

DISCOVERING THE CONNECTION AMONG ANALYTICAL METHODS AND PROFESSIONAL ASSESSMENT

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Abstract

In arrears to on the rise need to auditors for the theater professional work in an well-organized and effective manner and rational assessment about general financial beaks, logical solutions have found growing importance in financial beaks. This investigation discovers the relationship between analytical methods of audit and professional calculation of audits. For this determination, relationship between analytical methods – in three stages of planning, implementation and finalization of audit – and professional assessment of audits is tested. Statistical people of this research include auditors working in auditing group. Sample was selected randomly and questionnaire containing 27 questions was distributed among auditors in supervisor, superintendent and mechanical manager levels.

Results show that expending analytical methods in three aforesaid steps has a significant relationship with professional calculation of auditors and using analytical methods leads to balanced assessment of them in facing various cases of auditing and consequently, logical assessment about audit report which is the final product of auditing process.

Keywords: analytical methods, audit, professional calculation of audits

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Introduction

Novel methods of auditing including analytical ones can provide a strong basis for performing optimal audits and improving performance of auditors; while auditing is the integrated part of the process of risk-assessment and is a criterion for controlling final quality of audited financial bills (William, 2011).

By applying analytical methods and using their techniques, audit can measure the risk of error in calculations and financial bills and their levels (Akbari, Ali Madad, 2000).

In summary, this paper discovers the connection between analytical methods of audit and professional assessment of free auditors. This research shows the rational and rational assessment of auditor in facing various cases of audit by applying analytical methods of auditing.

Problem statement

Present paper attempts to answer the main question of research that is whether auditors who use analytical methods in auditing financial bills have logical professional assessments? Moreover, investigation of the relationship between using analytical methods in planning, implementing and finalizing audit as well as experience and educational level of independent audits with their professional assessment for improving efficiency and effectiveness of audit methods, low costs of analytical methods compared to testing details and saving time and other benefits will be performed.

Position of research

Following issuedirect the rank of research over the relationship between analytical methods and professional assessment of independent auditors.

In competitive environment of today, reduction of costs and increasing efficiency has been more important. Competition in audit is intensified all around the world and specifically in developed countries. Consequently, auditors try to increase their efficiency. One of the most important ways of increasing audit efficiency is to use analytical methods since they are practical with high speed and low cost and less time (Sadjadi and Avesta, 2005).

Research questions

Main question

Do independent auditors who use analytical methods in auditing financial bills have rational and reasonable assessments?

Secondary questions

1. What is the relationship between planning stage of audit and professional assessment of auditors?
2. What is the relationship between implementation stage of audit and professional assessment of auditors?

Research hypotheses

Main hypothesis

Auditors who use analytical methods for auditing financial bills have more rational and appropriate assessments.

Secondary hypothesis

1. There is a relationship between analytical methods in planning stage of audit and professional assessment of auditors.
2. There is a relationship between analytical methods in implementing stage of audit and professional assessment of auditors.

Research methodology

This is a descriptive research and is applied from neutral point of view. In descriptive researches, researcher expressions for the nature of the subject and wants to know that how is the variable marvel of the object or substance. In other words, this research investigates the current situations and describes it in a regular and systematic manner and studies the characteristics and specifications of it and if necessary the relationship between variables. To collect data, questionnaire was used which was distributed among managers, supervisors and superintendents.

Data collection method and tool

In present paper, to collect data, library method is used. After recurring questionnaires and responses, data were entered Excel and statistical tests were did using SPSS software.

To analyze data, two methods of descriptive and inferential statistics; f-test and t-test were used.

Research field

Subject domain: this research explores the issues corresponding to using analytical methods in audit and its contribution to professional assessment of auditors in facing various issues.

Spatial domain: spatial domain of research includes all auditors working in auditing organization in supervisor, superintendent and manager levels.

Statistical people

Statistical population of this research includes all supervisors, superintendents and managers working in auditing organization and according to information received from the organization, there are 365 supervisors and superintendents and 65 managers and by 430 people as statistical population, volume of the sample will be as much as 203 people. Due to high number of audits in sample and to reduce them, Yates formula is used and eventually, sample volume was reduced to 138 people.

Terminology

In this research, analytical methods of audit are considered as independent variables and professional assessment of independent auditors as dependent one and educational level of auditors was considered as control variable. In what follows, we explain each of them and the way they are measured.

Conceptual definition of analytical methods

In auditing standard 56, analytical methods are defined as follows: “evaluation of financial information through interaction of rational and probable relationship between financial and non-financial data which necessitates the comparison of recorded value with auditor expected ones.”

According to paragraph 520 of auditing standards, analytical methods is the analysis of ratios and major trends including fluctuations and financial and non-financial relationships which do not conform to the other information and are biased with respect to predicted values. Analytical methods are applied in three stages of planning, implementation and finalization of the audit process. According to paragraph 2 of the same standard, application of these methods in planning and finalization of the process is mandatory.

