

The Audit Quality Effects on Reputation of the Certified Public Accountants in Thailand

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Abstract—This research aims to study the audit quality that affected to the reputation of the certified public accountants in Thailand. The researcher defined the population for this research as a group of the certified public accountants in Thailand who are the member of the federation of accounting professions under the royal patronage of his majesty the king also disclose their information. The total sampling size is 325. The results showed the audit quality factor has influence to the reputation of the certified public accountants in Thailand by accuracy auditing, objectiveness auditing and clearness auditing. These factors show by $y_1 = 1.381 + .372x_{1.1} + .309x_{1.2} + .305x_{1.3}$ can be describe as professional standard strictly factor ($Y_{1.1}$) and the new clients raised from word of mount of old clients regularly factor ($Y_{1.2}$) by regression coefficient (R^2) as .242, this shows that such variables could predict the audit quality variable as 24.2 percent..

Keywords—Audit quality, certified public accountants in Thailand, reputation.

I. INTRODUCTION

IN business today ,audit quality problems in accounting have become a very important issue during the last few years. Accounting scandals like Enron and WorldCom cases have damaged people's confidence and credibility that resulted in massive criticism towards businesses including accounting community. The total demise of Arthur Andersen in 2002, one of Big 5 of U.S. public accounting firms, has shocked all over the world and often viewed as having generated considerable stress on accountancy. Enron failure case brings one dishonor to the accounting profession that serves as prima facie evidence that something more is needed in terms of audit quality, especially, in applying their profession's ethical standards of audit independence issue. Most people today agree about the decline on the audit quality as core ethical values in the accounting profession. The most often discussed questions that auditors raise and that are investigated by the various factors influence to increase or decrease of independence. The audit independence has become a critical issue for the public accounting profession and has been the topic of much debate and public attention. [1]

With respect to reputation of CPAs in Thailand, especially audit quality issue, auditors do not consider only intrinsic audit audit quality concentration as moral perspective, but they also introspect extrinsic stimulus as accuracy, objectiveness, clearness, conciseness, completion and

timeliness before auditor's judgment or decision-making. According to the audit independence literature, the research has varied over the last 150 years [3] but researcher in this area examines each factor that affects the reputation of CPAs, but for varying other purposes, not for the specific purpose of investigation effects of both audit quality concentration and relationship on the reputation of CPAs.

CPAs are licensed practitioners, who as audit quality assure opinions about an entity's financial statements. Their license provides them with the exclusive right to perform this attested function. This monopoly relies on the concept of independence that is the normative standard of accountancy. It is this perceived independence of auditors which provides credibility, reliability and trust in the financial accounting information upon which stakeholders depend to make informed decisions and investigation on both intrinsic and extrinsic factors that affect relationship on the audit independence provides a valuable contribution to the audit independence literature. [2]

This research helps develop the audit quality, audit credibility, and reputation, as mediating variables on the association between audit qualities on reputation of CPAs in Thailand. In addition, the moderating role of the current professional oversight influences audit quality in accuracy, objectiveness, clearness, conciseness, completion and timeliness on the reputation of CPAs in Thailand. [2]

II. LITERATURE REVIEW

A. Audit Quality Concept

DeAngelo [7] has been defined audit quality is a quality of financial reporting has been audited by the auditor. The financial report, it has the appearance of objectivity, accuracy, completeness, clarity, concise and timely. The auditor must be independent from thought and examination. Evaluated without the influence of any interference by the quality of the audit, it can help reduce the losses that may occur with the company or the company's reputation and build trust with customers as well. [5]also said the quality of the auditing of leading audit or Big 6 Company would be more effective if collaboration between the company and the auditor comply with accounting standards to get the most efficient financial reporting must be including the consisting of accuracy, fairness, clarity, compact, integrity and timeliness. And study of [8] noted that the audit quality that will include accuracy, fairness, clarity and compact, creativity and integrity, as well as the timely, then also requires an independent auditor's decision, because

of the outstanding audit quality. It must come from the quality of the audit without any influence and the freedom to decide the auditor by a leading audit will take these matters much it reflects the commitment and the dedication of a professional auditor. [6] The different variations of the discretionary accruals model are used in this study to assess the sensitivity of the results to discretionary accruals model selection. Audit quality can be used to draw inferences about audit quality because high-quality audits mitigate extreme management reporting decisions and accruals can be used to identify these extreme reporting decisions [6]. Previous audit research has used discretionary accruals to draw inferences about audit quality. In a related study examine the effects of audit quality on the reputation of CPAs of Big N auditors. In particular Lee and Mande investigate whether the Private Securities Litigation Reform Act of 1995 affected audit quality by accuracy, objectiveness, clearness, conciseness, completion, timeliness eliminating joint and several liability for reputation of CPAs [9].

