proceed to a corrective determination procedure by requesting that a client address any major material misstatement that had been found (American Institute of Certified Public

Accountants (AICPA), 1983). In this process, auditors must make a decision and inform the customer about which specific faults should be suggested and how much should be modified or waived (American Institute of Certified Public Accountants (AICPA), 1999).

According to prior research, auditors are more likely to require their clients to correct the accounting treatments when there is a high litigation risk and a low possibility to lose their clients (Farmer, Rittenberg, & Trompeter, 1987). What to be also put into concern is, as to Trompeter (1994), that the ambiguity in an accounting method has a tendency to have an effect on the auditors' decision in the sense that they would not require their clients to change their accounting treatment. Moreover, as reviewed by Nelson (2004), auditors are more likely to favor their clients on correction decisions based on the auditors' incentive and certain circumstances that allow them to do so.

2.6.4 Going Concern Judgement and Opinion Modification

A financial statement is prepared on the basis that the entity is a going concern and will continue its operations for a reasonable period of time (International Standard on Auditing (ISA) 570). The auditor's duties include determining, based on the audit evidence obtained, whether or not the substantial doubt related to an entity's ability to continue as a going concern exists; evaluating the potential financial statement effects, including the adequacy of disclosing material information; and determining whether or not the going concern basis of accounting is applicable (International Standard on Auditing (ISA) 570).

2.7 Hypothesis Development

The content of this study is primarily derived from Management Discussion and Analysis (MD&A), which is theoretically based on psychology theory. Firstly, the main hypothesis of this study is developed under the main effects of perspective taking on the likelihood of the MD&A reflecting the current state of the company, the likelihood of the MD&A containing a positive tone, and the probability of a request for the management's MD&A alteration. Moreover, this study elaborates on the

mediator roles by predicting that auditors' consideration of the circumstances mediates the relationship between perspective taking and auditors' consideration of requesting management to alter MD&A. To explicate how the hypothesis of this study was developed, this study shall go through the relevant topics as follows.

2.7.1 Perspective-Taking: Main Effects

2.7.1.1 The relation of perspective-taking to the likelihood of the MD&A reflecting the current state of the company and the likelihood of the MD&A containing a positive tone

It has to be noted here that MD&A is a narrative disclosure that provides investors with information, such as short- and long-term analysis of a company or trends and predictions for future events, so that they can employ it in considering any relevant information for decision-making in investment. This is explicitly the deliberation deemed as done through the eyes of the company's management (Bryan, 1997). The MD&A's nature is distinctive since it combines a mandatory and discretionary character, giving management the freedom to choose the information shape but still having required content at their discretion. (Brown & Tucker, 2011; W. Li, 2017; Merkl-Davies & Koller, 2012). As a result of the nature of the MD&A, the quality and usefulness of the MD&A are critically concerned. Furthermore, the prior studies state that a qualitative disclosure employing rhetoric text lacks informativeness, eventually misleading investors (Securities and Exchange Commission, 2003a; Tavcar, 1998).

Tone management can be a tool for managers as it can be executed by the managers to render a more positive linguistic tone within the MD&A to either manipulate the firm in understanding the future performance of the firm or provide a forward-looking analysis which can be significantly capable of giving a signal for better future prospects; in other words, this is a kind of influencing investors' perception of a company image (Beretta et al., 2019; Brennan & Merkl-Davies, 2013; Melloni et al., 2017; Merkl-Davies & Brennan, 2011). According to the relevant literature, managers can present non-financial information by using a positive linguistic tone to portray the organization's information or performance in a favorable light, despite the fact that this is actually the reverse. Ultimately, these presentations

can influence investors' assessments of company performance (Blau et al., 2015; W. Li, 2017; Riley & Luippold, 2015; Triki et al., 2015). Huang et al. (2014) describe that tone management is a tactic used by opportunistic managers to deceive investors by using an abnormally positive tone in narrative report and in conjunction with the poor future earnings and operating cash flow.

Furthermore, several studies state that the MD&A is used by both professional and non-professional investors because they can enhance the information content in the MD&A provided and presented by the management, although it is not audited (Arnold et al., 2010; Bedard et al., 2012; Hodge & Pronk, 2006; Rowbottom & Lymer, 2010). According to previous research, investors do not appear to understand managerial opportunism, which is inciting over-optimism through tone manipulation and an abnormally positive tone that contains negative information about future fundamentals; this eventually and most likely results in a positive reaction at earnings announcement (Allee & DeAngelis, 2015; Hales, Kuang, & Venkataraman, 2011; Huang et al., 2014).

As noted above, we can see that the quality of the MD&A can be impaired by tone manipulation, which results in investors' being unable to see through and realize this managerial opportunity increasing in the discretionary tone, nor realize this strategic motive. To improve the MD&A quality, auditors can therefore play a role by analyzing and reviewing the MD&A (J. R. Cohen et al., 2008). In addition, the Public Company Accounting Oversight Board (PCAOB) and Securities and Exchange Commission (SEC) are debating whether the MD&A should be examined for a mandatory audit examination (Securities and Exchange Commission, 2003b). As stated by International Standards on Auditing (ISA) 720 (revised) (hereinafter referred as ISA 720 (revised)), an auditor is required to read the other information by considering whether there is a material inconsistency between the other information and the financial statements or between the other information and the auditor's knowledge obtained during in the audit. The users of the MD&A are expected to be the same as the users of the financial statements, and they expect that their reading of the MD&A will complete and improve their understanding of the context of the financial statements. Judgements on materiality have to be taken into account for the specific circumstances of the misstatement on the basis of

consideration of whether or not the users would be influenced by the effect of the uncorrected misstatement. When a material inconsistency in the MD&A is discovered, the auditor is directed to request the client to correct such material inconsistency. If the client refuses, the auditor should either add a paragraph of explanation about the substantial inconsistency in the audit report or opt to depend on severity by considering withdrawal from the engagement (ISA 720 (revised)).

Having explicated the role of auditors with MD&A so far, this study now shall touch upon the area of psychology in its main effects to investigate whether auditors who consider the perspective of their clients' management are more evaluative of clients' management actions from their point of view, which helps them to improve their judgement and decision-making. Psychology research has long been recognized as a way to find an effective strategy to understand the opposite side's point of view. Perspective taking is a method to fill in this gap. It is seen as a tool to infer another individual's thoughts, feelings, and concerns (M. H. Davis et al., 1996; Galinsky & Moskowitz, 2000). Indeed, perspective taking assists an observer in trying to merge his/her mentality with that of the target in order to think and feel the same way the target does (Epley et al., 2006). The existing literature and research on perspective taking state that perspective taking provides various benefits for enhancing interpersonal understanding and giving insight into the thoughts, feelings, and intentions of others (Galinsky & Moskowitz, 2000). Furthermore, Galinsky and Mussweiler (2001) support that perspective taking would help to enhance judgements and decision-making.

Perspective taking in the auditing context is conducted by Church et al. (2015) which document that the auditors who take the role as managers also enhance their understanding in terms of a manager's viewpoint on financial reporting and benefit the auditor's performance. It is thus irrefutable that perspective taking improves an auditor's ability to precisely assess a manager's earning report. Moreover, it is also supported by Hamilton (2016), who shows in his study that the auditor who takes the perspective of the manager is more likely to assess the misstatement to be intentional than the auditor who does not.

Extending from the literature on perspective taking, this study investigates the main effect of perspective taking with regard to the question of

whether or not the difference between management-prompted and unprompted auditor conditions impacts auditors' assessment of the MD&A with the abnormal positive tone and on auditors' decision to request management to alter the MD&A. According to ISA 720 (revised), even though auditors do not have to audit the MD&A, they still have a responsibility for reviewing and identifying the material misstatement of the MD&A. This study posits that when auditors take management's perspective, they would obtain the benefit by means of harmonizing themselves with the management to obtain some self-interest from the management in order to gauge the management's behavior. Ultimately, this enables them to better understand the reasons behind the MD&A's abnormal positive tone and assess whether or not the MD&A is materially misstated. Therefore, it can be expected that auditors who are prompted by management's perspective are not aligned with management and agree less with this management opportunistic behavior, stating low on the likelihood of the MD&A reflecting the current state of the company and high on the likelihood of the MD&A containing a positive tone while assessing the MD&A containing the abnormal positive tone. Based on the aforementioned information, I hypothesize the following:

H1a: In assessment decision, the auditors who are prompted by the management perspective are more likely to assess the likelihood of the abnormally positive tone MD&A in the manner that reflects the current state of the company at a lower state than those who are unprompted by the management's perspective.

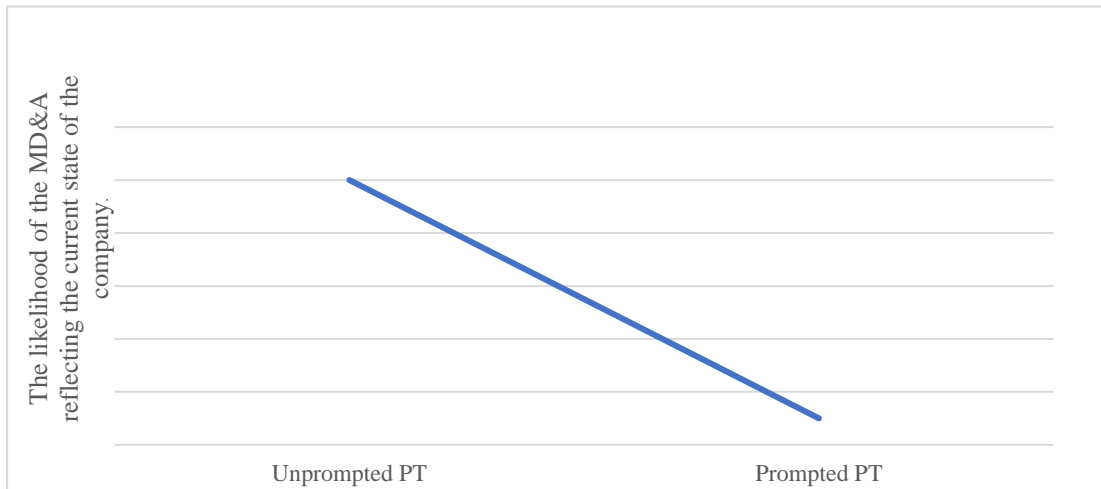


Figure 2.1 The prediction of the effect of perspective takings on the likelihood of the MD&A reflecting the current state of the company

H1b: In assessment decision, the auditors who are prompted by the management perspective are more likely to assess the likelihood of the abnormally positive tone MD&A in a manner that indicates a higher positive tone than those who are unprompted by the management's perspective.

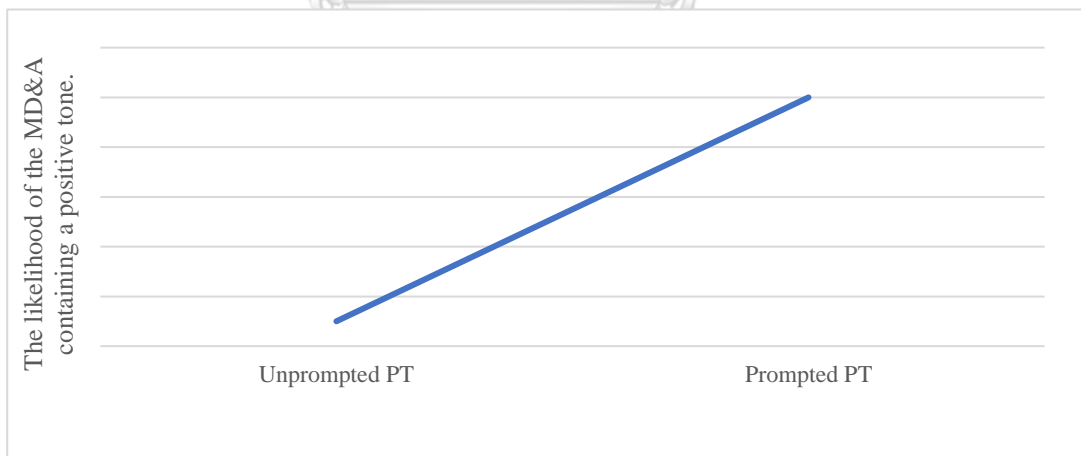


Figure 2.2 The prediction of the effect of perspective takings on the likelihood of the MD&A containing a positive tone

2.7.1.2 The relation of perspective-taking to the probability of a request for the management's MD&A alteration

According to H1a and H1b, auditors who are prompted by management's perspective are likely in line with management's incentive and this practice enables them to comprehend and evaluate the behavior of the management. Therefore, auditors are expected to benefit from management's perspective and be better able to access MD&A by assessing a low likelihood of the MD&A reflecting the current state of the company and a high likelihood of the MD&A containing a positive tone while assessing the MD&A containing an abnormal positive tone. Then, in response to this concern, they must ask management to alter the MD&A's material misstatement.

Although perspective taking can have positive effects on judgement, it does not improve the capacity to make sensible decisions on behalf of targets (Epley & Caruso, 2009). Perspective taking literature suggests that taking one's perspective would be successful whenever the target objectivity is not in conflict with an observer's pre-existing motivation (Sassenrath et al., 2016). Recent studies support the idea that auditors with pre-existing motivations often engage in motivated reasoning by arriving at management-preferred conclusions (Hackenbrack & Nelson, 1996; Kadous et al., 2003; Kunda, 1990; Wilks, 2002). As contributed by Bhaskar, Hopkins, and Schroeder (2019), they provide evidence that auditors' pre-existing motivation to reach management's preferred conclusion still holds true. They discover that when the management decides to release an income statement before the audit process is complete, this management's pressure influences auditors' judgement to accept the management's preference for aggressive accounting treatments.

Moreover, Altiero et al. (2022) also support the idea of auditors' pre-existing motivation when prompting auditors to take investors' perspective. They nevertheless document the opposite findings from Church et al. (2015) and Hamilton (2016) when the auditors are prompted by investors' perspective. Their findings demonstrate that auditors who are prompted by investors' perspective are less likely to view audit adjustments as material since these auditors already have motivations that tend to support a management-preferred outcome. This further allows us to comprehend the bias of the auditors' judgements when prompted by the investors'

perspective. The auditors could not completely step into the investors' shoes because they had already been motivated by the management's preferences. In conclusion, it is clear that such behavior significantly harms the audit profession by significantly inducing bias in the auditors' professional judgements and decision-making to be in line with management.

