

Auditors expectations gap as a mediator in the relationship between accounting work experience related to loan officers, loan officers work experience job-related and quality of decision

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Abstract: The aim of this study was to investigate auditor's expectations gap as the intermediary in the relationship between work experiences related to loan officers accounting and work experience related to loan officer's job, decision making quality. This is a correlative survey study and has an applied purpose. The population of study is consisted of audit institutions and banks in Yazd province and the sample size was 310 participants. This study used random sampling method for sampling. In this study, a questionnaire was used to collect data. The hypotheses were investigated using SPSS software. The results show that work experience of financial suppliers will influence on the loan decision making quality through auditor's expectations gap. Work experience related to the supplier job will effect on the loan decision making quality through auditor's expectations gap.

[Alborz Abbasi, Arezo Shishe Bor. **Auditors expectations gap as a mediator in the relationship between accounting work experience related to loan officers, loan officers work experience job-related and quality of decision.** *J Am Sci* 2016;12(9):94-97]. ISSN 1545-1003 (print); ISSN 2375-7264 (online). <http://www.jofamericanscience.org>. 15. doi:[10.7537/marsjas120916.15](https://doi.org/10.7537/marsjas120916.15).

Keywords: Audit expectations gap, financial suppliers, expectations gap.

Introduction

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

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

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

Audit reduces crediting problems arising from conflicts of interest and adds its reliability (Hassas Yeganeh et al., 2004). By accepting more

responsibility and expansion of its role or strengthening public education on the role and restrictions of audit, auditing profession can respond to the needs of society and limit expected gap. Therefore we examine the effect of training on the audit and come to the conclusion that audit training reduces expectations gap but is not enough and practical analysis in the field of audit is essential to reduce this gap (Aghaie et al., 2012). The aim of this study was to evaluate the auditor's expectations gap between the auditors as mediator in the relationship between accounting work experience related to loan officer's audit and loan officers, decision quality.

Research purpose

The main purpose - to determine the auditors' expectations gap as a mediator of the relationship between financial suppliers accounting and decision-making quality.

Secondary purpose 1: to determine auditors' expectations gap as mediator on the relationship between work experiences related to loan officers accounting and decision quality.

Secondary purpose 2: to determine auditors' expectations gap as mediator on the relationship between work experiences related to loan officers job and decision quality.

Research Background

Ahmed Khalegh and Hesam Yrganeh (2004) in a study entitled as expectations gap between auditors and users of the accredited independent auditors reviewed expectations gap between auditors and users of accredited independent auditor. The results indicate

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

and a group of audit report users on the evaluation of laws and regulations in the financial statements audit by independent auditors. The results showed that there is a significant difference between auditors thought and users of accounting statements regarding to the duty of independent audits about the evaluation of compliance with laws and regulations. Further there is no significant difference between auditor's attitude and audit reports regarding to the compliance with rules and rejected or conditional comments.

Methodology

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

Table 1: Calculation of reliability of questions in the questionnaire

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

The above table shows Cronbach's alpha and the total number of questionnaire and its variables. Since Cronbach's alpha of total questionnaire and variables is greater than 0.7, then the reliability of test is acceptable. The validity of this study is confirmed by teachers and consultant' opinions. In this study demographic data was described using descriptive statistics, frequency tables, circular and bar charts and analyzed using SPSS 18 software; relationships between variables and factors were confirmed through confirmatory factor analysis and PLS modeling techniques using Smart PLS2 software which is variance - based model and provides simultaneous measurements of theories and hypothesis. This method is utilized for complex models or in cases where small sample is size or distribution is not normal and for the assessment of direct or indirect relationship between variables will be used. In addition, the role of auditors' expectations gap is examined using Seble test.

Data analysis

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

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

Inferential statistics

Hypothesis (1): Work experience of financial suppliers doesn't influence on loan decision making quality through auditors' expectations gap.

Work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap.

According to Table 3 for the first path absolute value of the t-statistic is equal to 55/4 and greater than 96/1, so work experience of financial suppliers has a significant impact on the auditors' expectations gap; on the other hand, in the path 2, absolute value of the t-statistic is equal to 15/71 and greater than 1/96, so auditors' expectations gap has a significant impact on the loan decision making quality.

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

S.E	statists	Coefficient estimate	Path	
0.065	4.55	-0.296	work experience of financial suppliers--< auditors' expectations gap	1
0.039	15.71	-0.67	auditors' expectations gap --< loan decision making quality	2

indirect effect	p significant level	SE	Z test statistic
0.180			
0.0	0.041	4.371	

On the other hand, according to Sobel test statistic (4/371) and the significance level (0.000) which is smaller than 0.05 and the null hypothesis is rejected. Therefore, since there is no direct relationship between work experience of financial suppliers and loan decision making quality in the model, auditors expectations gap variable plays the role of mediator and its indirect effect is equal to 18/0. As a result, at 95% confidence level work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap.

Hypothesis (2): work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap.

H0: work experience of financial suppliers doesn't influence on loan decision making quality through auditors' expectations gap.

H1: work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap.

S.E	t-statistics	Coefficient estimate	Path	
0.079	4.03	-0.320	Work experience related to financial suppliers job -->. gap	1
0.039	15.71	-0.607	auditors' expectations gap - >loan decision making quality	2

According to Table, for path 1 absolute value of the t-statistic is equal to 4/03 and greater than 1/96, so work experience of financial suppliers has a significant impact on the auditors' expectations gap;

on the other hand, in the path 2, absolute value of the t-statistic is equal to 15/71 and greater than 1/96, so auditors' expectations gap has a significant impact on the loan decision making quality.

Table 6- Sobel test			
indirect effect	p significant level	SE	Z test statistic
0.194	0.000	0.050	3.920

On the other hand, according to Sobel test statistic (3.920) and the significance level (0.000) which is smaller than 0.05 and the null hypothesis is rejected. Therefore, since there is no direct relationship between work experience of financial suppliers and loan decision making quality in the model, auditors expectations gap variable plays the role of mediator and its indirect effect is equal to 0.19. As a result, at 95% confidence level work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap.

Discussion and conclusion

Work experience of financial suppliers influences on loan decision making quality through auditors' expectations gap. Auditors' expectations gap has a significant impact on the loan decision making quality. Work experience related to financial suppliers jobs influences on loan decision making quality through auditors' expectations gap.

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

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

9/25/2016