B. Reputation of CPAs in Thailand

Reputation is defined as an auditor perception of a past performance about audit quality and performing the professional standard that favors clients and public [10]. It has been assessed in past definitions in terms of relative standing or desirability, quality esteem and favorableness. [11] proposed that it is a shared perception by other person's attributes or behavior. "Individuals are motivated to manage their impressions because they have a goal and maintaining a certain identity that they find rewarding or useful they need to behave in certain ways that are consistent with the desired identity or reputation. Also, because they reflect back to the person from others, reputations may provide feedback to the individuals that their objectives have been obtained"] seemingly, it has been defined as both a characteristic as well as a past behavior. [11]

Reputations tend to have an impact on how attractive people are seen to be, and individuals are believed to have multiple reputations. Therefore, individuals work hard at developing and maintaining their reputations through active efforts to manage impressions others form of them. Reputation can add value and increase the opportunities for sustainable success. Thus, reputation is often associated with achievement, which is presented as consistent high performance [13]. Consistent with Goldberg, Cohen and Fiegenbaum who found that positive reputation can be crucial to successful. In accounting perspective, good reputation is seen as an important intangible asset and the one that can or should be given financial worth.[4]

A reputation is built up slowly over a long period and it is a priceless asset that should be carefully developed, protected and monitored at all time [15] mention that having a favorable reputation may lead to favorable consequence, such as the charging of premium prices to the customer, the attraction of better clients and more investors. Good reputation has a competitive advantage and is likely to attract more clients [16]

create higher credibility and may lead to a good financial performance in the long-term .In addition, the strong positive reputations have higher market value. [17]

Some studies suggested that it is difficult to understand the causality between a good reputation and relevant outcomes such as financial performance and argue that "good name is to strong financial performance as chicken is to egg. It's not always clear which begets which; it is badly hard to have one without the other". [18]

In a market setting, reputation serves as an endogenous mechanism that generates high effort that correspond with an audit setting, high audit quality when the demand for an auditor's services depends on a reputation for supplying high-quality audit reports. When auditors form reputations for high quality audits, the reputation disciplines the auditors in continuing to supply high audit effort to maintain their reputation for audit quality. [15]

The latter found that a higher performance leads to a good reputation, which, in turn, enhances a likelihood performing well in the future. Indeed, reputation is an important factor in achieving success Therefore, the grater reputation, the more likely that the greater sustainable success is which means that more clients, more financial performance and clients' retention [14] can be expected. This is the existing of the long-term survival and preservation to thrive in profession.

III. METHODOLOGY

The researchers defined sampling random techniques by multi-stage-sampling including cluster random sampling [21], proportional allocation sampling and purposive sampling. The statistics used for data analysis are descriptive as percentage, mean, standardization and inferential statistics using multiple regression analysis.

The research conceptual framework is shown in Fig. 1.

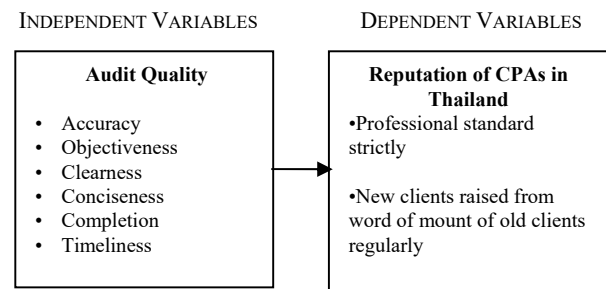


Fig. 1 Research Conceptual Framework

IV. FINDINGS

The result found reports demographic characteristics and descriptive statistics for all of the variables used in this research. Data were obtained primarily from 325 respondents of a 46-item questionnaire sent to 1,160 CPAs in Thailand. Ten respondents appeared with missing demographic data (Part 1 of a questionnaire). In summary, 82.2 percent of the sample, CPAs represented females and the rest of respondents were males. In terms of age and auditing experience, 56.3

percent were 31-40 years old and 74.8 percent were 3-6 years auditing experiences. All of the CPAs had at least a bachelor's degree, with 89.5 percent holding higher bachelor's degrees for 10.55 percent.