From the above, this study anticipates that when auditors perform correction decisions, management-prompted auditors will be more aligned with management-preferred conclusions, implying that they will decide not to request their client alter such bias in MD&A. Requiring management to alter MD&A, resulting in less favorable MD&A, will threaten management preference. Taking management's perspective could be more likely to backfire than be effective in a correction decision. In the context of correction decision, when auditors are prompted by management's perspective, this study posits that perspective taking as management will trigger auditors' pre-existing motivation to strengthen their propensity to management-preferred conclusion. Thus, this study hypothesizes that:

H2: In a correction decision, the auditors who are prompted by management perspective are less likely to request that management alter the material misstatement of the MD&A than those who are unprompted by management perspective.

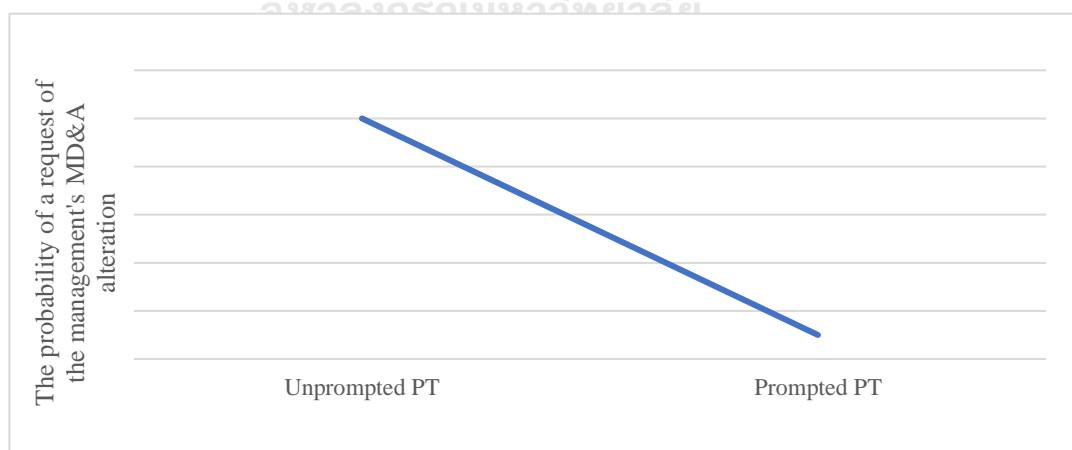


Figure 2.3 The prediction of the effect of perspective-takings on the probability of a request of the management's MD&A alteration

2.7.2 Auditors' Consideration of the Circumstances: Mediation Analysis

Even though prompting auditors to take management's perspective will improve their understanding of management's incentive, they do not request management alter the MD&A's unusually upbeat tone because management's perspective triggers auditors' pre-existing motivation to accept an abnormally positive tone MD&A. Accordingly, I predict that management's perspective makes auditors consider the circumstances under which they can support management's desires (Figure 1.1, Link 1). In turn, I anticipate that auditors' consideration of the circumstances that can support management's preference will influence their decision-making in a way that supports management's desired conclusion.

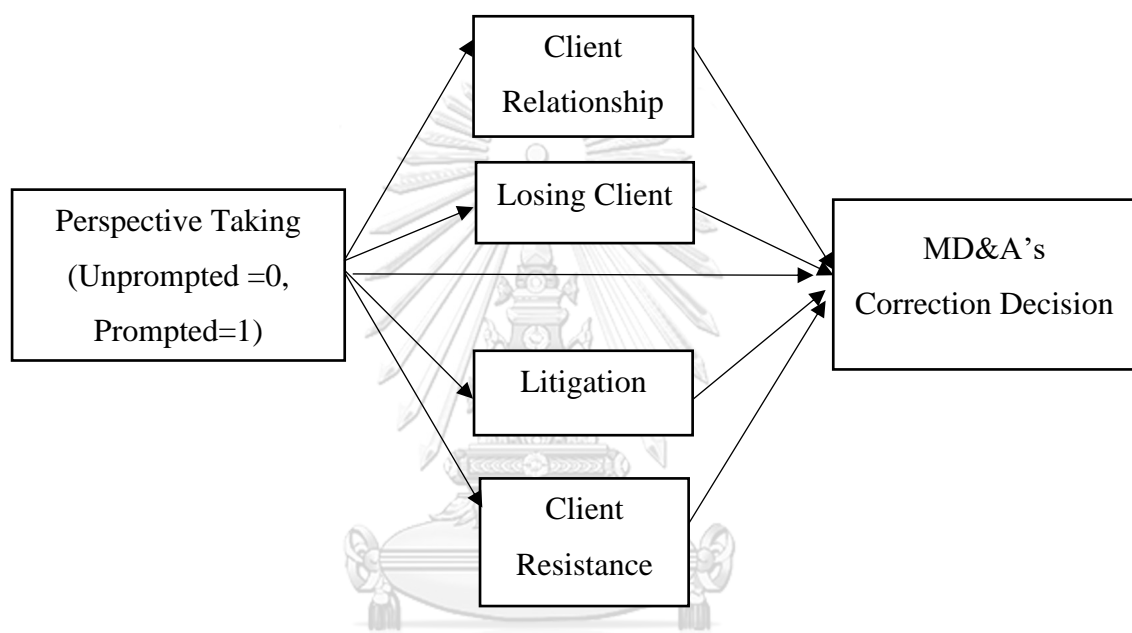
Previous literature supports the idea that auditors with pre-existing motivation frequently engage in motivated reasoning. They are more likely to support the management-preferred conclusion according to various circumstances in the audit environment that enable them to do so (Bhaskar et al., 2019). Prior research has indicated that auditors are more likely to support clients when there is a good working connection between them and the client (Koch & Salterio, 2017), when there is little risk associated with the engagement (Hackenbrack & Nelson, 1996), when the auditors perceive their clients as having a contentious style, (Fu, Tan, & Zhang, 2011) or when the auditors fear losing the client (Blay, 2005). This results in impaired auditors' decision-processing by supporting management's intended outcome. In this light, I predict auditors' consideration of the circumstances that can support management's preference will increase their propensity to accept the MD&A with an abnormally positive tone (Figure 1.1, Link 2). The above discussion leads to the following hypotheses:

H3a: The auditors' consideration of maintaining a positive relationship with their client mediates the relationship between perspective-taking and the correction decision to request the management alter the MD&A.

H3b: The auditors' consideration of losing their client in the future mediates the relationship between perspective-taking and the correction decision to request the management alter the MD&A.

H3c: The auditors' consideration of the future litigation risks mediates the relationship between their perspective-taking and the correction decision to request the management alter the MD&A.

H3d: The auditors' consideration of the client's resistance to editing mediates the relationship between perspective taking and the correction decision to request the management alter the MD&A.



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 Figure 2.4 Mediation Analysis

CHAPTER 3

RESEARCH METHOD

To conduct my empirical tests, I use the experimental method to investigate both auditors' judgement on assessing MD&A's abnormal positive tone and their decision-making on whether or not to request the clients to alter the MD&A on the condition that they are prompted or unprompted by management's perspective. This chapter shall now make discussion on the participants, research design and manipulation, materials, dependent variables, mediating variables, experimental procedure, and summary of hypotheses testing as follows.

3.1 Participants

To test my hypotheses, I conducted an experiment with 80 audit managers who currently work at one of the big four audit firms². Targeting these positions stems from the discovery that auditors in these ranks are likewise susceptible to motivated reasoning and have a purpose in mind to arrive at any management-preferred conclusions while adhering to reasonableness limits (Kadous et al., 2003; Koch & Salterio, 2017). Moreover, audit managers routinely analyze the effects of an audit adjustment on the financial statements and determine what information should be recommended to the partners for the purpose of the audit adjustment (Abdolmohammadi, 1999). Therefore, it can be stated that the audit managers are well-matched to this experiment.

² I sent a letter of authorization to one of the Big Four audit firms before the study's data collection and experimentation got started in order to obtain permission to do so. On April 19, 2023, I did the experiment and collected the data.

To ensure that participants understood the importance of MD&A and the consequences of reviewing MD&A that influence economic decisions, I tested participants' knowledge through post-experimental questions³ included in Appendix E after completing the main task. Participants were asked to indicate their assessments of the eight statements on an 11-point scale ranging from 0 (Strongly disagree) to 10 (Strongly agree). The participants who obtained average scores less than the midpoint (i.e., 5) would be excluded for further analysis. Nevertheless, I excluded 10 participants whose median responses fell below the median. The final sample was 70. Overall, the participants generally had sufficient knowledge for the required task and were appropriate to be used as participants in this study. The number of participants in the analysis is shown in Table 3.1.

Table 3.1 Number of participants used for analysis

Treatment condition	A	B	Total
Total	40	40	80
<u>Less:</u> Low knowledge	6	4	10
Final sample	34	36	70

Abbreviation of treatment condition:

A = Prompted by management's perspective

B = Unprompted by management's perspective

The participants have a mean audit work experience of 8.89 years. Fifty-six percent of participants report their experience proposing the audit adjustments during the year prior to their participation. Table 3.2 shows demographic information about participants.

³ Knowledge test was developed from ISA 720 (Revised), The Auditor's Responsibilities Relating to Other Information, and reviewed by two audit partners and two audit managers from two of the big four audit firms to ensure it appropriate to use for checking participants' knowledge.

Table 3.2 Demographic Information

(n = 70)

	Number	Percentage
Sex		
Female	51	73%
Male	19	27%
Age		
30 and below	30	43%
31-40	39	56%
More than 40	1	1%
Education		
Bachelor's Degree	61	87%
Master's Degree	9	13%

3.2 Research Design and Manipulation

3.2.1 Research Design

This study employs an experimental method because it is beneficial in addressing the research questions for a number of reasons. Firstly, it allows me to directly manipulate the variable of interest and establish causality. I also can control for the other factors that are hard to observe and control compared with the archival approach. I held constant background information, an annual financial statement with selected financial information, and MD&A with an abnormal positive tone. Secondly, the experimental method allows for direct measures of the auditors' judgement and decision-making regarding dependent variables: namely, (1) the likelihood of the MD&A reflecting the current state of the company (2) the likelihood of the MD&A containing a positive tone, and (3) the probability of a request of the management's MD&A alteration.

I employed a 1 x 2 between-subjects design in the two experimental conditions to test the hypotheses. I manipulated the perspective taking into either prompted or unprompted management's perspective condition as an independent variable. To

conduct an experiment, participants were randomly assigned to each condition (prompted and unprompted). For both treatments, participants were told to assume the role of audit managers of a hypothetical audit firm who were responsible for reviewing the MD&A.

3.2.2 Independent Variable Manipulation - Perspective Taking

According to the literature in the field of psychology, there are several ways to manipulate perspective taking, such as giving instruction in order to imagine the target's perspective (M. H. Davis et al., 1996), reading or listening to the target's story (Batson, Early, & Salvarani, 1997; Finlay & Stephan, 2000; Galinsky, Maddux, Gilin, & White, 2008), or viewing a documentary from another person's perspective (Dovidio et al., 2004). Some studies manipulate with a cognitively stronger task by asking the participants to engage with the tasks by writing an essay from another individual's perspective (Galinsky & Moskowitz, 2000; Mazzocco, Rucker, Galinsky, & Anderson, 2012). With reference to the various methods above, the most appropriate perspective taking manipulation to be used in this study is cognitively effortful intuition because it aids auditors in stepping outside of their ingrained routines or habits (Hamilton, 2016; Trotman et al., 2005). Therefore, a role-play prompt would be chosen to manipulate the management's perspective in this study (Altiero et al., 2022).

In this study, perspective-taking is manipulated with prompted and unprompted views of management's perspective (*Appendix B*). Firstly, the role-play prompt would instruct participants in the prompted condition to "step yourselves into the shoes of management who is preparing MD&A". Secondly, they then completed the task using cognition which is commonly used by management. They were required to answer the question about what factors would affect their decision when preparing to disclose the MD&A.

The manipulation of giving participants the opportunity to engage in the task above is a powerful technique to persuade the participants to cognitively ponder and perceive management's incentives in opting to manipulate the MD&A in a more advantageous way. However, it should be highlighted that this manipulation will be excused if the management's perspective is given unprompted.

3.3 Material

The case material⁴ is organized into two parts. The first part contained management's perspective manipulation. Management's perspective would be prompted by completing management-minded tasks to facilitate the role-play manipulation.

The second part, held constant for all conditions, is presented with the same information about the hypothetical company's background, with the economic performance and the MD&A report, which exhibits an abnormal positive tone. The company is presumed to be a listed company in the technology industry. The company's business had steadily grown over the past ten years and its stock was also traded on The Stock Exchange of Thailand (SET). Nevertheless, the company is facing fierce competition and technology change from other players in the industry. Moreover, participants are given the audit summary memorandum, provided by the audit team. The provided information would present the problem of the company's cash flow liquidity positions and many obsolete inventories on hand; meanwhile, the participants are instructed to assume the role of audit manager.

3.4 Dependent Variables

To reiterate, the purpose of this study is to investigate both the auditors' assessment decision on the MD&A's abnormal positive tone and their correction decisions on whether or not to request the clients alter the MD&A on the condition that they are prompted or unprompted by management's perspective. The three dependent variables are:

1. The likelihood of the MD&A reflecting the current state of the company (Y1)
2. The likelihood of the MD&A containing a positive tone (Y2) and,
3. The probability of a request of the management's MD&A alteration (Y3)

⁴ I started by interviewing two audit partners and two audit managers from two of the big four audit firms to develop my case materials. The case also was reviewed by two audit partners and two audit managers in order to make sure the experimental case was realistic.

With reference to the case, it has to be remarked that after participants have read through the second part, they are asked to rate the likelihood and probability for the following variables:

3.4.1 The Likelihood of the MD&A Reflecting the Current State of the Company

The likelihood of the MD&A reflecting the company's current state is intended to assess an auditor's assessment decision of the MD&A's ability to reflect the company's current state. All the participants on all the test conditions are asked to indicate the likelihood of the MD&A reflecting the current state of the company for the year ending in 20X2 on an 11-point Likert scale, rating from 0 to 10. Notably, 0 is interpreted as not at all reflecting the current state of the company, whereas 10 is interpreted as reflecting the current state of the company as very much.

3.4.2 The Likelihood of the MD&A Containing a Positive Tone

The likelihood of a positive tone in MD&A is designed to measure the auditors' assessment decision on whether it contains an abnormal tone. All the participants on all the test conditions are asked to indicate the likelihood of a positive or negative tone in MD&A for the year ending in 20X2 on an 11-point Likert scale, rating from -5 to +5. Notably, -5 is interpreted as extremely negative tone, whereas +5 is interpreted as extremely positive tone.

