CONFIRMATORY BEHAVIORS IN ACCOUNTING: EXPLORING WHAT MAY LEAD TO DIFFERENCES IN HOW ADVISORS SEARCH FOR AND EVALUATE INFORMATION, AND THE SUBSEQUENT RESULTS

by

Sean Michael Andre

A dissertation submitted in partial fulfillment of

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CONFIRMATORY BEHAVIORS IN ACCOUNTING: EXPLORING WHAT MAY LEAD TO DIFFERENCES IN HOW ADVISORS SEARCH FOR AND EVALUATE INFORMATION, AND THE SUBSEQUENT RESULTS

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Under the supervision of Professor Jon S. Davis

At the University of Wisconsin – Madison

Prior research in accounting has provided evidence that accounting professionals engage in confirmatory behaviors; that is, they conduct information searches and information evaluations in a way that tends to favor the client-preferred outcome. In this study, I explore factors which factors (which can vary depending on circumstances of the specific decision task) have the greatest overall influence on predicting the extent of confirmatory behaviors engaged in by advisors. The factors examined are: specific advisor role (whether the advisor is offering a recommendation for the client to consider or making a decision for the client), perceived accountability with respect to the final decision, perceived accountability with respect to the information search process, perceived ease of the overall decision task, the strength of the initial preference before beginning research, advocacy, and concerns about accuracy. Additional analyses also explore how these factors and the extent of confirmatory behaviors can be used to predict differences in subsequent perceptions and judgments with respect to the client's preferred position, specifically: the perceived likelihood of judicial success, how strongly the advisor would recommend the position, how confident the advisor is with respect to the client's preferred position being the most appropriate, and whether or not the advisor

chooses the client's preferred position. The results of the study indicate that various situational factors are useful in predicting differences in confirmatory behaviors, as well as differences in subsequent perceptions and judgments.

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CHAPTER I

INTRODUCTION

Professional accountants are frequently called upon to provide advice to their clients. Such advisory roles can be found among auditors, tax professionals, and business consultants, all of whom provide significant revenue to accounting firms. In order to provide quality advice, oftentimes the accountant will first need to seek out additional information and evaluate its usefulness.

Research on decision-making in psychology has shown that a commitment to or a preference for a specific hypothesis (e.g., a client's preferred position) can cause one to engage in confirmatory behaviors when searching for or evaluating information (see Kunda 1990 for an overview of this research). These behaviors include confirmatory information searches (specifically seeking out information that will support the hypothesis) and confirmatory information evaluations (attaching more weight to information that supports the hypothesis), which, in turn, increase the likelihood of accepting that hypothesis. Such behaviors and subsequent decisions can occur even in situations when such a hypothesis is not correct or justifiable, had one considered all of the relevant information in a balanced fashion (Pinkley et al. 1995, Johnston 1996, Jonas et al. 2005)

Accountants are not immune to this effect. Accounting advisors engage in confirmatory behaviors, both in auditing (Church 1991, Hackenbrack and Nelson 1996, Salterio and Koonce 1997, Blay 2005) and in tax (Johnson 1993, Cloyd and Spilker 1999, Cloyd and Spilker 2000, Davis and Mason 2003, Kadous et al. 2008), which can impact the final decision made by the advisor.

The main purpose of this study is to gain a better understanding of the nature of confirmatory behaviors, including which situational factors may contribute most towards such behaviors. Also explored is how the magnitude of these confirmatory behaviors and causal factors may subsequently impact the final decision made by the advisor, as well as perceptions and judgments related to this final decision (i.e., the perceived likelihood of judicial success for a position, the strength of the recommendation, and the level of confidence that the recommendation is the most appropriate position).

To accomplish this purpose, study subjects were given the role of an advisor in a tax compliance task. The nature of the client's situation allowed for two possible solutions, one of which was strongly preferred by the client. Advisors' information search behavior was monitored and measures of how they evaluated information were collected. A series of questions were also asked to ascertain final decisions and perceptions and judgments with respect to their decisions.

Several factors are predicted to contribute to confirmatory behaviors in this setting. One is the nature of the advisor role (whether the advisors are giving advice they know the client will follow, or merely giving advice for the client to consider), which was manipulated between subjects. Other factors predicted to influence confirmatory behaviors included perceived accountability with respect to the final decision, perceived accountability with respect to the research process, perceived ease of the overall decision task, how strongly the advisor favored the client's preferred position before beginning the research process, advocacy, and concerns about accuracy.

The results of this research indicate that the specific advisor role does not lead to differences in information search or evaluation behavior. Instead, how strongly advisors view themselves as client advocates contributes the most to differences between the number of supporting cases examined compared to nonsupporting cases during their information search. However, when information search behavior is measured by comparing the time spent reviewing supporting cases to the time spent reviewing nonsupporting cases, accuracy concerns are the most important.

In turn, both measures of information search behavior are important determinants with respect to how advisors evaluate information, when information evaluation is measured as the difference between the number of supporting and nonsupporting cases the advisor would cite in a memo as relevant. In addition, perceived accountability with respect to the information search process is a significant factor.

On the other hand, when information evaluation is measured by the difference between importance ratings attached to supporting and nonsupporting cases, the nature of the advisors' information searches are surprisingly not significant indicators. Instead, the most important factor is how easy the individual found the overall decision task.

