

## Professional Skepticism and Auditors' Assessment of the Risk of Material Misstatement with Emphasis on Social Cognition Theory<sup>1</sup>

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### INTRODUCTION

Social cognition theory is a general theory that can be used in various types of daily human behavior. In addition to the field of psychology, this theory has been tested and confirmed in various other fields such as organizational performance (Olson and Ramirez, 2020). The quantity and quality of the auditor's professional doubt lead to a better assessment of the risk of distortion. It generally leads to the improvement of the judgment process and audit quality. Based on this, the aim of the current research is to investigate the effect of professional doubt on auditors' assessment of the risk of significant distortion with an emphasis on the theory of social cognition. The results of this research can, while developing the theoretical literature of hresearch related to professional doubt and explain how the theory of social cognition affects the process of implementing doubtful behavior of auditors, how to evaluate the risk of significant distortion and the moderating role of individual factors and Reveal the environment.

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## **MATERIALS AND METHODS**

The current research is practical in terms of its purpose and quasi-experimental and survey in terms of nature. The time domain of the research is 2019. In this research, in order to test the research hypotheses, a questionnaire based on the scenario and taken from the research of Hussein et al. (2017) is used. The variables used in this research are divided into three categories: independent, dependent and moderator. The independent variable of the research is professional doubt. The dependent variable of the research is the auditors' assessment of the risk of significant distortion and other variables as moderator variables. In addition, from the point of view of social cognition theory, the modulating variables of the research are classified into two categories: individual variables and environmental variables, in such a way that the experience variable is an individual variable and time budget pressure is an environmental variable. The statistical population of this research is auditors working in the auditing profession, and using Cochran's formula, the number of 384 people in the research sample was determined for the unknown population and the samples were randomly selected. The questionnaire was distributed face-to-face and electronically, and finally, the collected data were analyzed using the structural equation method and PLS software.

## **RESULTS AND DISCUSSION**

Auditors are required to exercise a reasonable degree of professional skepticism to detect fraud and misstatement; because when the auditor has a low level of professional skepticism, he tends to ignore the signs of fraud and misstatement. The probability of discovering distortions is higher for auditors with a higher level of professional skepticism, because they do not accept the evidence easily and examine the accounting evidence and information more carefully, both quantitatively and qualitatively. Professional skepticism means that the auditor always has a questioning mind in relation to the validity and reliability of the evidence, and critically evaluates this evidence. In other words, the auditor seeks to discover the truth, whether the audit evidence obtained in the investigation process confirms the statements of the management of the employer's unit or not? Therefore, the auditor can search for more information and perform additional investigations in order to create a sufficient basis for better

judgments. According to Bandura's theory of social cognition, the triple interaction of the person, the environment and the behavior causes the formation of the individual's subsequent behavior. That is, none of these three factors is considered as a determining factor of human behavior apart from other factors. In the auditing profession, auditors' individual characteristics, performance, and work environment may moderate the effect of professional doubt in assessing the risk of distortion. Among the individual characteristics, the experience can be mentioned, and time budget pressure is one of the environmental factors of auditors' work. Based on this, the aim of the current research, inspired by the theory of social cognition, is to investigate the effect of professional doubt on auditors' assessment of the risk of significant distortion, taking into account the moderating role of individual and environmental variables.

## CONCLUSION

The results of the hypotheses test showed that professional doubt on the auditors' assessment had a positive and significant effect on the assessment of distortion risk, and this hypothesis was confirmed. The results related to the first hypothesis are in line with the research results of Hussein et al. (2017) and Sourindari (2016). In relation to the second hypothesis, the results show the negative and significant effect of the time budget pressure variable - as an environmental moderator variable - on the relationship between professional doubt and auditors' assessment of the risk of significant distortion, which means that the presence of time budget pressure weakens The relationship between professional skepticism and auditors' assessment of the risk of misstatement becomes significant. Considering the distortion risk assessment factor as an indicator of audit quality improvement, this result is in line with the research results of Primastoti and Sourindari (2014), Apprians et al. (2016), Najib and Sourindari (2017) and Doi et al. (2021). And it is contradictory to the results of the research of Hotabarat (2012), Khadila et al. (2015) and Hossein et al. (2017). The results of the third hypothesis test indicate that the auditor's experience has no effect on the relationship between professional skepticism and the assessment of the risk of significant distortion. The test results of this hypothesis are contradictory with the research results of Hossein et al. (2017), Alkhdash et al. (2013), Adrian

(2013), Sukendra et al. Sourindari(2018). In other words, in the statistical sample of this research, the effect of professional doubt and the assessment of the risk of distortion with significance, in the eyes of people with different work experiences, is not different and the same.

**Keywords:** Professional skepticism, Distortion risk assessment, Time budget pressure, Experience.

**JEL Classification:** H83, M42.

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