

# Appendix C

April 2, 2025

## 0.0.1 Appendix C: Survey Instruments

**Going Concern Uncertainties & Financial Statement Quality  
Empirical Analysis of Management vs. Auditors' Disclosures**  
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**Research Overview** *Surveys capture perceptual gaps between management and auditors, aligned with H1 (bias) and H3 (materiality variability). Instruments validated via Cronbach's  $\alpha > 0.80$ .*

### Instrument Design

#### 1. Management Survey:

- *Sample Item:* "Loss aversion impacts our disclosure strategy" (1–5 Likert).

#### 2. Auditor Survey:

- *Sample Item:* "Client retention pressures dilute audit rigor" (1–5 Likert).

#### 3. Ethical Protocols:

- Anonymization workflow documented in `ethics_compliance.pdf`.

Below is a \*\*survey instrument\*\* aligned with the study's objectives, methodology, and hypotheses. The actual survey used in the study would require ethical approval, pilot testing, and validation, but this template reflects the key themes and structure described in the paper.

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## 0.0.2 Survey Instrument for Management (CFOs)

*(Stratified by firm size and industry)*

### Section 1: Demographics

1. Your role:
  - CFO
  - Senior Financial Executive
  - Other (specify): \_\_\_\_\_
2. Years of experience in financial reporting:
  - <5 years

- 5–10 years
  - 10 years
  - 3. Firm size (annual revenue):
    - <\$100M
    - \$100M–\$1B
    - \$1B
  - 4. Industry: \_\_\_\_\_
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**Section 2: Going Concern Disclosures** (*Likert scale: 1 = Strongly Disagree, 5 = Strongly Agree*)

1. “Our management team prioritizes transparency in disclosing financial distress risks.”
    - 1 2 3 4 5
  2. “We consider non-financial risks (e.g., leadership instability, supply chain disruptions) when assessing going concern viability.”
    - 1 2 3 4 5
  3. “Disclosing going concern uncertainties would harm our firm’s ability to secure financing.”
    - 1 2 3 4 5
  4. “We delay disclosing negative financial indicators to avoid short-term market reactions.”
    - 1 2 3 4 5
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**Section 3: Governance and Incentives**

1. How influential is your audit committee in shaping financial disclosures?
  - Not influential                      Highly influential
  - 1 2 3 4 5
2. Does CEO duality (CEO also serving as board chair) impact disclosure objectivity?
  - Significantly reduces objectivity
  - Slightly reduces objectivity
  - No impact
  - Improves objectivity
3. Rank the top 3 pressures influencing disclosure decisions:
  - Shareholder expectations
  - Regulatory compliance
  - Access to capital

- Auditor recommendations
  - Reputational risks
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## Section 4: Behavioral Factors

1. When assessing financial distress, how often do you rely on heuristics (e.g., industry norms) rather than detailed analysis?
    - Never      Rarely      Sometimes      Often      Always
  2. “Loss aversion (fear of negative outcomes) strongly impacts our disclosure strategy.”
    - 1    2    3    4    5
  3. Describe a scenario where cognitive biases (e.g., overconfidence) influenced a past disclosure decision:
    - [Open response]
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### 0.0.3 Survey Instrument for Auditors

*(Stratified by audit firm size: Big 4 vs. Non-Big 4)*

## Section 1: Demographics

1. Your role:
    - Partner
    - Senior Auditor
    - Other (specify): \_\_\_\_\_
  2. Years of audit experience:
    - <5 years
    - 5–10 years
    - 10 years
  3. Typical client size:
    - Small-cap
    - Mid-cap
    - Large-cap
- 

## Section 2: Audit Procedures *(Likert scale: 1 = Strongly Disagree, 5 = Strongly Agree)*

1. “Materiality thresholds are applied consistently across client engagements.”
  - 1    2    3    4    5
2. “Client retention concerns influence the rigor of going concern assessments.”

- 1 2 3 4 5
  - 3. “We prioritize quantitative metrics (e.g., Altman Z-scores) over qualitative risks (e.g., leadership instability).”
    - 1 2 3 4 5
  - 4. “Litigation risk drives conservative going concern opinions.”
    - 1 2 3 4 5
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### Section 3: Judgment Variability

1. How often do you encounter disagreements with management over going concern disclosures?
    - Never      Rarely      Sometimes      Often      Always
  2. Rank the top 3 challenges in assessing going concern risks:
    - Subjectivity of non-financial risks
    - Client pressure to avoid modifications
    - Lack of standardized materiality frameworks
    - Time/resource constraints
  3. Describe a case where materiality thresholds led to a contentious audit opinion:
    - [Open response]
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### Section 4: Governance and Accountability

1. How effective are independent audit committees in ensuring disclosure accuracy?
    - Not effective      Highly effective
    - 1 2 3 4 5
  2. “Regulatory reforms (e.g., mandatory stress tests) would improve going concern reporting.”
    - 1 2 3 4 5
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#### 0.0.4 Design Notes

1. **Pilot Testing:** Pre-test with 20–30 professionals to refine wording, ensure clarity, and calculate Cronbach’s alpha for reliability.
  2. **Anonymization:** Assure respondents of confidentiality to reduce response bias.
  3. **Branching Logic:** Use digital survey tools (e.g., Qualtrics) to tailor follow-up questions based on prior answers (e.g., if a respondent selects “Often” for heuristics, probe for examples).
  4. **Validation:** Include control questions (e.g., reverse-coded items) to detect inattentive responses.
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### 0.0.5 Example Scenario-Based Question (Both Surveys)

*“A client with a current ratio of 0.8, declining gross margins (15% annual drop), and a recent CEO departure requests minimal disclosure of going concern risks. How would you respond?”*

- Management (CFOs): Prioritize disclosure to avoid liability      Delay disclosure to secure financing
  - Auditors: Insist on modification      Defer to management’s judgment
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This instrument aligns with the study’s focus on **agency conflicts**, **materiality variability**, and **governance efficacy**. For full reproducibility, pair it with the GitHub code and risk assessment tool (Appendix A) provided in the original paper.

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