Additional analyses explore how confirmatory behaviors and differences in situational factors can lead to differences in perceptions and judgments (the perceived likelihood of judicial success for the client's preferred position, how strongly the advisor would recommend the client's preferred position, and the level of confidence reported by the advisor that the client's preferred position is the most appropriate). One finding is that some measures of confirmatory behaviors are strongly correlated with the perceived likelihood of judicial success for the client's

preferred position, consistent with prior research on confirmatory behaviors in accounting. However, unlike prior research, these behaviors on their own are not significant predictors with respect to differences in these likelihood assessments—instead, perceived accountability with respect to the search process and concerns about accuracy are the most important predictors. This finding may provide evidence that the links between confirmatory behaviors and the perceived likelihood of judicial success—found in prior research—may be due not to causality but to correlated omitted variables.

Another finding was that with respect to both strength of the recommendation and level of confidence for the client's preferred position, the most significant predictor is differences in how supporting and nonsupporting information is weighted. Interestingly, differences in information search behavior or differences in the number of supporting and nonsupporting cases cited in a memo are not significant.

Next, the current study finds evidence that differences in various situational factors are also useful in determining the advisors' perceptions and judgments, after controlling for the effect of information searches and evaluations. Specifically, for perceived likelihood of judicial success for the client's preferred position, perceived accountability with respect to the information search process and concerns about accuracy are significant. With respect to differences in how strongly the advisor recommends the client's preferred position, perceived accountability with respect to the final decision and concerns about accuracy are significant. The most significant factor related to differences in confidence for the client's preferred position being the most appropriate is perceived accountability with respect to the final decision. Lastly,

differences in the perceived ease of the overall decision task and perceived accountability with respect to the final decision are significant factors leading to differences in the final decision chosen by the advisor.

Also, it is worth noting that advocacy is not found to be a significant factor with respect to differences in perceptions or judgments in the current study. This is an interesting and unexpected finding, as research in tax accounting typically suggests that advisors are more likely to recommend the client's preferred position because of their role as client advocates. Instead, the results of the current study provides evidence that advocacy alone may not be enough to increase the likelihood of the advisor following the client's preferences.

Finally, this study also provides evidence that while the majority of advisors engage in confirmatory behaviors, a comparatively large number engage in disconfirmatory or neutral behaviors. This may indicate that prior research, which reports only the average overall behaviors and implies that advisors as a whole generally engage in confirmatory behaviors, might be misleading.

This study offers the following contributions to existing literature. First, I extend research in both psychology and accounting with respect to confirmatory behaviors. Prior research in psychology on confirmatory behaviors suggests a number of factors that potentially influence confirmatory behaviors (e.g., concerns about accuracy, advocacy, or perceived accountability); however, these factors have not yet been examined simultaneously in order to determine which may have the strongest relative impact. Second, studying both behaviors and situational factors can extend prior accounting research by exploring if the final decision, as well as perceptions and judgments with respect to these decisions, are driven by differences between behaviors or by

other situational factors, and which behaviors or factors have comparatively the strongest impact. Taken together, knowing which factors are most strongly related to confirmatory behaviors, decisions, and judgments can provide a focus for future research aimed at discovering ways to eliminate potential decision biases resulting from confirmatory behaviors. This is especially relevant in an accounting setting, as the potential consequences to both advisor and client from providing inappropriate advice can be disastrous.

Third, this study extends research in accounting by examining both the information search and information evaluation stages of a decision task. Prior accounting research in tax has focused on either the information search phase or the information evaluation phase only. However, in a decision-making task, the information search and evaluation phases are not done independently, and therefore these prior findings may lack some external validity. For example, prior research focusing only on the information search phase has typically found evidence of strong confirmatory behaviors, which, in turn, has lead to higher perceived likelihood of judicial success for the client's preferred position and increased likelihoods of selecting the client's preferred position (Cloyd and Spilker 1999, Kadous et al. 2008). However, it is possible that these differences in perceptions and judgments may have been due to unmeasured differences in how the advisors evaluated the information that they found. Similarly, prior research focusing only on the information evaluation phase has found that strong confirmatory behaviors lead to differences in the perceived likelihood of judicial success and increased likelihoods of selecting the client's preferred position (Johnson 1993). Yet, such findings could potentially merely be an artifact of the subjects being forced to evaluate a set number of pieces of information. It is possible that had they been given the opportunity to conduct their own information search, and

search for as much information that they wished, they may have evaluated the information differently. Therefore, the current study adds to the prior literature by including both information search and information evaluation. In doing so, the relations between search and evaluation can be studied, as well as their relative importance to the final decision, and perceptions and judgments with respect to the final decision.

It is also worth mentioning that, while the current study specifically explores a tax compliance scenario, the results may also be relevant to other accounting areas. The overall decision task may differ on some dimensions, but information search and information evaluation are crucial stages, regardless of whether the professional is engaged in tax compliance, tax planning, or in audit. Tax compliance and tax planning require reviewing available tax law and court case precedents in order to make a final recommendation to the client. Auditors are required to search through information regarding the client's financial statements and make decisions about whether or not to request additional information before rendering a final judgment.[1] Therefore it is possible that the current study may also offer some preliminary insight on how advisors might behave in a tax planning or an audit scenario.[2]

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[1] The information search and evaluation has become even more important in an auditing setting as technology has improved. For example, Nelson et al. (2005) discuss KPMG's KWorld intranet site. This site allows auditors to select from menus of hypotheses to test for, and the variety of databases of available information on these sites is "huge." The authors also raise concerns about how this new technology impacts issues such as information load and the impact of selective search strategies.

[2] A tax compliance scenario was chosen because it lends itself most easily to the theory being tested. While auditing has also shown evidence of confirmatory behaviors, the results have been mixed; however, in tax, the evidence is strongly indicative of confirmatory behaviors (most likely due to a strong advocacy role). Tax compliance was chosen over tax planning because compliance represents a set of facts that have already occurred and, as such, leaves less room for interpretation. Therefore, in a tax compliance situation, unlike a tax planning situation, a decision must be made that is based solely on the search and evaluation of information (Johnson 1993).