3.4.3 The Probability of a Request of the Management's MD&A Alteration

The probability of a request of the management's MD&A alteration is designed to reflect an auditor's decisions and actions on whether or not they respond to request the clients to alter a detected material misstatement MD&A. The participants are asked whether they decide to respond to the clients' MD&A with either a "request to alter decision" or a "refusal to alter decision". Additionally, the participants are asked to indicate the probability that they feel about consideration of requesting/not requesting the management to alter the MD&A in the range of 50% to 100%. I would inform participants that their probability decision could not be lower

than 50% since a probability of a request (a refusal) with a lower than 50% likelihood would indicate that auditors believed MD&A was likely to receive a refusal (a request). This scale is intended to assess participants' ability to successfully cross the threshold in their decision-making regarding whether or not the MD&A should be requested to be altered. Participants gave their probability estimate for the decision to request that the clients alter (or not alter) the MD&A.

3.5 Mediating Variables

Auditors with directional preferences frequently engage in motivated reasoning to arrive at a certain conclusion by adopting the management's desired conclusion (Kunda, 1990). This self-behavior can be justified according to various circumstances in the audit environment that enable them to do so (Bhaskar et al., 2019; Blay, 2005; Hackenbrack & Nelson, 1996; Koch & Salterio, 2017). The questions are presented in (*Appendix D*). As mediating variables, I employ a variety of circumstances, such as the auditors' consideration of the maintaining a positive relationship their client, the losing their client in the future, the future litigation risks, and the client resistance to edit. Responses were collected using 10-point Likert scales, rating from 0 to 10. Notably, 0 is interpreted as not at all worried, whereas 10 is interpreted as extremely worried.

3.6 Experimental Procedures

Participants were informed about the study's objectives and the required tasks before an experiment began⁵. To guarantee that this experiment is carried out voluntarily, they would sign the consent form (*Appendix A*) to indicate their voluntary participation.

The participants were then randomly assigned to each treatment condition. They received three envelopes (*Appendix B and C* providing details of all case materials) and were instructed to open each envelopes in a sequential manner. The first

⁵ The Research Ethics Review Committee for Research Involving Human Subjects at Chulalongkorn University rigorously scrutinized this study before it was carried out. The information was kept private, and the participants were safeguarded from harm. The risk of taking part in this study was minimal.

envelope provided the case materials and the questions of the dependent variable. After reading the case materials, participants answered three dependent variable questions. Then, participants responded to the open-ended questions, which provided additional depth of understanding for the results and validated my experimental design. If participants responded yes by requesting management to alter the NEWO's MD&A, they further answered which paragraphs they considered to be the top three to request management alter. Next, participants responded to the following questions by indicating how strongly they feel about requesting the alteration of this paragraph, what aspect of this paragraph they are concerned about, what clarifications they would like management to make for this paragraph, and what edits they would propose making. Once they finished the tasks in the first envelope, they placed all the case materials back into the first envelope and continued to open the next envelope.

Proceeding to the second envelope, they would see the two sets of questions: manipulation checks and debriefing sets of questions (*Appendix D*). The manipulation checks are made to ensure success in my manipulation, and the debriefing questions are made to assess participants' concerns when making a correction decision. After having completed all the questions, they are asked to insert all the materials back into the second envelope before continuing to open the last one.

The third envelope contains demographic questions and a post-experimental question for a knowledge test (*Appendix E*). After the participants finish answering all the questions in all the envelopes, they are asked to return them to the researcher. The required task took 30–40 minutes and the participants received a Starbucks card valued 200 Baht (1 USD = THB 34.50) for their participation.

Envelope 1	
Information provided:	1. Instructions 2. Manipulations 3. Background information 4. Dependent variable response sheet
Envelope 2	
Information provided:	1. Manipulation check questions 2. Debriefing questions
Envelope 3	
Information provided:	1. Demographic questions 2. Post-experimental questions

Figure 3.1 Sequence of Experimental Procedures

3.7 Summary of Hypotheses Testing

3.7.1 Main Effect: Perspective Taking

The likelihood of the MD&A reflecting the current state of the company

H1a: In assessment decision, the auditors who are prompted by the management perspective are more likely to assess the likelihood of the abnormally positive tone MD&A in the manner that reflects the current state of the company at a lower state than those who are unprompted by the management perspective.

The likelihood of the MD&A containing a positive tone

H1b: In assessment decision, the auditors who are prompted by the management perspective are more likely to assess the likelihood of the abnormally positive tone MD&A in a manner that indicates a higher positive tone than those who are unprompted by the management perspective.

The probability of a request of the management's MD&A alteration

H2: In a correction decision, the auditors who are prompted by management perspective are less likely to request that management alter the material misstatement of the MD&A than those who are unprompted by management perspective.

3.7.2 Mediation Analysis

The probability of a request of the management's MD&A alteration

H3a: The auditors' consideration of maintaining a positive relationship with their client mediates the relationship between perspective-taking and the correction decision to request the management alter the MD&A.

H3b: The auditors' consideration of losing their client in the future mediates the relationship between perspective-taking and the correction decision to request the management alter the MD&A.

H3c: The auditors' consideration of the future litigation risks mediates the relationship between their perspective-taking and the correction decision to request the management alter the MD&A.

H3d: The auditors' consideration of the client's resistance to editing mediates the relationship between perspective taking and the correction decision to request the management alter the MD&A.

CHAPTER 4

RESULTS

4.1 Manipulation Checks

To examine the manipulation check in the management-prompted condition. I analyzed the collected data from manipulation check questions. First, the participants were asked to put themselves in the shoes of management who is preparing an MD&A and list five factors that would affect their decision when preparing an MD&A. Participants responded to this question, listing 3.4 factors on average. The most common factors related to the operation's outcome (27.08%), inducing a favorable market to attract investors (25%), and data accuracy (20.83%). Second, participants were asked to rate how likely it was that they attempted to place themselves in the position of management who is preparing the MD&A when they were assessing the case materials. They were instructed to answer an 11-point Likert scale (0-10), where 0 indicated not at all and 10 indicated very much. The mean difference between management-prompted and unprompted perspective-taking conditions is 6.62 and 5.56, respectively. The results showed that the mean difference between the two groups is statistically significant at the conventional level ($F_{1,68} = 5.81$; $p = 0.0187$). These results reveal that the manipulation was successful between the two groups. The participants in the management-prompted condition are more actively stepping into the shoes of management while assessing the case materials.

4.2 Test of Hypotheses

4.2.1 The likelihood of the MD&A reflecting the current state of the company and the likelihood of the MD&A containing a positive tone

The findings of the auditors' assessment of the likelihood that the MD&A accurately reflects the company's current situation are displayed in Table 4.1. Panel A presents descriptive statistics by experimental condition, and Panel B shows the results of 1 x 2 analysis of variance (ANOVA), with perspective taking conditions as between-subjects design on the likelihood of the MD&A reflecting the current state of the company. Figure 4.1 displays a graphic representation of the findings for the participants' likelihood that the MD&A accurately reflects the current state of the company.

Hypothesis 1a predicted that the auditors who are prompted by management's perspective are more likely to assess the likelihood of the MD&A in a manner that reflects the current state of the company at a lower level than those who are unprompted by management's perspective. The results in Panel A of Table 4.1 shows that the mean likelihood of the MD&A reflecting the current state of the company for auditors who were prompted by management's perspective is higher than that for those who were not prompted by management's perspective (mean = 5.91 and 4.86, respectively). Panel B of Table 3 indicates the result of a one-way ANOVA that the simple main effect of management perspective is statistically significant ($F_{1,68} = 5.58$; $p = 0.0210$). The findings show that auditors who are prompted by management's perspective frequently rate the MD&A as accurately reflecting the company's current situation. Despite the simple main effect being statistically significant, the results do not support H1a. Figure 4.1 shows the pattern of the results.

Table 4.1 The likelihood of the MD&A reflecting the current state of the company.

(Dependent Variable = the likelihood of the MD&A reflecting the current state of the company.^a)

Panel A: Descriptive Statistics – Mean (Standard Deviation) <i>N</i> = Sample Size					
Judgement	Perspective Taking				
	Prompted	Unprompted	Total		
The likelihood of the MD&A reflecting the current state of the company	5.91 (1.98) <i>N</i> = 34	4.86 (1.74) <i>N</i> = 36	5.37 (1.92) <i>N</i> = 70		
Panel B: One-way ANOVA					
Sources	Sum of squares	Df	Mean Square	<i>F</i> -statistics	<i>p</i> -value
Perspective Taking	19.30	1	19.30	5.58	0.0210**
Error	235.04	68	3.46		

^a The participants were asked to specify the likelihood of the MD&A reflecting the current state of the company using an 11-point (0-10) Likert scale, where 0 and 10 respectively denote not at all and very much.

***, **, and * respectively denote the 1%, 5% and 10% significance levels.

According to hypothesis 1b, auditors are more likely to evaluate the likelihood of the MD&A in a way that suggests a high positive tone in the MD&A when they are prompted by the management's perspective than when they are not. As shown in Table 4.2, Panel A indicates the mean responses of the likelihood of containing positive tone in MD&A in the presence of management prompted condition (1.24) and management unprompted condition (2.11). In Panel B, the one-way results show that simple main effect of perspective taking on the likelihood of the MD&A containing a positive tone is significant ($F_{1,68} = 4.43$, $p = 0.0389$). These findings indicate that the likelihood of the MD&A containing a positive tone is lower when it is assessed by auditors who are prompted by management's perspective, which are inconsistent with the argument for H1b. Figure 8 shows the pattern of the results.

Table 4.2 The likelihood of the MD&A containing a positive tone.

(Dependent Variable = the likelihood of a positive or negative tone in MD&A.^a)

Panel A: Descriptive Statistics – Mean (Standard Deviation) <i>N</i> = Sample Size					
Judgement	Perspective Taking				
	Prompted	Unprompted	Total		
The likelihood of the MD&A containing a positive tone	1.24 (1.89) <i>N</i> = 34	2.11 (1.58) <i>N</i> = 36	1.69 (1.78) <i>N</i> = 70		
Panel B: One-way ANOVA					
Sources	Sum of squares	Df	Mean Square	<i>F</i> -statistics	<i>p</i> -value
Perspective Taking	13.41	1	13.41	4.43	0.0389**
Error	205.67	68	3.02		

^a The participants were asked to specify the likelihood of a positive or negative tone in MD&A using an 11-point (-5 - +5) Likert scale, where -5 and +5 respectively denote extremely negative tone and extremely positive tone.

***, **, and * respectively denote the 1%, 5% and 10% significance levels.

According to earlier audit research (Church et al., 2015; Hamilton, 2016), prompting auditors to take management's perspective enables them to understand the intentions of management. In doing so, they are better able to access a manager's earnings report and determine whether the misstatement was made on purpose. The findings of H1a and H1b go counter to earlier research that suggested management-prompted auditors would have better access to MD&A than management-unprompted auditors. In sum, the findings demonstrate that auditors who are prompted by management's perspective are more likely to indicate that MD&A reflect the current stage of the company and have a less positive tone when assessing MD&A than auditors who are not prompted by management's perspective.

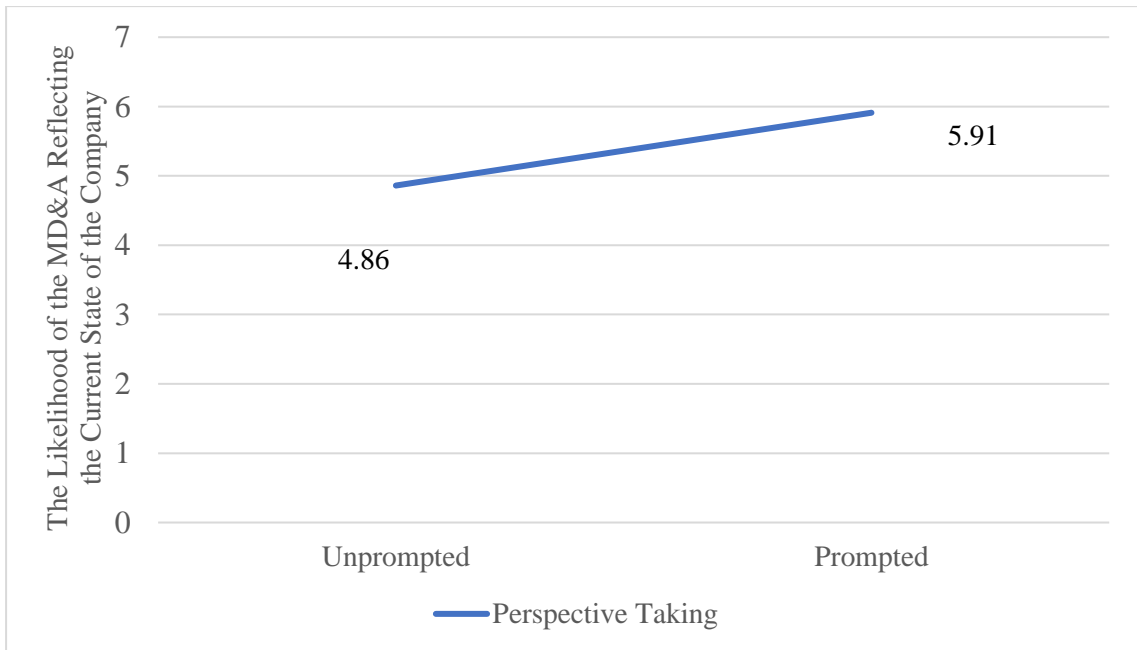


Figure 4.1 The Likelihood of the MD&A Reflecting the Current State of the Company

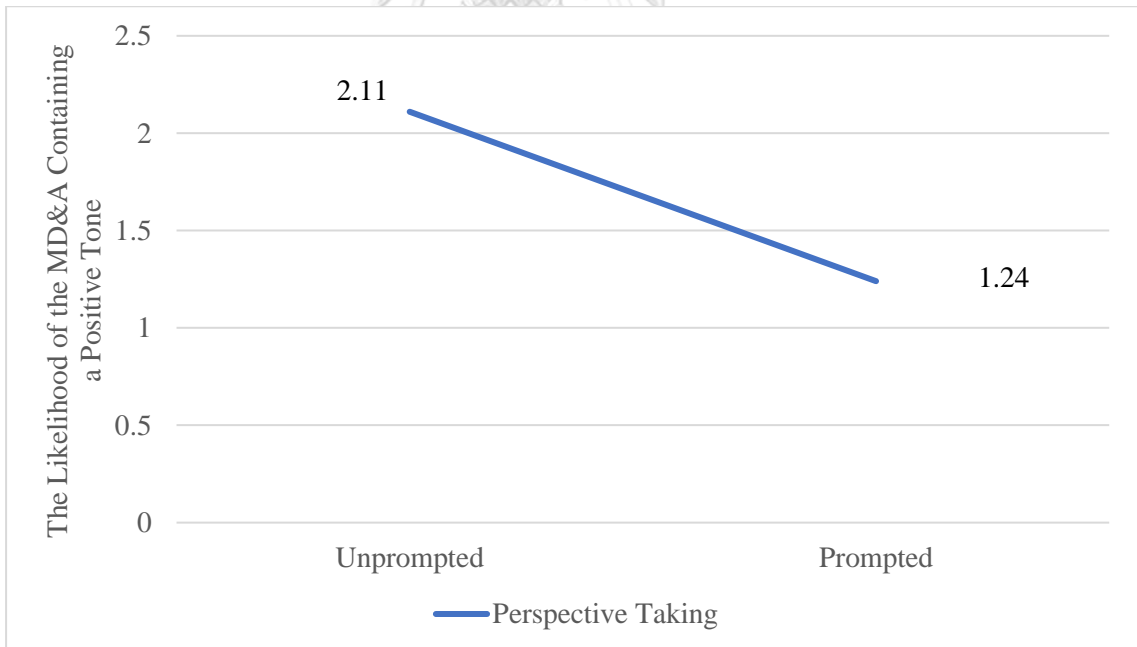


Figure 4.2 The Likelihood of the MD&A Containing a Positive Tone

4.2.2 The Probability of a Request of the Management's MD&A Alteration

Hypothesis 2 expects that the probability of a request of the management's MD&A alteration of management-prompted auditors is less than that of management-unprompted auditors in correction decisions. Panel A of Table 4.3 reveals that the mean probability of requesting the management alter MD&A responses in management prompted conditions is lower than that of management unprompted conditions (mean = 0.55 and 0.74, respectively). The results of one-way ANOVA in Panel B show the main effect of perspective taking is statistically significant ($F_{1,68} = 20.51$; $p = 0.00$). Hence, the findings are consistent with H2 in that the auditors who are prompted by management perspective are less likely to request that management alter the material misstatement of the MD&A compared to those who are unprompted by management perspective. Figure 4.3 shows the pattern of the results.