Professional assessment: although there is no comprehensive definition about the professional assessment in audit, one of the definitions provided by America Association of Certified Public Accountants is as follows: “professional assessment in audit refers to application of knowledge and experience in the field of accounting and auditing standards and professional behavior regulations so that required decisions regarding selection of appropriate solution among various options can be made.”

Audit experience: experience in a field refers to facing a certain case which provides an opportunity for business (Libby, 1995).

Experience has an undeniable effect on the assessment of auditor. Experience leads to improvement of auditing capabilities in data processing and providing various solutions in certain situations. Same experience causes the formation of a framework for assessment of auditor leading to decision making and data interpretation methods (Gibbins, 1984).

Results

Normality of distribution of variables

To investigate the normality of distribution of variables, Kolmogorov – Smirnov test was used. Null hypothesis in this test represents the normality of variables distribution. If the level of significance of the test is higher than 0.05, null hypothesis is approved and we conclude that distribution of variable is normal.

According to obtained significance level, it can be concluded that all variables have normal distribution ($p < 0.05$).

Table 1: results of Kolmogorov – Smirnov test for normality of scores distribution

	Number	z-test	Confidence level
Relationship between using analytical methods and professional assessment	119	0.986	0.286
Relationship between using analytical methods in planning stage of audit and professional assessment	119	0.909	0.380

Hypothesis test and data analysis

Main hypothesis: There is a relationship between using analytical methods in audit of financial bills and professional assessment of auditors.

To test this hypothesis, t-test is used. Scores are from 1 to 5. Therefore, value of the test as much as 3 which is the average value of the variable is considered. An average value more than 3 represents strong relationship and a value less than 3 stands for a weak relationship.

H_0 (null hypothesis): the relationship between analytical methods and professional assessment is in average level.

H_1 (alternate hypothesis): the relationship between analytical methods and professional assessment is not in average level.

Average of the variable of the relationship between analytical methods and professional assessment is 3.87 and confidence level of the test is 0.001. Since the confidence level is less than 0.05, null hypothesis is rejected. On the other hand, since average is more than 3, it can be concluded that the relationship between analytical methods and professional assessment is significantly higher than average. It means that using analytical methods in audit of financial bills is significantly related to professional assessments of auditors.

Table 2: results of t-test for relationship between using analytical methods and professional assessment

Variable	Test value=3						
	Number	Mean	Standard deviation	t-test	DOF	Confidence level	Mean difference of variable with test

Relationship between using analytical methods and professional assessment of auditors	119	3.868	0.403	23.46	118	0.0001	0.86
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1st secondary hypothesis: There is a relationship between using analytical methods in planning stage of audit and professional assessment of auditors.

To test this hypothesis, t-test is used. Scores are from 1 to 5.

H₀ (null hypothesis): the relationship between analytical methods in planning and professional assessment is in average level.

H₁ (alternate hypothesis): the relationship between analytical methods in planning and professional assessment is not in average level.

Average of the variable of the relationship between analytical methods in planning stage and professional assessment is 3.83 and confidence level of the test is 0.001. Since the confidence level is less than 0.05, null hypothesis is rejected. On the other hand, since average is more than 3, it can be concluded that the relationship between analytical methods in planning and professional assessment is significantly higher than average. It means that using analytical methods in planning stage of audit of financial bills is significantly related to professional assessments of auditors.

Table 3: results of t-test for relationship between using analytical methods in planning stage and professional assessment

Variable	Test value=3						
	Number	Mean	Standard deviation	t-test	DOF	Confidence level	Mean difference of variable with test
Relationship between using analytical methods in planning stage and professional assessment of auditors	119	3.833	0.65387	13.9	118	0.0001	0.83311

2nd secondary hypothesis: There is a relationship between using analytical methods in implementation stage of audit and professional assessment of auditors.

To test this hypothesis, t-test is used. Scores are from 1 to 5.

H₀ (null hypothesis): the relationship between analytical methods in implementation stage and professional assessment is in average level.

H₁ (alternate hypothesis): the relationship between analytical methods in implementation stage and professional assessment is not in average level.

Average of the variable of the relationship between analytical methods in implementation stage and professional assessment is 3.59 and confidence level of the test is 0.001. Since the confidence level is less than 0.05, null hypothesis is rejected. On the other hand, since average is

more than 3, it can be concluded that the relationship between analytical methods in implementation stage and professional assessment is significantly higher than average. It means that using analytical methods in implementation stage of audit of financial bills is significantly related to professional assessments of auditors.

Table 4: results of t-test for relationship between using analytical methods in implementation stage and professional assessment

Variable	Test value=3						
	Number	Mean	Standard deviation	t-test	DOF	Confidence level	Mean difference of variable with test
Relationship between using analytical methods in implementation stage and professional assessment of auditors	119	3.594	0.50005	12.96	118	0.0001	0.59424

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