The remainder of this dissertation is organized as follows: Chapter II discusses prior literature; Chapter III discusses theory and develops hypotheses; Chapter IV describes the experimental design and research methods; Chapter V presents the results; and Chapter VI provides a final discussion and concluding comments.

CHAPTER II

LITERATURE REVIEW

This chapter reviews the literature relevant to the research question in this dissertation, specifically, which factors contribute the most to the confirmatory information search and/or evaluation engaged in by advisors. The first section provides a background on the nature of confirmatory behaviors from psychology and also discusses contributions made by accounting research in this area. The second section is an outline of the tax advisor role and the tax research process, including a discussion of professional standards in this area. Next follows a discussion of research on different types of advisor roles. Following this is an outline of the situational factors that were examined in the current study to determine their relative impact on confirmatory behaviors: perceived accountability, perceived ease of the decision task, strength of the advisor's preference before beginning research, advocacy, and concerns about accuracy. Finally, the links between confirmatory behaviors and perceptions and judgments with respect to the final decision are discussed.

Confirmatory Behaviors

Research in Psychology on Confirmatory Behaviors

A great deal of research in psychology has explored the context of decision making. In the context of dissonance theory (Festinger 1957, 1964), studies have found that if individuals have a preference for a particular solution before beginning research, and have a degree of commitment (i.e., are motivated) towards choosing this preferred solution, then they tend to prefer information supporting this notion (see Frey 1986 for an overview of research in this

area). Often referred to in psychological studies as "confirmation bias," (e.g., Schulz-Hardt et al. 2000), people prefer supporting information because it reduces feelings of cognitive dissonance (internal conflicts that are created when an individual has to consider alternatives that are not congruent with one's preferred alternative). [3]

This preference for supporting information can lead to confirmatory behaviors such as confirmatory information searches and confirmatory information evaluations. Confirmatory information searches occur when an individual specifically seeks out information that will support a particular position. Confirmatory information evaluations occur when an individual compares information that supports a particular position and information that does not (nonsupporting information), and attaches more importance or relevance to the supporting information.

Koehler (1991) summarizes studies in this area and provides a theoretical explanation for confirmatory behaviors. He states that when certain positions are selected or preferred before the information search process begins, attention is brought to this single preconceived solution in the decision maker's mind. This creates a conditional reference frame, in which the preconceived solution is temporarily assumed to be true. Once this frame is in place, individuals tend to engage in confirmatory information searches and evaluations in order to better fit the available information within this frame. Furthermore, once an individual has a conditional reference frame, Koehler suggests that it is difficult to shift reference frames and consider other alternatives due to the onset of inertia. Alternative solutions that do not fit within the original

[3] Studies in the context of decision-making and cognitive dissonance have suggested that both differences in the decision-making context (situational factors) and differences in the individual decision makers (trait differences) may lead to systematic differences in decision making behavior (e.g., Farley 1969, Leippe and Eisenstadt 1999). However, this paper will be focused solely on situational differences.

reference frame may then be overlooked or heavily discounted. Finally, engaging in confirmatory behaviors tends to increase feelings of confidence for the preferred position and reduce confidence in alternative solutions, making the preferred position more likely to be selected.

Kunda (1990) sheds some additional insight in her paper that summarizes research on motivated reasoning. She provides theoretical explanations and presents evidence on confirmatory behaviors and its link to forming impressions, determining one's beliefs and attitudes, evaluating evidence, and making decisions. Similar to Koehler, she also supports the notion that individuals do not like to consider more than one potential solution at a time (due to feelings of cognitive dissonance); instead, they tend to pick the solution that they prefer as they search for and evaluate information. She also proposes that decision makers engage in confirmatory behaviors in order to justify to themselves that their preference is the best solution to the problem. In turn, this increases the likelihood of decision makers selecting the preferred position as their final decision. Interestingly enough, these individuals are oftentimes unaware that they engage in confirmatory behaviors; on the contrary, they believe that they behaved in an unbiased and objective fashion (i.e., an "illusion of objectivity").

Both Koehler (1991) and Kunda (1990) support the notion that individuals will engage in confirmatory behaviors if they are motivated to find support for a particular position. However, problems may arise when individuals engage in confirmatory behaviors, as both confirmatory information searches and confirmatory information evaluations may cause decision makers to ignore or discount potentially relevant information, simply because such information does not fit within their current reference frame. In turn, this could cause decision makers to miss potential

risks and warning signals with respect to their preferred position (Nemeth and Rogers 1996) or lead to final decisions that may not be appropriate or justifiable had all information been considered in a balanced fashion. For example, Pinkley et al. (1995) find that in a negotiations task, many subjects who receive full information about their opponents still engage in confirmatory behaviors, resulting in inaccurate assessments about the opponents' preferences. Johnston (1996) shows that individuals prefer information that supports preexisting stereotypes. This occurs both for positive stereotypes (e.g., information about doctors) and negative stereotypes (e.g., information about schizophrenics). Receiving information contradicting the stereotypes is not enough to change initial preferences. Another potential consequence stems from the fact that decision makers may make biased decisions without even realizing it: as stated above, individuals who engage in confirmatory behaviors often believe that their behavior is rational and unbiased (Kunda 1990), and become overconfident with respect to the appropriateness of their final decision (Koehler 1991).