Panel A of Table 4.3 demonstrates that the variances are unequal between prompted and unprompted conditions. To strengthen the findings of the results, a t-test with unequal variances was employed. Panel C of Table 4.3 reveals that the results still hold with a t-test, statistically significant ($p = 0.00$).

Table 4.3 The Probability of a Request of the Management's MD&A Alteration.

(Dependent Variable the probability of requesting the management to alter MD&A.^a)

Panel A: Descriptive Statistics – Mean (Standard Deviation) <i>N</i> = Sample Size					
judgement	Perspective Taking				
	Prompted	Unprompted	Total		
The probability of a request of the management's MD&A alteration	0.55 (0.23) <i>N</i> = 34	0.74 (0.096) <i>N</i> = 36	0.65 (0.19) <i>N</i> = 70		
Panel B: One-way ANOVA					
Sources	Sum of squares	Df	Mean Square	<i>F</i> -statistics	<i>p</i> -value
Perspective Taking	0.61	1	0.61	20.51	0.00***
Error	2.00	68	0.03		
Panel C: t-tests with unequal variance					
Sources				<i>t</i> -statistics	<i>p</i> -value ^b
Perspective Taking				4.41	0.00***

^a The participants were asked to specify the probability of requesting the management to alter MD&A using a 0%-100%, where 0% and 100% respectively denote 0% not at all and 100% requesting the management to alter MD&A.

^b One-tailed equivalent.

***, **, and * respectively denote the 1%, 5% and 10% significance levels.

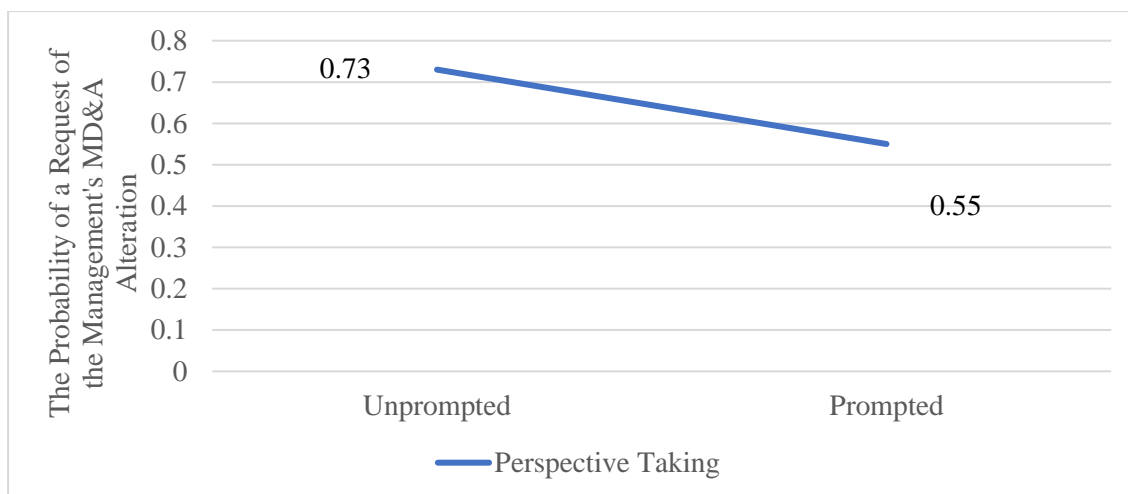


Figure 4.3 The probability of a request of the management's MD&A alteration

4.3 Mediation Analysis

Auditors with pre-existing motivation tend to support management's preferred conclusion if they have a chance, according to the associated circumstances that allow them to do so (Hackenbrack & Nelson, 1996; Kadous et al., 2003; Wilks, 2002). With respect to the audit environment, this study further asked the participants four questions to indicate the degree of circumstance consideration associated with their decision to request or not request that the management alter the MD&A by using an 11-point Likert scale ranging from 0 (not at all worried) to 10 (extremely worried). The questions are presented in *Appendix D*.

I used a two-step process to carry out a mediation analysis. In the initial stage, I investigated the mediating role of each audit environment circumstances as a dependent variable connected to the perspective taking as an independent variable. If the mediator relates to the independent variable, it should be next conducted a mediation analysis using structural equation modeling (SEM) to determine whether it explains the relationship between perspective taking and the auditors' correction decision.

In order to establish the first stage, I began an ANOVA test with perspective-taking as the independent variable and the auditors' consideration of the circumstances as the dependent variable: maintaining a positive relationship with the

client, losing the client in the future, potential litigation risks, and client resistance to editing. Table 4.4 provides a summary of the result of the ANOVA on each mediator variables.

The mediation effect of maintaining a positive relationship with the client is expected to be greater with auditors who are prompted by a management perspective. Descriptive statistics for maintaining a positive relationship with the client are provided in Table 4.4, Panel A. The pattern of the means is consistent with my expectations. The likelihood of maintaining a positive relationship with the client is, on average, 6.50 when management-prompted conditions are present and 5.25 when management-unprompted conditions are present. The results of one-way ANOVA Table 6, Panel B show the main effect of perspective taking is statistically significant ($F_{1,68}=5.68$; $p = 0.02$). These results provide evidence that perspective-taking increases auditors' consideration of maintaining a positive relationship with the client.

Table 4.4, Panel A indicates the mean responses to the likelihood of losing the client in the future, potential litigation risks, and client resistance to editing in the presence of a management-prompted condition (5.71, 6.00, and 5.41, respectively) and a management-unprompted condition (5.25, 6.17, and 5.47, respectively). Table 6, Panels C, D, and E, the one-way results show that the simple main effect of perspective taking on the likelihood of losing the client in the future, potential litigation risks, and client resistance to editing in the presence of a management-prompted condition ($p = 0.418, 0.816, \text{ and } 0.9178$, respectively) are not statistically significant. These findings indicate that auditors' consideration of the circumstances of losing the client in the future, potential litigation risks, and client resistance to editing is the same between auditors with management-prompted and unprompted conditions.

In addition, I conduct the component analysis to test whether these four mediator variables could be combined into one mediator. Unfortunately, I discovered that the four mediator variables have low reliability, with their Cronbach's alpha of 0.618, which is below the standard norm. As a result, four mediator variables cannot be combined to form a single component. Therefore, I use only maintaining a positive relationship with the client as a mediator.

Next, I test a mediation model, which is depicted in Table 4.5 and Figure 10. The model contains perspective taking as the independent variables, maintaining a positive relationship with the client as a mediator, and the probability of a request of the management's MD&A alteration as the dependent variable. I conducted a mediation analysis using structural equation modeling (SEM) to determine whether maintaining a positive relationship explains the relationship between perspective taking and the probability of auditors' correction decision. The first link shows a significant effect on maintaining a positive relationship with clients when perspective taking is present; auditors mention more about maintaining a positive relationship compared to when perspective taking is absent ($p = 0.017$). The second link established that maintaining a positive relationship is negatively associated with the probability of a request for the management's MD&A alteration ($p = 0.002$), suggesting that the probability of a request for the management's MD&A alteration is less when auditors maintain a positive relationship with clients. Last (link 3), with the potential mediators included in the model, the path coefficient from perspective taking to the probability of a request for the management's MD&A alteration is still significant ($p = 0.00$). These results indicate that the effect of perspective taking on the probability of a request for the management's MD&A is partially explained by their consideration on maintaining a positive relationship with the client.

Table 4.4 The likelihood of auditors' consideration of the circumstances

(Dependent Variable the likelihood of auditors' consideration of the circumstances.^a)

Panel A: Descriptive Statistics – Mean (Standard Deviation) N = Sample Size

Judgement	Perspective Taking		
	Prompted	Unprompted	Total
The likelihood of maintaining a positive relationship with my client	6.50 (2.39) $N = 34$	5.25 (1.99) $N = 36$	5.86 (2.27) $N = 70$
The likelihood of losing my client in the future	5.71 (2.25) $N = 34$	5.25 (2.42) $N = 36$	5.47 (2.33) $N = 70$

Judgement	Perspective Taking		
	Prompted	Unprompted	Total
The likelihood of future litigation risks	6.00 (3.18) N = 34	6.17 (2.78) N = 36	6.09 (2.96) N = 70
The likelihood of client resistance to edit	5.41 (2.56) N = 34	5.47 (2.31) N = 36	5.44 (2.42) N = 70

Panel B: One-way ANOVA on the likelihood of maintaining a positive relationship with my client

Sources	Sum of squares	Df	Mean Square	F-statistics	p-value
Perspective Taking	27.32	1	27.32	5.68	0.020**
Error	327.25	68	4.81		

Panel C: One-way ANOVA on the likelihood of losing my client in the future

Sources	Sum of squares	Df	Mean Square	F-statistics	p-value
Perspective Taking	3.63	1	3.63	0.66	0.418
Error	371.81	68	5.47		

Panel D: One-way ANOVA on the likelihood of future litigation risks

Sources	Sum of squares	Df	Mean Square	F-statistics	p-value
Perspective Taking	0.49	1	0.49	0.05	0.816
Error	605	68	8.90		

Panel E: One-way ANOVA on the likelihood of client resistance to edit

Sources	Sum of squares	Df	Mean Square	F-statistics	p-value
Perspective Taking	0.06	1	0.06	0.01	0.918
Error	403	68	5.93		

^a The participants were asked to specify likelihood of auditors' consideration of the circumstances using an 11-point (0-10) Likert scale, where 0 and 10 respectively denote not at all worried and extremely worried.

***, **, and * respectively denote the 1%, 5% and 10% significance levels.

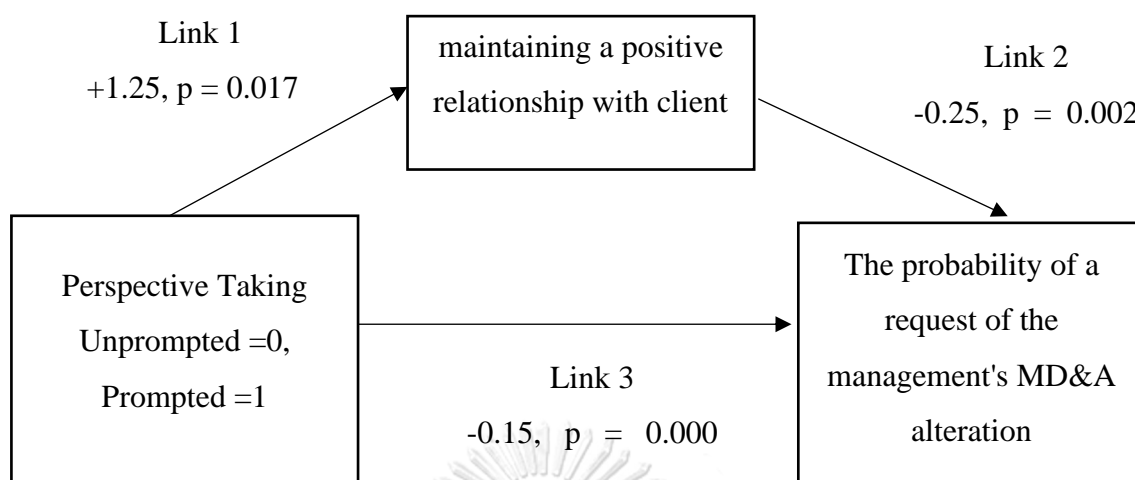


Figure 4.4 Mediation Analysis presents results of a structural equation analysis that tests potential mediator of the effect of perspective taking on probability of auditors' correction decision

Table 4.5 Structural equation model

Panel A: Maintaining a positive relationship with client			
	Coefficient	Z-statistics	p-value
Perspective Taking	1.25		0.017**
Intercept	2.39	5.30	0.000
		15.93	
Panel B: The probability of a request of the management's MD&A alteration			
	Coefficient	Z-statistics	p-value
Maintaining a positive relationship with client	-0.25	-3.05	0.002**
Perspective Taking	-0.15	-3.97	0.000***
Intercept	0.87	19.30	0.000

***, **, and * respectively denote the 1%, 5% and 10% significance levels.

CHAPTER 5

DISCUSSION

5.1 Conclusion and Discussion

The purpose of this study is to investigate whether and how perspective taking affects auditors' judgement when reviewing MD&A. Perspective taking is manipulated into management-prompted and unprompted conditions. The participants were audit managers from one of the Big 4 audit firms, assuming the role of audit managers. They were given the task of reviewing the MD&A. The main instrument was a set of case materials and questionnaires designed to investigate: (1) the assessment decision on the likelihood of the MD&A reflecting the current state of the company and the likelihood of the MD&A containing a positive tone and (2) the correction decision on the probability of a request of the management's MD&A alteration.