Characteristics of the Respondents	Frequency	Percent
Gender		
Males	58	17.8
Females	267	82.2
Age		
below 30 Year	16	4.9
31 - 40 Year	183	56.3
41 - 50 Year	87	26.8
51 Up Year	39	12.0
Status		
Single	186	57.2
Married	139	42.8
Education		
Bachelor's degree	291	89.5
Master degree	34	10.5
Income		
Below 50,000	12	3.7
50,001 - 100,000	237	72.9
100,001 - 150,000	54	16.6
150,000 Up	22	6.8
Audit Experience		
Below 3 year	15	4.6
3 - 6 year	243	74.8
Above 6 - 9 year	49	15.1
More than 9 year	18	5.5
Total	325	100.0

The result found that the variables are positively correlated with the reputation of CPAs in Thailand are audit quality in accuracy, audit quality in objectiveness with correlation coefficient .305 and .239 respectively meaning the audit quality in accuracy and audit quality in objectiveness are factors that determines the reputation of CPAs in Thailand for 33.7 percent.

V.DISCUSSION

The result show that is consistent with research of as a consequence, high-quality auditing services are particularly important in lending reputation of CPAs to financial statement and increasing investor's confidence.[19] If audit quality is associated with auditor reputation, events positively affecting that reputation should support the perceived credibility of the financial statement audited [21]. In a market setting, reputation serves as an endogenous mechanism that generates high effort that correspond with an audit setting, high audit quality when the demand for an auditor's services depends on a reputation for supplying high-quality audit reports. When auditors form reputations for high quality audits, the reputation disciplines the auditors in continuing to supply high audit effort to maintain their reputation for audit quality. [20]

Audit quality	B	Std. Error	t	Sig.	Tolerance	VIF
(Constant)	1.406	.212	6.623	.000		
Audit quality in Accuracy (x _{1.1})	.305	.043	7.089	.000**	.808	1.238
Audit quality in Objectiveness (x _{1.2})	.239	.048	5.003	.000**	.755	1.324
Adjusted R ² = .337						

In accounting context, higher audit quality are reflected by higher costs that have to infer that these higher costs result in greater audit quality. Hence, the auditor should have a higher reputation as a result. [18] The link of the relationship between the reputation and the audit quality is provided by economic theorists.

The essence of their arguments is that individual has an economic incentive to incur above average costs in order to produce a service of above average quality. Eventually, consumers will recognize this improved quality and be prepared to pay a higher fee in order to receive it. Hence, the important element for the economic models of reputation is higher service quality that is worth undertaking as it will eventually create a better reputation for the auditor. If auditors need to create a good reputation, they should be concerned with delivering the higher audit quality that why audit quality has a key driver of a good reputation. [22]

VI. RECOMMENDATION AND FUTURE STUDIES

In addition to those stemming from the limitations of the study, there are a number of opportunities for further research. First, methodological approach such as experiment method can be studied on both the auditors' independence in fact and those in internal validity. Second, the vast majority of CPA firms in Thailand are relatively small, and the judgments of auditors in those bigger firms are an important issue that should be studied. Accordingly, future research should test the generalizability of our results by comparing the judgments of auditors from large to small CPA firms. Thus, independence rules related to audit quality should be differentiated, i.e. different NAS should be treated differently. Some but not all types of services are required to be forbidden or at least to be provided in connection with the application of safeguards. Then, future research may also address the specific types and numbers of auditor. Ceteris paribus affects independence perceptions [23].

Fourth, the future research should address the differences emerge across different types of other users in Thailand context (e.g. accountants, accounting lecturer) in assessing the auditor's provision of audit quality. Fifth, the goal of auditor independence is to support user reliance on the financial reporting process, auditors must be independent both in fact and in appearance, conducting similar studies in other jurisdictions could increase the generalizability of the findings and provide reasons for differences between the audit quality in appearance as well as in fact. Future research should

carefully compare both dimensions of the audit quality in with reputation of CPAs in Thailand [1] for describe both difference of the audit quality dimension in the culture difference. Sixth, as noted earlier, the professional commitment has a three dimensional construct consisting of affectiveness, continuance, and normative commitment. [24] Future research should examine all three constructs of professional commitment on the audit quality.

Seventh, costs may have a significant impact on the audit quality and reputation of CPAs in Thailand relative effectiveness of sanctions as deterrents to unethical behavior. Therefore, future research should examine the impact of the perceived costs, as well as the likelihood, of sanction threats. Eighth, personal characteristics of decision makers, such as their level of cognitive moral development, are likely to interact with perceived sanction threats that potentially affect auditors 'ethical judgment. Further research should be examining the relationship between moral development level and ethical judgment. Ninth, like most prior ethics studies, this study used proxies for audit quality, such as audit firm size and used proxies for audit independence, such as audit fee [25].

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