In summary, decision-making research in psychology predicts that individuals tend to engage in confirmatory behaviors under certain conditions, conditions which easily lend themselves to a decision-making task in accounting. One of these is that there is uncertainty with respect to the most appropriate solution; decision tasks in accounting often involve uncertainty with respect to the most appropriate reporting position (i.e., the available law, rules, or standards offer no immediate or obvious solution to the issue at hand). Second, the decision maker has a preferred position and is motivated to find support for that position. Accountants are often motivated or even pressured to find support for the client's preferred position. This is especially true in a tax setting as advisors are expected to behave as client advocates. Therefore, it would

appear that based on these circumstances alone, that accounting professionals may be prone towards engaging in confirmatory behaviors. The remainder of this section discusses prior research in both auditing and tax on confirmatory information searches and confirmatory information evaluations.

Research in Accounting on Confirmatory Behaviors

A commonly observed behavior in decision-making research is that if individuals have a preference for a particular position before conducting an information search, they often will choose to actively seek out supporting information to a greater extent than nonsupporting information (Beattie and Baron 1988, Trope and Liberman 1996, Schulz-Hardt et al. 2000, Jonas et al. 2001) and they will attach more importance to supporting information than nonsupporting information (Lord et al. 1979, Ditto and Lopez 1992, Russo et al. 1996).

These behaviors can occur even in tasks where the decision maker is expected to consider multiple potential solutions. For example, Hoch (1984) finds that even when individuals are expected to generate reasons supporting both sides of an issue, whichever side they considered first tends to be easier for them to support and agree with. Russo et al. (1996) finds that if the decision makers have no initial preference, whichever solution they consider first causes them to engage in confirmatory information evaluations that support their first consideration. Bem and McConnell (1970) examine a scenario when decision makers have an initial preconceived solution that they may not personally believe or agree with. The authors find that the process of

coming up with arguments supporting the preconceived solution causes the decision makers to be more supportive of that solution, and in some cases, to come to believe that the initial solution is what they had wanted all along.

Accountants are not immune from these behaviors. Both auditors and tax professionals have been shown to engage in confirmatory behaviors, using the client's preferred reporting position as their own preconceived reference frame. In audit, the results have been mixed. Ashton and Ashton (1998) find that auditors tended to attach more weight to information that disconfirms initial nonerror explanations for clients. Butt and Campbell (1999) report that unless specifically requested to do so, auditors typically do not engage in confirmatory behaviors.

In contrast to these findings, Church (1991) manipulates auditors' level of commitment towards a hypothesized explanation for an unexpected fluctuation in the client's gross margin. The author finds that those who are strongly committed to their hypothesis tend to attach more weight to evidence that confirms their initial hypothesis. Blay (2005) finds that if there is a fear of losing the client, auditors tend to attach more importance to information supporting the client's preferred position.

While the prior research in auditing on confirmatory behaviors has shown mixed results, research in tax is strongly indicative of advisors engaging in confirmatory behaviors. With respect to information searches, Cloyd and Spilker (1999) create a fictitious case in which a judgment has to be made about whether a client could be considered an investor or a dealer for a real estate transaction. The authors separate subjects into two subject pools—in one, the client prefers to be treated as an investor, and in the second, the client prefers to be considered a dealer. In the dealer group, the authors find that tax professionals review more cases and spend more

time looking at cases that support dealer treatment than cases that support investor. On the other hand, in the investor group, tax professionals review more cases and spend more time looking at cases that support investor treatment than cases that support dealer treatment. The authors also find that those in the dealer group are more likely to recommend dealer treatment for the client, while those in the investor group are more likely to recommend investor treatment for the client.

Cloyd and Spilker (2000) extend these results by comparing the information search behavior of tax and law students. They find that while both engage in confirmatory information searches, the behavior is more pronounced for the accounting students. Kadous et al. (2008) also extends Cloyd and Spilker (1999) by manipulating the level of risk (characterized by potential exposure to penalties) associated with the client. They find that confirmatory information searches persist among those in the low practice risk condition.

On their own, confirmatory information searches are not necessarily faulty strategies. According to Klayman and Ha (1987), a positive test strategy—searching for information that supports a particular hypothesis—can be very beneficial in testing whether or not a given hypothesis (such as the acceptability of the client's preferred position) is actually true or false. However, the authors warn that positive test strategies can lead to problems when used inappropriately. One such example of inappropriate information search behavior can be seen in the results reported by Cloyd and Spilker (1999). In addition to discovering subjects engaging in confirmatory information searches, the authors perform a second experiment in which the facts of the case are manipulated so that only a 13.75 percent chance exists of a court ruling in favor of the client-preferred position. Even under these extreme conditions, almost half of the subjects (46 percent) recommend the client-preferred treatment. The authors find that the subjects who

recommend this inappropriate position engage in greater confirmatory information searches than those who do not recommend the client-preferred treatment. As suggested by psychological research on confirmatory behaviors (Pinkley et al. 1995, Johnston 1996, Jonas et al. 2005), confirmatory information searches can lead tax professionals to accept solutions that may not be correct or justifiable when considering all the relevant information.

Confirmatory information evaluations have also been shown to occur in tax settings. For example, in examining the behavior of tax supervisors, both Hatfield (2001) and Barrick et al. (2004) support the notion that tax supervisors attach more weight and are more persuaded by research reports and recommendations that support the client's preferred position. With respect to information examined directly by the tax advisor, Johnson (1993) examines tax professionals asked to rate the importance of precedent court cases in determining if a sum paid to a company's president is reasonable (and therefore deductible). Each subject examined four cases, and the outcome of the cases was manipulated between subjects. The author finds that subjects rated cases with outcomes consistent with the client's preferred position to be more relevant than cases that did not support the client's preferred position. The author also finds that this behavior indirectly increases the likelihood of the professional recommending the client's preferred position. Lastly, Davis and Mason (2003) find that how strongly advisors view themselves as client advocates impacts judgments about the similarity between a precedent and a client case, which in turn influences how such the case was evaluated. In other words, when a precedent court case rules in favor of the client's preferred position, it is viewed as more similar (and thus, more relevant) to the client's situation than when the case does not support the client's preferred position.