The results are not consistent with the assessment decision hypothesis; however, the correction decision hypothesis is consistent. The findings reveal that auditors who are prompted with a management's perspective are more likely to indicate that MD&A reflect the current stage of the company and have a less positive tone in an assessment decision than auditors who are not prompted by management's perspective. It could be explained in two ways. First, auditors have a greater pre-existing motivation to support management's desired conclusion than in the past (Bhaskar et al., 2019). Prompting management's perspective activates auditors' pre-existing motivation and triggers motivated reasoning in auditors to intensify their propensity to rationalize management-preferred conclusions by not identifying positive tone in MD&A. Second, Bias in auditors' decisions is divided into ex-ante and ex-post. Auditors' assessment decision shows ex-ante bias from the auditors' judgement and auditors' correction decision shows ex-post bias when auditors make their decisions relating to audit tasks. It can be summarized that prompting auditors

with management's perspective can be detrimental. They are more inclined to concur with management when they are prompted by management's perspective.

Furthermore, compared to auditors who are not prompted by management's perspective, auditors with management's perspective are more likely to not request the management alter the MD&A. Although management's perspective aids auditors in comprehending management demands, it does not improve the capacity to make sensible decisions. In a correction decision, requiring management to alter MD&A, resulting in less favorable MD&A, will threaten management's preference. Auditors who are prompted by management's perspective will tend to agree more with management-preferred conclusions. Therefore, it may be more likely to backfire than to be effective to adopt management's perspective.

This study also investigates the mediator role of perspective taking on the probability of a request of the management's MD&A alteration. The results suggest that maintaining a positive relationship with the client partially mediates the effect of perspective taking on the auditors' correction decision. According to the mediating effect, auditors are less likely to request that the client alter the MD&A's abnormal positive tone when they are prompted by management because they are more concerned about upholding their relationship with the client.

Additionally, the responses to the open-ended questions allowed me to obtain rich data by adding additional depth to my results. Participants were asked (yes or no) whether they considered requesting the management alter NEWO's MD&A. In the unprompted management's perspective condition, 36 out of 36 participants (100%) totally agreed that management should alter NEWO's MD&A. However, 25 out of the 34 respondents (73.5%) considered that management should alter NEWO's MD&A when they were prompted by management's perspective. This discovery helped to clarify the fact that auditors are more likely to reach the management's preferred conclusion when they are prompted to adopt the management's perspective than when they are not.

If Participants answered yes (requesting that management alter NEWO's MD&A), they were also asked to rank the top three paragraphs that they believed management should alter. The top three paragraphs that need to be changed, according to participants who are prompted and unprompted by management's

perspective, are 5, 4, 7, and 4, 7, 5, respectively. According to the results, participants in both groups (those who were prompted and those who were not) ranked the top three paragraphs that needed to be changed differently, but they all agreed that paragraphs 4, 5, and 7 needed to be changed.

Then, participants were questioned about which element of the paragraph most worried them. In response to paragraph 4, participants voiced concern over the company's strategy for greater research and development. That was mentioned in the audit summary memo. It claims that the business has no plans to increase its investment in R&D. Participants expressed concern in paragraph 5 over the marketing strategy that will be used to break into the market for toys. They explained why the marketing strategy will focus on the toy sector given that the company uses its inventory for standalone computers rather than toys. In paragraph 7, participants expressed their anxiety in response to the anticipation that the gross margin would be between 44% and 45% during the first quarter of the next year. They suggested that they should question the management over the gross margin projection. They believed that this range was too high and that the company could not hit this projection.

Surprisingly, the answers to open-ended questions provide a better justification for my study's conclusions. This will enable me to confirm that, rather than a lack of auditor knowledge, adopting management's preferred conclusion is the result of auditors' judgement bias when prompting with management's perspective. In other words, it might be said that adopting management's preferred conclusion is an unintended result of cognitive limitations that come from prompting auditors to take management's perspective.

5.2 Implication

This study has implications for academics, practitioners, regulators, and standard setters in several ways. Specifically, this study addresses issues concerning MD&A quality and the auditors' judgement when reviewing MD&A. This study finds more evidence by showing that prompting auditors to take management's perspective affects auditors' assessment and correction decisions.

First of all, this study adds a stream of perspective taking literature in psychology. Even though Galinsky and Mussweiler (2001) and Epley and Dunning (2006) indicate the assumption that adopting a different perspective improves judgement and decision-making, this study shows that perspective taking cannot have desirable effects on auditors' judgement. Prompting auditors to take management's perspective does not improve auditors' ability to make accurate decisions when perspective taking takes place in situations that emphasize achieving their pre-existing motivation. Perspective-taking can actually backfire. Auditors who are prompted by the management's perspective are becoming more likely to favor reaching a conclusion in accordance with the management's preferences.

Second, this study extends theoretical insights to the accounting literature and adds to prior accounting research by documenting the potential bias of prompting auditors to take management's perspective. Church et al. (2015) and Hamilton (2016) provide evidence that prompting auditors to take management's perspective improves their ability to precisely assess a manager's report and whether the misstatement is intentional. These findings are inconsistent with earlier studies. When auditors are prompted to adopt management's viewpoint, they are more inclined to justify their decisions to reach a management-preferred conclusion in both assessment and correction decisions. Management's perspective aids auditors in comprehending management's preference, which triggers their pre-existing motivation to intensify their propensity to rationalize management-preferred conclusions. Requiring management to alter MD&A, resulting in less favorable MD&A, will threaten management's preference. Thus, the findings provide evidence that bias in auditors' decisions is divided into ex-ante and ex-post. Auditors' assessment decisions show ex-ante bias from the auditors' judgement, and auditors' correction decisions show ex-post bias when auditors make their decisions relating to audit tasks. In sum, this study adds to prior accounting research by documenting the evidence on the drawbacks of prompting auditors to take management's perspective.

Third, this study also extends prior work on motivated reasoning in the audit context to investigate auditors' judgement processes by examining whether management's perspective stimulates auditors to consider the circumstances that allow them to adopt the client's preferred conclusion. According to previous auditing

research, auditors are more likely to support client-preferred aggressive accounting treatment according to various circumstances in the audit environment that enable them to do so (Bhaskar et al., 2019). The results provide evidence that management's perspective stimulates the auditors' consideration of maintaining a positive relationship with their client, which enables auditors to engage in unethical actions by readily accepting MD&A that contains an abnormally positive tone. In sum, the auditors' consideration of maintaining a positive relationship with their client partially mediates the effect of management's perspective on the auditors' correction decision.

Fourth, this study has important implications for practitioners. Church et al. (2015) and Hamilton (2016) encourage audit firms to facilitate the benefit of management's perspective to boost audit quality. Contrary to their findings, my findings give another piece of evidence that prompting auditors to take management's perspective backfires, decreasing their ability to make accurate judgements. Thus, this study recommends that audit firms should be cautious when attempting to apply management's perspective to practice. To be able to lower the backfire effect of prompting management perspective, audit firms might regularly emphasize the professional ethics to their staffs.

Finally, these findings of this study also contribute to the regulators and standard setters by providing bias in auditors' reviews of MD&A. While the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) argue about whether the MD&A should be subject to a mandatory audit examination (Securities and Exchange Commission, 2003b), the findings should be interesting and helpful for regulators and standard setters that have emphasized the importance of information disclosed to the public to take stock of this study and call for others to provide evidence-informed policymaking and standard setting bodies.

5.3 Limitation and Future Research

My study is subject to limitations, which open up avenues for future research. First of all, the results of this study are limited to the timing at which auditors obtain the MD&A since this study focuses on the impact of management's perspective on

making an assessment and correction decision when they obtain the MD&A after the date of the auditor's report. Future research may investigate whether there is a different effect on auditors' judgement when they obtain the MD&A before or after the date of the auditor's report.

Second, since there is no set score for participants in the management-prompted and unprompted conditions, the manipulation in my study was analyzed by using the mean difference between the two groups.

Third, the definition of positive tone is not clearly defined in this study. Therefore, the answer to the likelihood of the MD&A containing a positive tone depends on participants' understanding.

Fourth, the findings indicate the negative effects of management's perspective on auditors' judgement, but this study does not explore factors that can mitigate the bias from the adoption of management's perspective. My findings recommend further study to find factors that can lessen the negative effects of management's perspective on auditors. Despite these limitations, I believe that our analyses will contribute particularly to future research on how management perspective affects the auditors' judgement.

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APPENDICES

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

Appendix A
Informed Consent Form

Informed Consent Form

Address

Date

Code number of participant

I who have signed here below agree to participate in this research project

Study Title: A STUDY OF AUDITORS' JUDGEMENT WHEN TAKING
MANAGEMENT'S PERSPECTIVE ON MANAGEMENT
DISCUSSION AND ANALYSIS

Researcher's name: Mr. Wattanachai Sangsuwan

Address: Department of Accountancy, 2rd Fl., Chaiyos Sombat Bldg.3,
Chulalongkorn Business School, Chulalongkorn University,
Phayathai Road, Patumwan, Bangkok 10330

Phone no. 083-5162415

I have **been informed** about rationale and objectives of the project, what I will be engaged with in details, risk/harm and benefit of this project. The researcher has explained to me and I **clearly understand with satisfaction**.

I willingly **agree** to participate in this project and consent the researcher to response to questionnaires. The time for participation is about 20 – 30 minutes.

I have **the right** to withdraw from this research project at any time as I wish with no need to **give any reason**. This withdrawal **will not have any negative impact upon me**.

Researcher has guaranteed that procedure(s) acted upon me would be exactly the same as indicated in the information. Any of my personal information will be **kept confidential**. Results of the study will be reported as total picture. Any of personal information which could be able to identify me will not appear in the report.

If I am not treated as indicated in the information sheet, I can report to the Research Ethics Review Committee for Research Involving Human Research Participants, Health Sciences Group, Chulalongkorn University (RECCU). Jamjuree 1 Bldg., 2nd Fl., 254 Phyathai Rd., Patumwan district, Bangkok 10330, Thailand, Tel./Fax. 0-2218-3202 E-mail: eccu@chula.ac.th.

I also have received a copy of information sheet and informed consent form

Sign Sign
 (Mr. Wattanachai Sangsuwan) (.....)

Researcher

Participant

Sign Sign
 (Asst. Prof. Juthathip Audsabumrungrat, Ph.D.) (.....)

Thesis Advisor

Witness

จุฬาลงกรณ์มหาวิทยาลัย
 CHULALONGKORN UNIVERSITY

Appendix B

Manipulations

ENVELOP 1

INSTRUCTIONS

Thank you for participating in this study. The purpose of this study is to investigate auditors' judgements. You will be provided with Management's Discussion and Analysis (MD&A) and both financial and non-financial information related to a client, NEWO Public Company Limited.

Please open the envelope and answer the questions sequentially. If you have any questions, you can ask the researcher immediately. Please answer any questions by yourself. There is no right or wrong with your answers. Your answer will be kept in confidence and used only for analysis according to the objective of this study. Discussions with other participants could invalidate the study.

During the experiment, you have the right to stop and leave the experiment at any moment. Your answers are very important to this study. Thank you again for your participation.

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

Wattanachai Sangsuwan

PhD Student, Department of Accountancy

Chulalongkorn Business School, Chulalongkorn University

Part 1**Management's Roles, Responsibilities, Authority, and Decision-making**

Please try to put yourself in the shoes of management who is preparing Management Discussion and Analysis (MD&A) and response to the following question.

1. What factors would affect your decision when preparing Management Discussion and Analysis (MD&A)?

1. _____
2. _____
3. _____
4. _____
5. _____

Appendix C

Experimental Materials

Part 2

NOTES FROM YOUR AUDIT TEAM'S WORKING PAPER

General Information

NEWO Public Company Limited (“NEWO” or the “Company”) is a worldwide leader in manufacturing and distributor of graphics processor unit (GPU) used in standalone desktop only, not in notebook PCs. The major revenue comes from domestic sales, accounting for 70% of the total, and the remaining 30% from exporting abroad. NEWO’ business has grown steadily over the last ten years. NEWO’ stocks are traded on the Stock Exchange of Thailand (SET) and the investors are interested in making an investment in the NEWO’ stocks. However, the company has faced a drop in revenues from declining sales of standalone desktop market segment towards notebook PCs, fierce competition from other companies in the GPU market, and swiftly changing technology.

Some Highlight Financial Information

Annual Income Statement (partial)	(in million baht, except per share data)		
Year Ended	31/12/20X2	31/12/20X1	31/12/20X0
Net Sales	3,425	4,098	3,670
Income (loss) from operation	(71)	836	542
Net Income (loss)	(30)	798	536
Basic net income (loss) per share (Bath)	(0.05)	1.45	1.01
Loss from obsolete inventories	475	53	46

Audit Summary Memorandum

1. Inventories

At the end of the accounting period, there was a situation that resulted in NEWO holding excess and obsolete inventories. This was because of rapidly changing technology that caused a sudden and significant decrease in customer demand for NEWO inventories. The inventories were written down to the lower of cost or net realizable value.

Product Defect

The previous generation defected GPU were utilized in standalone desktop products that were sold in a big lot last year. Certain configurations of these products are failing at higher than normal rates. NEWO have not been able to determine with certainty a root cause for these failures. Testing suggests that it might be from a weak material set of die/package combinations and thermal management system designs.

2. Research and Development

According to cash flow statement, the company has a negative operating cash flow, which is tied up by investments in properties. The company has no plan to invest more in research and development for these coming years.

Part 2

Information Extracted from Management's Discussion and Analysis (MD&A)

Overview of Operating Performance

(Paragraph 1) NEWO Public Company Limited helped to the world's awakening to the potential of computer graphics when it invented the graphics processor unit, or GPU, ten years ago. Expertise in programmable GPUs has led to breakthroughs in parallel processing which make supercomputer inexpensive and widely accessible. We serve variety markets, such as the entertainment and consumer market, the professional design and visualization market, the high-performance computing market with our GPU products.

(Paragraph 2) *Seasonality*

Our industry is largely focused on the consumer products market. Historically, we have experienced higher revenue in the second half of our fiscal year than the first half of our fiscal year, primarily due to back-to-school and holiday demand. While we anticipate that this historical seasonal trend will resume, there can be no assurance of such trend. For instance, this seasonal trend did not occur in this current year due to the worldwide recessionary economic environment at this time.

Recent Developments, Future Objectives and Challenges

(Paragraph 3) *GPU Business*

Our GPU business is comprised primarily of our products that support standalone desktop. We believe we are in an era where visual computing is becoming important to consumers. Our strategy is to promote our brand as one of the most important processors through technology leadership, increasing programmability, and a great long-term content experience. During this year, the supplier challenges our

limited capacity by requiring us to allocate well-known products among our customers. We are currently working with our foundry partners to address these challenges.