Finally, it is also worth keeping in mind that the accounting research mentioned above viewed confirmatory behaviors from the perspective of following the clients' preferences (as opposed to confirming what their own personal preferences, which may be different). However, confirmatory behaviors have been shown to occur both when making a decision for one's self and for another party. Tetlock et al. (1989) find that when people know the preferences of their audience, they tend to shift their own views to match that of the audience and spend most of their time trying to justify those positions. Similarly, Tetlock (1992) suggests that if advisors are concerned about another party's preferences, they become more likely to engage in confirmatory information searches.

In an accounting setting, it is natural to expect that tax advisors will likely view the client's preferred position as a reference frame and would be most likely to engage in confirmatory behaviors in order to find support for the client's preferred position, due to their role as a client advocate. This assumption is supported by research in accounting on confirmatory behaviors (Cloyd and Spilker 1999, 2000, Kadous et al. 2008, Johnson 1993, Davis and Mason 2003), which finds that the advisors engage in confirmatory behaviors with respect to the client.

Further support is found in Kahle and White (2004). In this study, the participants are asked to consider a hypothetical tax client, who needed to make a determination on whether a set of individuals should be considered employees or independent contractors. Participants are given background facts on a tax client's case, and asked to provide an initial likelihood assessment of a court's ruling on the issue. They were then provided with additional information and asked to make a new likelihood assessment. The purpose of this study was to determine how client

preferences and the advisors' initial preferences interact and lead to differences in belief revisions. The authors find that in general, the advisors do not seek to confirm their own personal preferences, but instead, are highly susceptible towards belief revisions when additional information supports the client's preferred position. This leads the authors to conclude that individuals tend to follow client preferences more than their own initial beliefs. Therefore, from this point forward, "confirmatory behaviors" in accounting will refer to information searches and evaluations using the client's preferred position as a reference frame.

Summary and Contribution

Prior research in psychology on decision-making has shown evidence of individuals engaging in confirmatory behaviors, which can in turn lead to the decision maker believing that the preconceived solution is best and therefore increasing the likelihood of selecting that solution. Accountants are not immune from this behavior, despite the fact that, by their nature, accountants also have strong incentives to provide appropriate and accurate solutions for the client. The evidence of confirmatory behaviors is especially strong in a tax setting, as tax professionals frequently take on the role as advocates for their clients and therefore are strongly motivated to find support for the client's preferred position. Especially disconcerting are the findings of Cloyd and Spilker (1999), in which they found almost half of the subjects still recommended the client's preferred position despite only a 13.75 percent chance of judicial

success for that position. In summary, the potential for recommending inappropriate positions in a tax setting is troubling, especially given the regulatory requirements imposed on tax professionals.

However, one important distinction between the prior research in accounting on confirmatory behaviors and the current study is that prior research has focused on the information search or the information evaluation only. In real-world decision tasks, both the search for and the evaluation of information are crucial steps toward making a final decision, and these steps are not independent of each other. Prior research linking confirmatory information searches to differences in the final decision have not simultaneously measured how the information was evaluated. Exploring information search and evaluation simultaneously will contribute by providing evidence on how these two behaviors are related and to what extent might they lead to differences in perceptions and judgments.

In a similar way, it is possible that the results from prior research that links confirmatory information evaluation to differences in the final decision may be different if subjects are allowed to conduct their own information search. For example, in Johnson (1993), all subjects read and evaluated the same four court cases. In Davis and Mason (2003), subjects examined only two cases (the client case and a precedent case), and all subjects read both cases. In neither of these studies were subjects allowed to pick which cases they wanted to read and evaluate. Jonas and Frey (2000) argue that being forced to choose from pieces of information increases the likelihood of engaging in confirmatory behaviors, compared to being allowed to select only the information that one wishes. Therefore it is possible that the findings in prior research on information evaluation may differ once information search is also introduced.

A second way that the current study differs from prior research is that outside of advocacy (Johnson 1993, Davis and Mason 2003), other factors that could potentially contribute towards differences in confirmatory behaviors, perceptions, and judgments have not yet been explored. In essence, these prior studies have found evidence of confirmatory behaviors but have not explored why or which factors contribute the most towards the extent of confirmatory behaviors. The current study provides preliminary evidence on the relative importance of various factors. Finally, the current study differs from prior research by attempting to add greater realism and arguably provide a more accurate representation of what one would expect in a real-world decision task. By doing so, it can be determined if the prior research findings have external validity. For example, in prior accounting research on information searches (Cloyd and Spilker 1999, 2000, Kadous et al. 2008), all of the information provided to the subjects was considered relevant. Furthermore, there were four categories that the subjects needed to consider before making a final decision. The information given to the subjects was already organized based on which category the information related to, as well as whether or not it supported the client's preferred position. In contrast, for the current study, information was presented in a way that one might expect when conducting an information search in a legal database. The information given was presented randomly and not separated based on whether or not the information supported the client treatment. Furthermore, not every item of information was relevant to the client's immediate situation. Also, unlike the prior research, multiple criteria were important to making a final ruling, and these criteria were not limited to one per case.

With respect to prior research on information evaluation, Johnson (1993) and Davis and Mason (2003) provided all their subjects with the same pieces of information (four court cases and one precedent court cases, respectively). However, the current study attempts to add overall realism and external validity by allowing advisors to conduct their own information searches, and only evaluate what they specifically wanted to study in the first place.

The next section discusses the general role of tax advisors and outlines the overall tax research process. Also included is a discussion of the professional standards that tax advisors are required to follow, and the potential consequences of choosing inappropriate tax positions.

Tax Professionals as Advisors

Among the advisory services offered by accounting firms, tax—both planning and compliance—represents a significant component. For example, in 2004, the "Big 4" firms received on average 24.5 percent of their total revenues from tax services and Deloitte announced that tax had taken over audit as its core source of revenue (Nixon 2004). Further, for the 2006 fiscal year, Deloitte received 22 percent of its revenues from tax services while PWC received 26 percent, according to the companies' respective websites.

While it may be difficult to disentangle the relative contribution of tax compliance and tax planning services in the revenue reported by accounting firms, there can be little doubt that these tax advisory services represent an important aspect of this work. According to a survey conducted as far back as 1999, 52 percent of Fortune 500 companies reported using external advisors for federal income tax issues and 71 percent outsourced at least some part of their tax

planning function (Arlinghaus 1999). By 2005, at least 70 major U.S. corporations were considering proposals from Big 4 firms to outsource their tax function, with many more firms outsourcing part of their tax department (Chapman 2005).

Regardless of whether tax professionals are engaging in tax planning or tax compliance, they are called on to take an advising role. In tax planning, professionals advise their clients on the best way to structure transactions that have not yet occurred. In tax compliance, professionals advise their clients on how to report transactions that have already occurred. Whether structuring a future transaction or reporting the effects of a past transaction, sometimes the tax law itself may not be clear on the proper tax treatment for a specific situation. When confronted with uncertainty regarding the proper tax treatment, tax professionals must conduct research using the tax law and court case precedents to determine the best solution.

When conducting research with respect to a client's tax position, a tax advisor typically follows a six-step iterative process (Sommerfeld and Streuling 1989). This process is shown in Figure 2.1. The first step is establishing the facts relevant to the client's case. Second is to identify the pertinent issues. Third is to locate authority, which is typically done by researching the applicable law, revenue rulings and precedent court cases—this is the "information search" phase. Following the information search, the tax professional needs to evaluate the information that was found, and make decisions about which information is most relevant based on the facts and issues of the case—this is the "information evaluation" phase. Next, the advisor draws a conclusion based on the information search and evaluation. The final step is to communicate that solution to the client.

INSERT FIGURE 1 HERE

Even after the professional makes a final decision, uncertainty may still exist with respect to whether or not a court will rule in favor of the advisor's decision if challenged by the tax authority. Therefore it is important that the final decision made by the tax advisor be justifiable, given all the available information, law, and precedent court cases; and that the tax advisor did not let any biases enter into the decision process that could cause them to support an inappropriate solution. From a normative perspective, the jurisprudence literature suggests that, when conducting information searches and evaluations, the advisor should: (1) search for precedent court cases (information) that both support and oppose the client's preferred position; and (2) judge the relevance of the precedent court cases based on similarities to the client's set of facts, and not on the outcome of the precedent (Levi 1949, Ashley 1990).

As the preceding discussion shows, the information search and evaluation phases are key stages for the tax advisors with respect to making a final decisions, and it is important that the tax professional not let any biases enter into the decision-making task. The next section outlines the professional standards that are in place in order to help prevent potential decision biases, and discusses the potential consequences of tax advisors making inappropriate recommendations to their clients.

Professional Standards

Tax advisors are placed in a unique position. On one hand, they are expected to behave as client advocates (AICPA, 2000, 9) when recommending a tax return position. In effect, this means that they have a goal of finding support for the client's preferred tax position. Research in accounting has supported that tax professionals tend to behave as client advocates when making

final recommendations (e.g., Cuccia 1994, Cuccia et al. 1995, Spilker et al. 1999, Barrick et al. 2004, Kahle and White 2004). On the other hand, tax professionals need to be careful to not let their role as client advocates interfere in conducting balanced information searchers or evaluations, or lead them towards making inappropriate recommendations to their clients. Treasury Regulation 1.6662-4(d)(3) states that information should be weighted based on relevance to the taxpayer's situation. Doing so allows advisors to select the most appropriate position for the client, prepare themselves to better anticipate potential challenges to the position chosen, and formulate justifiable responses to such challenges if they occur.

However, tax advisors who adjust their behavior and either ignore or attach less weight to information that does not support the client's preferred position run the risk of selecting an alternative for the client that is inappropriate. Even if the advisor is unaware of engaging in such behavior (which prior research on confirmatory behaviors suggests is likely), this could potentially lead to serious consequences. First, the client must make up the tax deficiency as well as possible penalties imposed by the Internal Revenue Code. IRC §6662 imposes penalties on the taxpayer if a position taken is too aggressive or lacks "substantial authority." According to Treasury Regulation 1.6662-4(d)(3), substantial authority exists only if the weight of the authority (based on the facts and circumstances of the case and the relevance of the authority) that supports the tax treatment chosen is substantial compared to authority supporting an alternative treatment. This suggests that advisors are expected to look at all of the pertinent information, and not engage in a selective confirmatory information search. In addition, information should be evaluated based on the facts and circumstances of the case, not based on which position the information supports.

Besides taxpayer penalties, penalties may also be levied against the tax advisor. IRC §6694 imposes a penalty on the advisor if the professional either knew *or should have known* that the position taken by the client did not have a "more likely than not" possibility of being successfully defended on its merits.[4] In addition, IRS Circular 230 states that a tax preparer must inform the client if a position taken is likely to result in penalties. This implies that advisors need to make sure they engage in balanced information searches and evaluations, in order to avoid biasing their judgments and decisions with respect to the position taken on a client's tax return. Finally, besides the legal and financial ramifications of providing biased and inappropriate advice, the advisor's reputation could also suffer, which could potentially lead to the loss of the client, as well as other existing or future clients (Raby 1982).