(Paragraph 4) *Product Defect*

Our products are complex and may contain defects or experience failures due to a variety of issues in design, fabrication, packaging, materials and/or use within a system. If any of our products or technologies contains a defect, compatibility issue or other error, we plan to invest additional research and development effort to find and correct the issue. Such efforts could divert our management's and engineers' attention from the development of our new products and technologies and could increase our operating costs and reduce our gross margin.

(Paragraph 5) *GPU Inventories*

Our sales and marketing team plans to penetrate the toy-related market to promote our GPU inventories.

(Paragraph 6) **Results of Operation**

Fiscal Year 20X2 vs. Fiscal Year 20X1

Revenue was THB 3,425 million for the fiscal year 20X2 and THB 4,098 million for the fiscal year 20X1, a decrease of 16%. The decrease in revenue was primarily due to a decline in sales of standalone desktop GPU. The decline in standalone desktop GPU revenue was driven primarily by a combination of a decline in market demand and a decrease in average selling price as a result of increased competition in the marketplace and a slight shift in technology in this segment. Additionally, the overall global economic recessionary climate contributed to a significant decline in the demand for the GPU.

(Paragraph 7) **Gross Profit and Gross Margin**

Gross profit consists of total revenue, net of allowance, less cost of goods sold. Cost of goods sold consists primarily of all product costs, including labor and overhead associated with such purchases, estimated

cost of product warranties that are calculated at the point of revenue recognition and shipping cost.

Our strategy for improving our gross margin relies on delivering a competitive product, improving our product, and lowering product costs by introducing product architectures that take advantage of smaller process geometries. Offering that will allow us to maintain our market leadership position and expand our addressable market. We expect gross margin to be in the range of 44% to 45% during the first quarter of next year.



Questions: Part 2

Please feel free to consult the case material when answering the following questions

Assuming that you received the MD&A after the date of auditor's report.

Based on your reading and considering the management's discussion and analysis of NEWO, please answer to the following questions;

1. Overall, when you assess the NEWO's MD&A, to what extent do you think the MD&A reflects the current state of the company? (Please response with slash (/) on the provided line that most matches your thought or opinion)

|-----|

0 1 2 3 4 5 6 7 8 9

Not at all

Neutral

Very Much

2. Based on the provided information, please indicate the extent that NEWO's MD&A has a positive or negative tone. (Please response with slash (/) on the provided line that most matches your though or opinion)

|-----|

-5 -4 -3 -2 1 0 1 2 3 4 5

Extreamly
Negative Tone

Neutral
Tone

Extreamly
Positive Tone

3. Overall, when you assess the NEWO's MD&A, would you consider requesting the management to alter the NEWO's MD&A?

Yes No

Please indicate how strongly you feel about consideration of requesting/not requesting the management to alter the NEWO's MD&A. (Please response with slash (/) on the provided line that most matches your thought or opinion)

|-----|

50% 60% 70% 80% 90% 100%

4. If you answer yes in question 3., which paragraph of the NEWO's MD&A would you consider requesting the management to alter? Please indicate the top three.

(Refer to pages 4-5)

1. _____
2. _____
3. _____

Based on your above answer, please go to the question that you refer to. For example, if you answer paragraph 2, then go to question B.

- A. According to paragraph 1,

NEWO Public Company Limited helped to the world's awakening to the potential of computer graphics when it invented the graphics processor unit, or GPU, ten years ago. Expertise in programmable GPUs has led to breakthroughs in parallel processing which make supercomputer inexpensive and widely accessible. We serve variety markets, such as the entertainment and consumer market, the professional design and visualization market, the high-performance computing market with our GPU products.

A1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)

|_____|

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Not at					Neutral					Extremely
all strong										strong

A2. Which aspect of this paragraph are you concerned about? Please explain.

- a) _____
 b) _____

A3. Please indicate any clarifications you would like management to make for this paragraph.

- a) _____
 b) _____

A4. Please indicate the edits you would propose making (if any).

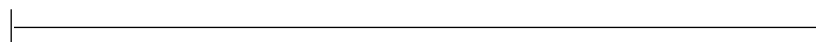
- a) _____
 b) _____

B. According to paragraph 2,

Seasonality

Our industry is largely focused on the consumer products market. Historically, we have experienced higher revenue in the second half of our fiscal year than the first half of our fiscal year, primarily due to back-to-school and holiday demand. While we anticipate that this historical seasonal trend will resume, there can be no assurance of such trend. For instance, this seasonal trend did not occur in this current year due to the worldwide recessionary economic environment at this time.

B1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)



0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
 Not at Neutral Extremely
 all strong strong

C2. Which aspect of this paragraph are you concerned about? Please explain.

- a) _____
- b) _____

C3. Please indicate any clarifications you would like management to make for this paragraph.

- a) _____
- b) _____

C4. Please indicate the edits you would propose making (if any).

- a) _____
- b) _____

D. According to the paragraph 4,

Product Defect

Our products are complex and may contain defects or experience failures due to a variety of issues in design, fabrication, packaging, materials and/or use within a system. If any of our products or technologies contains a defect, compatibility issue or other error, we plan to invest additional research and development effort to find and correct the issue. Such efforts could divert our management's and engineers' attention from the development of our new products and technologies and could increase our operating costs and reduce our gross margin.

D1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)

|-----|

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
 Not at Neutral Extremely
 all strong strong

D2. Which aspect of this paragraph are you concerned about? Please explain.

- a) _____
 b) _____

D3. Please indicate any clarifications you would like management to make for this paragraph.

- a) _____
 b) _____

D4. Please indicate the edits you would propose making (if any).

- a) _____
 b) _____

E. According to the paragraph 5,

GPU Inventories

Our sales and marketing team plans to penetrate the toy-related market to promote our GPU inventories.

E1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
 Not at Neutral Extremely
 all strong strong

E2. Which aspect of this paragraph are you concerned about? Please explain.

- a) _____
 b) _____

E3. Please indicate any clarifications you would like management to make for this paragraph.

- a) _____
 b) _____

E4. Please indicate the edits you would propose making (if any).

- a) _____
 b) _____

Results of Operation

Fiscal Year 20X2 vs. Fiscal Year 20X1

Revenue was THB 3,425 million for the fiscal year 20X2 and THB 4,098 million for the fiscal year 20X1, a decrease of 16%. The decrease in revenue was primarily due to a decline in sales of standalone desktop GPU. The decline in standalone desktop GPU revenue was driven primarily by a combination of a decline in market demand and a decrease in average selling price as a result of increased competition in the marketplace

F. According to the paragraph 6

F1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
 Not at Neutral Extremely
 all strong strong

F2. Which aspect of this paragraph are you concerned about? Please explain.

- a) _____
 b) _____

F3. Please indicate any clarifications you would like management to make for this paragraph.

- a) _____
 b) _____

F4. Please indicate the edits you would propose making (if any).

- a) _____
 b) _____

G. According to the paragraph 7,

Gross Profit and Gross Margin

Gross profit consists of total revenue, net of allowance, less cost of goods sold. Cost of goods sold consists primarily of all product costs, including labor and overhead associated with such purchases, estimated cost of product warranties that are calculated at the point of revenue recognition and shipping cost.

Our strategy for improving our gross margin relies on delivering a competitive product, improving our product, and lowering product costs by introducing product architectures that take advantage of smaller process geometries. Offering that will allow us to

G1. Please indicate how strongly you feel about requesting for the alteration this paragraph. (Please response with slash (/) on the provided line that most matches your thought or opinion)

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%
 Not at Neutral Extremely
 all strong strong

G2. Which aspect of this paragraph are you concerned about? Please explain.

a) _____

b) _____

G3. Please indicate any clarifications you would like management to make for this paragraph.

a) _____

b) _____

G4. Please indicate the edits you would propose making (if any).

a) _____

b) _____



Appendix E
Demographic and Post Experimental Questions

ENVELOPE 3

The last section is general questions about your personal information.
All responses will remain confidential.

Please mark ✓ in the or fill in the blank.

1. Gender Female Male
2. Age _____ years old
3. Total of years of audit work experience _____ years
4. According to the previous year, did you make any corrections to your clients' material misstatements?
 Yes No
5. Please mark "X" in any industry below that you have ever been engaged to provide the external audit service.
_____ Agro & Food Industry
_____ Consumer Products
_____ Financials
_____ Industrials
_____ Property & Construction
_____ Resources

_____ Services
_____ Technology
6. Number of years as audit manager _____ years
7. What is your highest educational background?
 Bachelor's Degree master's degree Doctoral degree
 Other (please specify) _____

I generally believe that:	0	1	2	3	4	5	6	7	8	9	10
8) Management can manage the linguistic tone in management's discussion and analysis in order to project a positive image to the market.											

THANK YOU FOR PARTICIPATING IN THE STUDY



Appendix F Experimental Instrument (Thai Version)

หนังสือยินยอมเข้าร่วมในการวิจัย

สถานที่

วันที่ เดือน พ.ศ.

เลขที่ ตัวอย่าง/ผู้มีส่วนร่วมในการวิจัย

ข้าพเจ้า ซึ่งได้ลงนามท้ายหนังสือนี้ ขอแสดงความยินยอมเข้าร่วมโครงการวิจัย ชื่อโครงการวิจัย การศึกษาดุลยพินิจของผู้สอบบัญชีเมื่อใช้มุมมองของผู้บริหารต่อคำอธิบายและวิเคราะห์ของฝ่ายจัดการ ชื่อผู้วิจัยหลัก นายวิวัฒน์ชัย แสงสุวรรณที่อยู่ติดต่อ ภาควิชาการบัญชี คณะพาณิชยศาสตร์และการบัญชี ชั้น 2 อาคารไชยยศสมบัติ 3 จุฬาลงกรณ์มหาวิทยาลัย ถนนพญาไท แขวงวังใหม่ เขตปทุมวัน กรุงเทพมหานคร 10330 โทรศัพท์ 083 516 2415

ข้าพเจ้า **ได้รับทราบ**รายละเอียดเกี่ยวกับที่มาและวัตถุประสงค์ในการทำวิจัย รายละเอียดขั้นตอนต่างๆ ที่จะต้องปฏิบัติหรือได้รับการปฏิบัติ ความเสี่ยง/อันตราย และประโยชน์ซึ่งจะเกิดขึ้นจากการวิจัยเรื่องนี้ โดยได้อ่านรายละเอียดในเอกสารข้อมูลสำหรับผู้มีส่วนร่วมในการวิจัยโดยตลอด และ**ได้รับคำอธิบาย**จากผู้วิจัย **จนเข้าใจเป็นอย่างดีแล้ว**

ข้าพเจ้าจึง**สมัครใจ**เข้าร่วมในโครงการวิจัยนี้ ตามที่ระบุไว้ในเอกสารข้อมูลสำหรับผู้มีส่วนร่วมในการวิจัย โดยข้าพเจ้ายินยอม เข้าร่วมการวิจัย และตอบแบบสอบถาม ระยะเวลาในการทดลอง และตอบแบบสอบถามใช้เวลาทั้งหมดโดยประมาณ 30-40 นาที

ข้าพเจ้ามีสิทธิ์**ถอนตัว**ออกจากการวิจัยเมื่อใดก็ได้ตามความประสงค์ **โดยไม่ต้องแจ้งเหตุผล** ซึ่งการถอนตัวออกจากการวิจัยจะไม่มีผลกระทบทางลบใด ๆ ต่อหน้าที่การงาน/ต่อการทำงาน ประเมินผลงานของข้าพเจ้าทั้งสิ้น

ข้าพเจ้าได้รับคำรับรองและคำยืนยันว่า ผู้วิจัยจะปฏิบัติต่อข้าพเจ้าตามเอกสารข้อมูลซึ่งเป็นคำชี้แจงสำหรับผู้มีส่วนร่วมในการวิจัย และข้อมูลใดๆ ที่เกี่ยวข้องกับข้าพเจ้า ผู้วิจัยจะ**เก็บรักษาเป็นความลับ** โดยจะนำเสนอผลการวิจัยเป็นภาพรวมเท่านั้น ไม่มีข้อมูลใดในการรายงานที่จะนำไปสู่การระบุตัวข้าพเจ้า

หากข้าพเจ้าไม่ได้รับการปฏิบัติตรงตามที่ได้ระบุไว้ในเอกสารชี้แจงผู้มีส่วนร่วมในการวิจัย ข้าพเจ้าสามารถร้องเรียนได้ที่คณะกรรมการพิจารณาจริยธรรมการวิจัยในคน กลุ่มสหสถาบัน ชุดที่ 2 สังคมศาสตร์ มนุษยศาสตร์และศิลปกรรมศาสตร์ จุฬาลงกรณ์มหาวิทยาลัย อาคารจามจุรี 1 ชั้น 1 ห้อง 114 แขวงวังใหม่ เขตปทุมวัน กรุงเทพฯ 10330 โทรศัพท์ 0 2218 3210-11 อีเมล curec2.ch1@chula.ac.th

ข้าพเจ้าได้ลงลายมือชื่อไว้เป็นสำคัญต่อหน้าพยาน นอกจากนี้ข้าพเจ้าได้รับสำเนาเอกสารข้อมูลซึ่งเป็นคำชี้แจงผู้มีส่วนร่วมในการวิจัย และสำเนาหนังสือยินยอมไว้แล้ว

ลงชื่อ ลงชื่อ.....

(นายวัฒนชัย แสงสุวรรณ)

(.....)

ผู้วิจัยหลัก

ผู้มีส่วนร่วมในการวิจัย

ลงชื่อ ลงชื่อ.....

(ผู้ช่วยศาสตราจารย์ ดร. จุฑาทิพ อัสสะบำรุงรัตน์)

(.....)

อาจารย์ที่ปรึกษาวิทยานิพนธ์

พยาน

จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

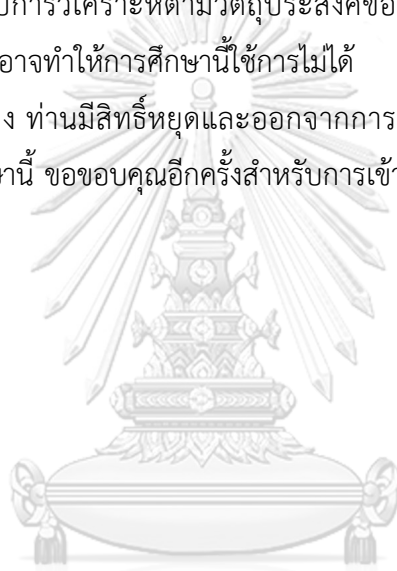
ของคำถามที่ 1

คำแนะนำ

ขอขอบคุณที่เข้าร่วมการศึกษาครั้งนี้ วัตถุประสงค์ของการศึกษานี้คือเพื่อสำรวจการตัดสินใจของผู้สอบบัญชี ท่านจะได้รับคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) และข้อมูลทั้งทางการเงินและไม่ใช่ทางการเงินที่เกี่ยวข้องกับลูกค้าแห่งหนึ่ง คือ บริษัท นิโว จำกัด (มหาชน)

กรุณาเปิดช่องและตอบคำถามตามลำดับ หากมีข้อสงสัยท่านสามารถสอบถามผู้วิจัยได้ทันที กรุณาตอบคำถามด้วยตัวของท่านเอง คำตอบของท่านไม่มีถูกหรือผิด คำตอบของท่านจะถูกเก็บไว้เป็นความลับและใช้สำหรับการวิเคราะห์ตามวัตถุประสงค์ของการศึกษานี้เท่านั้น การปรึกษากับผู้เข้าร่วมการวิจัยท่านอื่นๆ อาจทำให้การศึกษานี้ใช้การไม่ได้

ระหว่างการทดลอง ท่านมีสิทธิ์หยุดและออกจากการทดลองได้ทุกเมื่อ คำตอบของท่านมีความสำคัญมากต่อการศึกษานี้ ขอขอบคุณอีกครั้งสำหรับการเข้าร่วมของท่าน



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

นายวัฒนชัย แสงสุวรรณ
นิสิตปริญญาเอก ภาควิชาการบัญชี
คณะพาณิชยศาสตร์และการบัญชี
จุฬาลงกรณ์มหาวิทยาลัย

ส่วนที่ 1

บทบาท ความรับผิดชอบ อำนาจหน้าที่ และการตัดสินใจของฝ่ายบริหาร

ขอให้ท่านสวมบทบาทเป็นผู้บริหารที่กำลังจัดเตรียมคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) และตอบคำถามต่อไปนี้

1. ปัจจัยใดบ้างที่จะส่งผลต่อการตัดสินใจของคุณในการจัดเตรียมคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A)

1) _____

2) _____

3) _____

4) _____

5) _____



ส่วนที่ 2

บันทึกจากกระตาดำทำการของทิมตรวจสอบของท่าน

ข้อมูลทั่วไป

บริษัท นีโว จำกัด (มหาชน) (“นีโว” หรือ “บริษัท”) เป็นผู้นำระดับโลกในการผลิตและจัดจำหน่ายหน่วยประมวลผลกราฟิก (การ์ดจอ) ที่ถูกนำมาใช้เฉพาะในคอมพิวเตอร์แบบตั้งโต๊ะเท่านั้น ไม่ใช่ในคอมพิวเตอร์ส่วนบุคคลแบบพกพา รายได้หลักมาจากการขายในประเทศคิดเป็น 70% ของยอดขายทั้งหมด และอีก 30% มาจากการส่งออกต่างประเทศ ธุรกิจของนีโวเติบโตอย่างต่อเนื่องในช่วงสิบปีที่ผ่านมา หุ้นของนีโวมีการซื้อขายในตลาดหลักทรัพย์แห่งประเทศไทย (SET) และนักลงทุนมีความสนใจที่จะลงทุนในหุ้นของนีโว อย่างไรก็ตาม บริษัทต้องเผชิญกับรายได้ที่ลดลงจากยอดขายของตลาดคอมพิวเตอร์แบบตั้งโต๊ะที่ลดลงเมื่อเทียบกับตลาดคอมพิวเตอร์ส่วนบุคคลแบบพกพาจากการแข่งขันที่รุนแรงและจากบริษัทอื่นๆ ในตลาดการ์ดจอและจากเทคโนโลยีที่เปลี่ยนแปลงอย่างรวดเร็ว

ข้อมูลทางการเงินที่สำคัญบางส่วน

กำไร (ขาดทุน) สำหรับปี (บางส่วน)	(หน่วย: ล้านบาท ยกเว้นข้อมูลต่อหุ้น)		
รอบระยะเวลาบัญชี	31/12/20X2	31/12/20X1	31/12/20X0
รายได้สุทธิ	3,425	4,098	3,670
กำไร (ขาดทุน) จากการดำเนินงาน	(71)	836	542
กำไร (ขาดทุน) สำหรับปี	(30)	798	536
กำไร (ขาดทุน) สุทธิพื้นฐานต่อหุ้น (บาท)	(0.05)	1.45	1.01
ขาดทุนจากสินค้าล้าสมัย	475	53	46

บันทึกย่อการตรวจสอบ

1. สินค้าคงเหลือ

ณ วันสิ้นรอบระยะเวลาบัญชี สถานการณ์ที่ทำให้มีสินค้าคงเหลือส่วนเกินและล้าสมัย ได้แก่ เทคโนโลยีที่เปลี่ยนแปลงอย่างรวดเร็วซึ่งทำให้ความต้องการสินค้าคงเหลือของนีโวลดลงอย่างมีนัยสำคัญ สินค้าคงเหลือถูกบันทึกมูลค่าลงให้เป็นไปตามราคาทุนหรือมูลค่าสุทธิที่จะได้รับแล้วแต่ราคาใดจะต่ำกว่า

สินค้าชำรุด

การ์ดจอรุ่นก่อนหน้าที่มีข้อบกพร่องถูกนำมาใช้ในผลิตภัณฑ์คอมพิวเตอร์แบบตั้งโต๊ะซึ่งถูกขายไปเป็นจำนวนมากในปีที่แล้ว การกำหนดค่าบางอย่างของผลิตภัณฑ์เกิดข้อผิดพลาดในอัตราที่สูงกว่าอัตราปกติ นี้วยังไม่สามารถระบุถึงสาเหตุที่แท้จริงของความผิดพลาดเหล่านี้ได้อย่างชัดเจน การทดสอบชี้ว่าความผิดพลาดอาจมาจากวัตถุดิบที่ไม่แข็งแรงของแม่พิมพ์/บรรจุภัณฑ์ รวมถึงการออกแบบระบบการจัดการระบายความร้อน

2. การวิจัยและพัฒนา

จากงบกระแสเงินสด บริษัทมีกระแสเงินสดจากการดำเนินงานติดลบซึ่งบริษัทยังมีภาระผูกพันกับการลงทุนในอสังหาริมทรัพย์ จึงยังไม่มีแผนที่จะลงทุนเพิ่มเติมในการวิจัยและพัฒนาสำหรับปีต่อไป



จุฬาลงกรณ์มหาวิทยาลัย
CHULALONGKORN UNIVERSITY

ส่วนที่ 2

ข้อมูลที่ดึงมาจากคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A)

ภาพรวมผลการดำเนินงาน

(ย่อหน้า 1) บริษัท นิโว จำกัด (มหาชน) ช่วยทำให้โลกตื่นรู้ถึงศักยภาพของคอมพิวเตอร์กราฟิก เมื่อได้คิดค้นหน่วยประมวลผลกราฟิกหรือการ์ดจอเมื่อสิบปีก่อน ความเชี่ยวชาญในการ์ดจอที่สามารถตั้งโปรแกรมได้นำไปสู่ความก้าวหน้าในการประมวลผลแบบคู่ขนาน ทำให้ได้คอมพิวเตอร์คุณภาพสูงที่มีราคาไม่แพงและสามารถเข้าถึงได้อย่างกว้างขวาง เรายอมรับหลากหลายตลาด เช่น ตลาดความบันเทิงและผู้บริโภค ตลาดในการออกแบบและสร้างภาพระดับมืออาชีพ ตลาดการประมวลผลประสิทธิภาพสูงด้วยผลิตภัณฑ์การ์ดจอของเรา

(ย่อหน้า 2) *ฤดูกาล*

อุตสาหกรรมของเรามุ่งเน้นไปที่ตลาดสินค้าอุปโภคบริโภคเป็นส่วนใหญ่ ในอดีตเรามีรายได้ที่เพิ่มขึ้นในช่วงครึ่งหลังของปีมากกว่าในช่วงครึ่งปีแรก สาเหตุหลักมาจากความต้องการสินค้าช่วงเปิดเทอมและช่วงวันหยุดยาว แม้ว่าเราจะคาดการณ์ว่าแนวโน้มรายได้ตามฤดูกาลในอดีตจะกลับมาอีกครั้ง แต่ก็ไม่สามารถรับประกันแนวโน้มดังกล่าวได้ ตัวอย่างเช่น ในปีปัจจุบันแนวโน้มตามฤดูกาลนี้ไม่ได้เกิดขึ้นเนื่องจากการถดถอยของสภาพแวดล้อมทางเศรษฐกิจทั่วโลก ณ ขณะนี้

การพัฒนาล่าสุด วัตถุประสงค์และความท้าทายในอนาคต

(ย่อหน้า 3) *ธุรกิจการ์ดจอ*

ธุรกิจการ์ดจอของเราประกอบด้วยผลิตภัณฑ์ที่สนับสนุนคอมพิวเตอร์ตั้งโต๊ะเป็นหลัก เราเชื่อว่าเราอยู่ในยุคที่การประมวลผลด้วยภาพมีความสำคัญต่อผู้บริโภค กลยุทธ์ของเราคือการส่งเสริมแบรนด์ของเราให้เป็นหนึ่งในหน่วยประมวลผลกลางที่สำคัญที่สุดผ่านความเป็นผู้นำด้านเทคโนโลยี ความสามารถในการตั้งโปรแกรมที่เพิ่มขึ้น และประสบการณ์ความพึงพอใจที่ยอดเยี่ยมมาตลอดระยะเวลายาวนาน ในปีนี้ ผู้จัดจำหน่ายท้าทายกำลังผลิตที่มีจำกัดของเรา โดยกำหนดว่าเราต้องจัดสรรผลิตภัณฑ์ที่เป็นที่รู้จักนั้นให้กับลูกค้า เรากำลังทำงานร่วมกันกับพันธมิตรโรงหล่อของเราเพื่อจัดการกับความท้าทายเหล่านี้

(ย่อหน้า 4) *ข้อบกพร่องของผลิตภัณฑ์*

ผลิตภัณฑ์ของเรามีความซับซ้อนและอาจมีข้อบกพร่องหรือข้อผิดพลาดจากปัญหาด้านการออกแบบ การประดิษฐ์ บรรจุภัณฑ์ วัสดุและ/หรือการใช้งานภายในระบบ หากผลิตภัณฑ์หรือเทคโนโลยีของเรามีข้อบกพร่องหรือปัญหาการใช้งานทดแทนกัน หรือมีข้อผิดพลาดอื่นๆ เราพร้อมที่จะวางแผนลงทุนด้านการวิจัยและพัฒนาเพิ่มเติมเพื่อค้นหาและแก้ไข

ปัญหา ความพยายามแก้ปัญหาดังกล่าวอาจทำให้ผู้บริหารและวิศวกรบึ้งเบนความสนใจไปจากการพัฒนาผลิตภัณฑ์และเทคโนโลยีใหม่ของเรา และอาจเพิ่มค่าใช้จ่ายในการดำเนินงานและลดอัตรากำไรขั้นต้นของเรา

(ย่อหน้า 5) **สินค้าคงเหลือการค้าจ่อ**

ที่มขายและการตลาดของเราวางแผนที่จะเจาะตลาดที่เกี่ยวข้องกับของเล่นเพื่อโปรโมตสินค้าคงเหลือการค้าจ่อของเรา

(ย่อหน้า 6) **ผลการดำเนินงาน**

ปี 20x2 เทียบกับ ปี 20x1

รายได้อยู่ที่ 3,425 ล้านบาทสำหรับปี 20x2 และ 4,098 ล้านบาทสำหรับปี 20x1 ลดลง 16% รายได้ที่ลดลงมีสาเหตุหลักมาจากการลดลงของยอดขายการ์ดจอสำหรับคอมพิวเตอร์แบบตั้งโต๊ะ รายได้ในการ์ดจอสำหรับคอมพิวเตอร์แบบตั้งโต๊ะที่ลดลงมีสาเหตุหลักมาจากทั้งความต้องการของตลาดที่ลดลงและราคาขายเฉลี่ยที่ลดลงอันเป็นผลจากการแข่งขันที่เพิ่มขึ้นในตลาดและเนื่องจากการเปลี่ยนแปลงของเทคโนโลยีในส่วนนี้เพียงเล็กน้อย นอกจากนี้ ภาวะเศรษฐกิจถดถอยทั่วโลกโดยรวมมีส่วนทำให้ความต้องการสำหรับการ์ดจอลดลงอย่างมีนัยสำคัญ

(ย่อหน้า 7) **กำไรขั้นต้นและอัตรากำไรขั้นต้น**

กำไรขั้นต้นประกอบด้วยรายได้รวม สุทธิจากค่าเผื่อ หักต้นทุนขาย ต้นทุนขายประกอบด้วยต้นทุนผลิตภัณฑ์เป็นหลัก รวมถึงค่าแรงและค่าวัสดุที่เกี่ยวข้องกับการซื้อดังกล่าว ต้นทุนการรับประกันสินค้าโดยประมาณที่คำนวณ ณ จุดรับรู้รายได้และค่าขนส่ง กลยุทธ์ในการปรับปรุงอัตรากำไรขั้นต้นของเราขึ้นอยู่กับ การนำเสนอผลิตภัณฑ์ที่สามารถแข่งขันได้ การปรับปรุงผลิตภัณฑ์และการลดต้นทุนผลิตภัณฑ์ด้วยการนำรูปแบบผลิตภัณฑ์ที่ใช้ประโยชน์จากรูปทรงที่มีขนาดเล็กลง กลยุทธ์ดังกล่าวจะช่วยให้เราสามารถรักษาตำแหน่งผู้นำตลาดและขยายตลาดที่เราต้องการได้ เราคาดว่าอัตรากำไรขั้นต้นจะอยู่ในช่วง 44% ถึง 45% ในช่วงไตรมาสแรกของปีหน้า

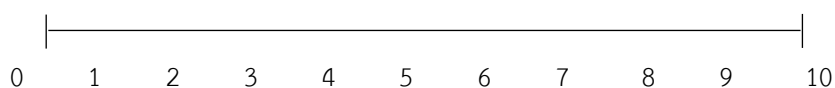
คำถาม: ส่วนที่ 2

ท่านสามารถย้อนกลับไปดูข้อมูลในกรณีศึกษาได้ทุกเมื่อเพื่อตอบคำถามด้านล่างนี้

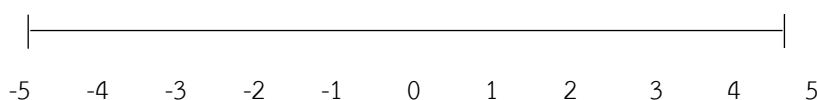
สมมติว่าท่านได้รับคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) หลังจากวันที่ในรายงานของผู้สอบบัญชี