Summary

By their nature, tax advisors are client advocates. As such, to some degree, they are committed to finding support for the client's preferred position. On the other hand, they are also constrained by regulations to not let biases enter into the information search or evaluation phase of the decision-making task, which could result in inappropriate recommendations.

Prior research has shown that tax professionals frequently engage in confirmatory behaviors, both during the information search phase (Cloyd and Spilker 1999, 2000, Kadous et al. 2008) and during the information evaluation phase (Johnson 1993, Davis and Mason 2003), which in turn increases the likelihood of ruling in favor of the client, even if the client's position may not be justifiable (Cloyd and Spilker 1999). This can potentially lead to significant

[4] The Small Business and Work Opportunity Act of 2007, both increased the penalties levied against tax preparers and increased the standard from "realistic possibility" to "more likely than not."

monetary and legal penalties, as well as loss of reputation or clients. Especially troubling is the potential for advisors to engage in such behaviors yet still believe that they are behaving in a fair and balanced fashion (Kunda 1990). This "illusion of objectivity" may account for why almost half of the subjects in Cloyd and Spilker (1999) engaged in confirmatory behaviors and still recommended the client's preferred position, despite that position only having a 13.75 percent possibility of being successfully defended in court.

Prior research with respect to decision-making has suggested that both individual differences and situational differences can lead to differences in cognitive processes when making a decision (e.g., Leippe and Eisenstadt 1999). It should be noted, however, that the intent of this paper is to focus specifically on situational differences. Research has suggested a number of factors that can change depending on the specific circumstances of the decision-making task, which have the potential to impact the extent of confirmatory behaviors engaged in by decision makers. The following section discusses the research on each of these factors.

Contributing Factors: Advisor Role

One factor that could potentially impact the extent of advisors' confirmatory behavior is the nature of the advisory role. Research in psychology on advisory roles has shown that whether the advisor is making a decision on behalf of the client or merely offering a recommendation for the client to consider can prompt differences in behavior with respect to the information search process in a decision-making task. In order to better understand these differences, this section begins by discussing an expansion of an existing psychological model that has been used to

explain different motivations that can exist in a decision-making setting. Following this is a discussion on why different advisor roles can instill different motivations, leading to differences in behavior.

Motivational Goals and the Heuristic-Systematic Model

A great deal of research in psychology focuses on how different motivations can impact behavior and final decisions when an individual is confronted with uncertainty. One model that recognizes different motivational goals when conducting information searches and evaluations is the heuristic-systematic model, or HSM (Chaiken 1980, Chaiken et al. 1996, Chen et al. 1996, Chen and Chaiken 1999).[5]

The HSM proposes three main motivations that may occur when individuals process information. The first is an accuracy motivation, which is characterized by a strong desire to find the most appropriate or correct answer to a problem. A strong accuracy motivation leads decision makers to engage in balanced information searches that do not favor one solution over another (Lundgren and Prislin 1998). It also prompts a more thoughtful processing of information, as opposed to confirmatory evaluations. Thus, those who follow an accuracy motivation tend to not engage in confirmatory behaviors.

The second motivation is a defense motivation, which is driven by a desire to defend one's own choices or preferences when making a decision. This motivation is characterized by a self-serving bias. Decision makers who follow this motivation selectively choose and process information in a way that best defends their own preconceived solution. Information that fits

[5] While HSM originally applied to research on persuasion, its concepts have been expanded to information processing in decision tasks (Chaiken et al. 1996).

with what the decision maker prefers will be actively sought out and will be judged as more accurate and relevant. In turn, these confirmatory behaviors impact judgments made by the decision maker. Defense motivation is therefore driven towards arriving at a preconceived solution favored by the decision maker.

The third motivation is impression motivation. It is very similar to defense motivation in that the decision maker also tends to engage in confirmatory behaviors that favor a specific preconceived solution. However, with impression motivation it is not the decision maker's own preferences that serve as a guide, but instead, the preferences of another party. A situation that lends itself to impression motivation is when an individual is making a recommendation for another party (a client). If the decision maker knows the client's preferred position and the decision maker has the interpersonal goal of pleasing this other party, then the decision maker will be motivated to find a solution that follows the other party's desired solution. Similar to defense motivation, impression motivation can result in selective processing of information which in turn can impact subsequent judgments.

HSM recognizes that these three motivations are not necessarily independent. Chaiken et al. (1996) discuss the three motivations and their interactions, and present some important observations. First, individuals are often unaware of consciously engaging in confirmatory behaviors. The authors suggest that decision makers believe that they are maintaining an "illusion of objectivity", and falsely believe that they are following an accuracy motivation. In addition, while those who follow impression motivation may recognize and be aware of social goals and the desire to please another party, they are unaware of the impact of these social goals on their information processing and subsequent judgments.

Chaiken et al. (1996) also stress that HSM does not claim that only one motive is present in all, or even most, situations. Depending on the circumstances, individuals can have none, one, two, or even all three motivations in varying degrees. However, it is likely that at any given point, one of the three will dominate (Chen and Chaiken 1999).

Advisor Role and the HSM

One specific circumstance that has been suggested to change which of the three motivations under the HSM becomes dominant is the advisor role. Jonas and Frey (2003) study one specific advising role, referred to as a "recommending advisor." Recommending advisors are advisors who know their clients have the competence to decide on their own whether to accept or to reject the advisor's recommendation. The authors study the information search behavior of these advisors by asking them to provide a recommendation for another individual's vacation. The advisors were made privy to the other party's preferences regarding vacations, which allowed the advisors to have a preconceived notion with respect to what type of vacation the other party was most likely to prefer. After learning about these preferences, the advisors made a preliminary vacation selection, after which they were allowed to conduct an information search. During the search, they could select information that supported their preliminary choice, or information that supported another vacation.