จากการอ่านและการพิจารณาคำอธิบายและการวิเคราะห์ของฝ่ายจัดการของนิโว โปรดตอบคำถามต่อไปนี้

1. โดยรวมแล้ว เมื่อท่านประเมินคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) ของนิโว ท่านคิดว่าคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) สะท้อนถึงสถานะปัจจุบันของบริษัทในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่ให้มาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)

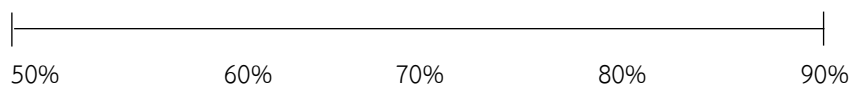


2. จากข้อมูลที่ให้ไว้ กรุณาระบุระดับโทนภาษาในคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) ของนิโวว่าเป็นบวกหรือลบ (Positive or Negative Tone) (โปรดกาเครื่องหมาย / บนบรรทัดที่ให้มาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



3. โดยรวมแล้ว เมื่อท่านประเมินคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) ของนิโว ท่านจะขอหรือไม่ขอให้ฝ่ายบริหารแก้ไขคำอธิบายและการวิเคราะห์ของฝ่ายจัดการของนิโว
 แก้ไข ไม่แก้ไข

โปรดระบุระดับความรู้สึกของท่านต่อการขอและไม่ขอให้ฝ่ายบริหารแก้ไขคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) ของนิโวว่าอยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่ให้มาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



4. หากท่านตอบว่าขอให้แก้ไขในคำถามที่ 3. ท่านจะพิจารณาขอให้ผู้บริหารแก้ไขย่อหน้าใดในคำอธิบายและการวิเคราะห์ของฝ่ายจัดการ (MD&A) ของนิโว โปรตระบุสามอันดับแรก (อ้างอิงจากหน้า 4-5)

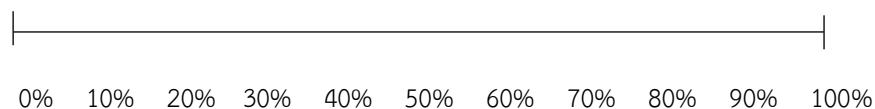
1. _____
2. _____
3. _____

จากคำตอบข้างต้นกรุณาไปที่คำถามตามย่อหน้าที่ท่านอ้างอิงถึง ตัวอย่างเช่น หากท่านตอบย่อหน้า 2 ให้ไปที่คำถาม ข.

- ก. ตามย่อหน้า 1.

บริษัท นิโว จำกัด (มหาชน) ช่วยทำให้โลกตื่นรู้ถึงศักยภาพของคอมพิวเตอร์กราฟิก เมื่อได้คิดค้นหน่วยประมวลผลกราฟิกหรือการ์ดจอเมื่อสิบปีก่อน ความเชี่ยวชาญในการ์ดจอที่สามารถตั้งโปรแกรมได้นำไปสู่ความก้าวหน้าในการประมวลผลแบบคู่ขนาน ทำให้ได้คอมพิวเตอร์คุณภาพสูงที่มีราคาไม่แพงและสามารถเข้าถึงได้อย่างกว้างขวาง เรารองรับหลากหลายตลาด เช่น ตลาดความบันเทิงและผู้บริโภค ตลาดในการออกแบบและสร้างภาพระดับมืออาชีพ ตลาดการประมวลผลประสิทธิภาพสูงด้วยผลิตภัณฑ์การ์ดจอของเรา

- ก1. ท่านรู้สึกต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้ว่าอยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่ให้มาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ไม่รู้สึกเลย

ปานกลาง

มากที่สุด

- ก2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้ กรุณาอธิบาย

- 1) _____
- 2) _____

ก3. โปรดระบุว่าท่านต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้

- 1) _____
- 2) _____

ก4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

- 1) _____
- 2) _____

ข. ตามย่อหน้า 2.

ฤดูกาล

อุตสาหกรรมของเรามุ่งเน้นไปที่ตลาดสินค้าอุปโภคบริโภคเป็นส่วนใหญ่ ในอดีตเรามีรายได้ที่เพิ่มขึ้นในช่วงครึ่งหลังของปีมากกว่าในช่วงครึ่งปีแรก สาเหตุหลักมาจากความต้องการสินค้าช่วงเปิดเทอมและช่วงวันหยุดยาว แม้ว่าเราจะคาดการณ์ว่าแนวโน้มรายได้ตามฤดูกาลในอดีตจะกลับมาอีกครั้ง แต่ก็ไม่สามารถรับประกันแนวโน้มดังกล่าวได้ ตัวอย่างเช่น ในปีปัจจุบันแนวโน้มตามฤดูกาลนี้ไม่ได้เกิดขึ้นเนื่องจากการถดถอยของสภาพแวดล้อมทางเศรษฐกิจทั่วโลก ณ ขณะนี้

ข1. โปรดระบุระดับความรู้ที่ท่านต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้ว่าอยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ไม่รู้สักเลย

ปานกลาง

มากที่สุด

ข2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้ กรุณาอธิบาย

- 1) _____
- 2) _____

ข3. โปรดระบุว่าท่านต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้

- 1) _____
- 2) _____

ข4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

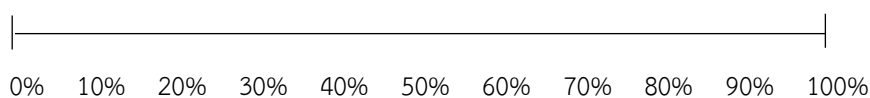
- 1) _____
- 2) _____

ค. ตามย่อหน้า 3.

ธุรกิจการดจอ

ธุรกิจการดจอของเราประกอบด้วยผลิตภัณฑ์ที่สนับสนุนคอมพิวเตอร์ตั้งโต๊ะเป็นหลัก เราเชื่อว่าเราอยู่ในยุคที่การประมวลผลด้วยภาพมีความสำคัญต่อผู้บริโภค กลยุทธ์ของเราคือการส่งเสริมแบรนด์ของเราให้เป็นหนึ่งในหน่วยประมวลผลกลางที่สำคัญที่สุดผ่านความเป็นผู้นำด้านเทคโนโลยี ความสามารถในการตั้งโปรแกรมที่เพิ่มขึ้น และประสบการณ์ความพึงพอใจที่ยอดเยี่ยมมาตลอดระยะเวลายาวนาน ในปีนี้ ผู้จัดจำหน่ายทำหายกำลังผลิตที่มีจำกัดของเรา โดยกำหนดว่าเราต้องจัดสรรผลิตภัณฑ์ที่เป็นที่รู้จักนั้นให้กับลูกค้า เรากำลังทำงานร่วมกันกับพันธมิตรโรงหล่อของเราเพื่อจัดการกับความท้าทายเหล่านี้

ค1. โปรดระบุระดับความรู้สึกว่าท่านต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้ว่าอยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่นำมาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ไม่รู้สึกละเลย

ปานกลาง

มากที่สุด

ค2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้ กรุณาอธิบาย

1) _____

2) _____

ค3. โปรดระบุที่ท่านต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้

1) _____

2) _____

ค4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

1) _____

2) _____

ง. ตามย่อหน้า 4.

ข้อบกพร่องของผลิตภัณฑ์

ผลิตภัณฑ์ของเรามีความซับซ้อนและอาจมีข้อบกพร่องหรือข้อผิดพลาดจากปัญหาด้านการออกแบบ การประดิษฐ์ บรรจุภัณฑ์ วัสดุและ/หรือการใช้งานภายในระบบ หากผลิตภัณฑ์หรือเทคโนโลยีของเรามีข้อบกพร่องหรือปัญหาการใช้งานทดแทนกัน หรือมีข้อผิดพลาดอื่นๆ เราพร้อมที่จะวางแผนลงทุนด้านการวิจัยและพัฒนาเพิ่มเติมเพื่อค้นหาและแก้ไขปัญหา ความพยายามแก้ปัญหาดังกล่าวอาจทำให้ผู้บริหารและวิศวกรเบี่ยงเบนความสนใจไปจากการพัฒนาผลิตภัณฑ์และเทคโนโลยีใหม่ของเรา และอาจเพิ่มค่าใช้จ่ายในการดำเนินงานและลดอัตรากำไรขั้นต้นของเรา

ง1. โปรดระบุระดับความรู้สึกว่าท่านต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้อยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่นำมาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ไม่รู้สึกละเลย

ปานกลาง

มากที่สุด

ง2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้อธิบาย

1) _____

2) _____

ง3. โปรดระบุว่าท่านต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้อธิบาย

1) _____

2) _____

ง4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

1) _____

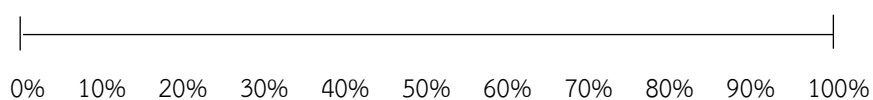
2) _____

จ. ตามย่อหน้า 5.

สินค้าคงเหลือการ์ดจอ

ทีมขายและการตลาดของเราวางแผนที่จะเจาะตลาดที่เกี่ยวข้องกับของเล่นเพื่อโปรโมตสินค้าคงเหลือการ์ดจอของเรา

จ1. โปรดระบุระดับความรู้สึกว่าท่านต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้ว่าอยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่ให้มาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ไม่รู้สึกละเลย

ปานกลาง

มากที่สุด

จ2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้ กรุณาอธิบาย

1) _____

2) _____

จ3. โปรดระบุว่าคุณต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้

1) _____

2) _____

จ4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

1) _____

2) _____

ช. ตามย่อหน้า 7.

กำไรขั้นต้นและอัตรากำไรขั้นต้น

กำไรขั้นต้นประกอบด้วยรายได้รวม สุทธิจากค่าเผื่อ หักต้นทุนขาย ต้นทุนขายประกอบด้วยต้นทุนผลิตภัณฑ์เป็นหลัก รวมถึงค่าแรงและค่าเสียหายที่เกี่ยวข้องกับการซื้อดังกล่าว ต้นทุนการรับประกันสินค้าโดยประมาณที่คำนวณ ณ จุดรับรู้รายได้และค่าขนส่ง

กลยุทธ์ในการปรับปรุงอัตรากำไรขั้นต้นของเราขึ้นอยู่กับ การนำเสนอผลิตภัณฑ์ที่สามารถแข่งขันได้ การปรับปรุงผลิตภัณฑ์และการลดต้นทุนผลิตภัณฑ์ด้วยการนำรูปแบบผลิตภัณฑ์ที่ใช้ประโยชน์จากรูปทรงที่มีขนาดเล็กลง กลยุทธ์ดังกล่าวจะช่วยให้เราสามารถรักษาตำแหน่งผู้นำตลาดและขยายตลาดที่เราต้องการได้ เราคาดว่าอัตรากำไรขั้นต้นจะอยู่ในช่วง 44% ถึง 45% ในช่วงไตรมาสแรกของปีหน้า

ช1. โปรดระบุระดับความรู้สึกว่าท่านต่อการร้องขอให้ผู้บริหารแก้ไขย่อหน้านี้อยู่ในระดับใด (โปรดกาเครื่องหมาย / บนบรรทัดที่นำมาที่ตรงกับความคิดหรือความคิดเห็นของท่านมากที่สุด)



ช2. ท่านกังวลเกี่ยวกับแง่มุมใดของย่อหน้านี้ กรุณาอธิบาย

- 1) _____
- 2) _____

ช3. โปรดระบุว่าคุณต้องการให้ผู้บริหารชี้แจงอย่างไรสำหรับย่อหน้านี้

- 1) _____
- 2) _____

ช4. โปรดระบุถึงการแก้ไขที่ท่านต้องการเสนอให้แก้ไข (ถ้ามี)

- 1) _____
- 2) _____

ของคำถามที่ 3

ส่วนสุดท้ายเป็นคำถามทั่วไปเกี่ยวกับข้อมูลส่วนบุคคลของท่าน
ข้อมูลที่ท่านตอบทั้งหมดจะถูกเก็บเป็นความลับ

กรุณาทำเครื่องหมาย ✓ ลงใน หรือเติมข้อความลงในช่องว่าง

1. เพศ หญิง ชาย
2. อายุ _____ ปี
3. ประสบการณ์การทำงานตรวจสอบ _____ ปี
4. ในปีที่ผ่านมา ท่านได้แก้ไขการแสดงผลข้อมูลที่ขัดต่อข้อเท็จจริงของลูกค้าของท่านหรือไม่
 แก้ไข ไม่แก้ไข
5. กรุณาทำเครื่องหมาย "X" ในอุตสาหกรรมด้านล่างต่อไปนี้ที่ท่านเคยตรวจสอบ
 _____ เกษตรและอุตสาหกรรมอาหาร
 _____ สินค้าอุปโภคบริโภค
 _____ ธุรกิจการเงิน
 _____ สินค้าอุตสาหกรรม
 _____ อสังหาริมทรัพย์และก่อสร้าง
 _____ ทรัพยากร
 _____ บริการ
 _____ เทคโนโลยี
6. จำนวนปีที่อยู่ในตำแหน่งผู้จัดการตรวจสอบ _____ ปี
7. วุฒิการศึกษาสูงสุดของท่าน
ปริญญาตรี ปริญญาโท ปริญญาเอก
 อื่น ๆ (กรุณาระบุ) _____

โดยทั่วไป ข้าพเจ้าเชื่อว่า	0	1	2	3	4	5	6	7	8	9	10
7) การเพิกเฉย (งดเว้น) ในการรายงานข้อมูลการ แสดงข้อมูลที่ขัดต่อข้อเท็จจริงอันเป็น สาระสำคัญในคำอธิบายและการวิเคราะห์ของ ฝ่ายจัดการอาจลดความน่าเชื่อถือของงบการเงิน และรายงานของผู้สอบบัญชี											
8) ฝ่ายบริหารสามารถบริหารโทนภาษาของ คำอธิบายและการวิเคราะห์ของฝ่ายจัดการเพื่อ นำไปสู่การแสดงผลภาพเชิงบวกสุดขีด											

ขอขอบพระคุณอีกครั้งที่เสียสละเวลาในการเข้าร่วมการวิจัยเชิงทดลองครั้งนี้

VITA

NAME WATTANACHAI SANGSUWAN

DATE OF BIRTH 16 JULY 1979

PLACE OF BIRTH BANGKOK

**INSTITUTIONS
ATTENDED** CHULALONGKORN UNIVERSITY

HOME ADDRESS 89/97 SUTTHISARN RD. SAMSENNAI PHRAYATHAI
BANGKOK 10400



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CHULALONGKORN UNIVERSITY