The authors find that, despite knowing client preferences, recommending advisors do not engage in a confirmatory information search that favors the client-preferred solution. Instead, they spend equal amounts of time looking at information that supports the client's position and information that does not. While the authors do not measure motivation directly, the authors

attribute this finding to the recommending advisors' main motivation being an accuracy motivation. In addition, these results persist both when the advisor is given a monetary incentive to match the client's preferences and when an incentive is not included, demonstrating that the accuracy motivation is a natural motivation (under these circumstances) and does not depend on receiving a reward.

The authors argue that the observed behavior arises because these advisors know that the clients have the knowledge and competence to make their own decision and are not necessarily committed to the advisors' recommendations. Also, advisors are aware that their clients have the ability to recognize if they are receiving good or poor advice. Thus, the advisors do not remain committed to an initial hypothesis (the preliminary decision made by the advisors based on the client's preferences) when conducting an information search. Instead, they are more interested in providing the best solution, and, as such, actively seek both information that supports and information that conflicts with their preliminary selection.

Jonas et al. (2005), extend this research by comparing the behavior of two different advising roles in an information search task. In addition to examining recommending advisors, they also examine the behavior of "binding advisors." Binding advisors are advisors who know that the clients lack the knowledge or expertise to make an informed decision on their own or to judge the quality of the advisors' recommendations. Because of this, the advisors know the client will follow whichever solution the advisors recommend. In effect, the advisors are making decisions for their clients. In the study, subjects took on the roles of advisors in determining the

best prize to award to the client. Similar to Jonas and Frey (2003), after being made privy to the client's preferences regarding the prize, advisors made a preliminary choice. Then they were allowed to conduct information searches regarding the potential prizes being offered.

Jonas and Frey (2005) report that binding advisors engage in a confirmatory information search. While this study only measured behaviors (and not motivation), the authors argue that binding advisors conducting a confirmatory information search can be explained by these advisors primarily following an impression motivation; that is, the primary concern of binding advisors is to make a favorable impression on the client.[6] As a result, binding advisors desire to find support for the client's preferences. In contrast to recommending advisors, binding advisors are not as concerned with the pros and cons of each alternative, as the clients are not able to judge the merits of the advice. Instead, binding advisors focus mostly on following the client's preferences and, therefore, conduct a confirmatory information search.

To summarize, the key difference between binding and recommending advisors that leads to differences in behavior when conducting information searches is whether the advisor believes that the client has enough expertise and/or competence to be able to evaluate the advisor's recommendation. Recommending advisors know that the client will be able to judge the quality of the given advice, and will not necessarily be following it. So, rather than wanting to convince the client that the client's preferred position is best, the recommending advisor will default to

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[6] The authors consider the possibility that binding advisors could have also been following a defense motivation. To test for this, they ran a follow up experiment. In this experiment, they removed potential impression motivations by removing incentives to follow the client's wishes. They also removed a need to explain and justify the decision to the client. In effect, the advisors were no longer expected to see the client again and would not need to explain their decision. The logic presented by the authors is that if the binding advisors followed a defense motivation, they would still engage in unbalanced information searches. However, if they were primarily impression motivated, then the unbalanced information search will only be present when the advisor and client will be meeting again, because only then will advisors need to justify their choice to the client. The authors find that binding advisors do not engage in unbalanced information searches when they are not expected to have any future interactions with the client. Thus, this is strong evidence that binding advisors primarily follow impression motivation (and not defense).

wanting to provide the best answer. On the other hand, binding advisors know that the client will follow the recommendation given. Because the client will not be able to judge the quality of the advice, the advisor does not have to be as concerned with the pros and cons of each alternative, and instead will attempt to provide the client with the answer that the client wants to hear. [7]

Advisor Role in a Tax Context

Research in psychology on advisor roles has shown that different roles can lead to differences in information search behavior. However, prior research in tax with respect to confirmatory information searches (Cloyd and Spilker 1999, 2000, Kadous et al. 2008) has not addressed advisor role. In all three of these information search studies, the experimental task required subjects to determine if the client should be considered an investor or a dealer for a specific tax scenario. The role of recommending advisor was not considered.

Even though Jonas et al. (2005) has linked advisor role to differences in information search behavior, a link between advising role and information evaluation has not yet been studied. However, confirmatory information searches and confirmatory information evaluations are both behaviors that individuals may engage in when they have a preconceived solution that they wish to treat as being true (Koehler 1991). Also, gathering information in support of a particular position can impact the evaluation of that information (Klayman and Ha 1987). Therefore, it is not unreasonable to assume that advising role and the motivations it instills could also potentially impact how the advisor evaluates information.

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[7] Jonas et al. (2005) suggests that both binding and recommending advisors follow both impression and accuracy motivation to some extent. The main difference between the two types of advisors is which of the two motivations (accuracy or impression) is strongest. For reasons mentioned earlier, accuracy tends to be stronger for recommending advisors and impression tends to be stronger for binding advisors.

Similar to the research on information search in tax, research on information evaluation has not addressed the advisor role. Johnson (1993) asks subjects if the amount paid to a company president was reasonable or not, and Davis and Mason (2003) asks subjects to determine if a class of workers should be classified as employees or independent contractors. The distinction between binding and recommending advisors is not considered.

However, both binding and recommending advisors are common in tax settings and deserve further exploration. Tax professionals may take on recommending advisor roles when they are hired for consulting work by a company that also employs its own tax department. Consider as an example a client engaged in a complex transaction for which the proper revenue recognition for tax purposes is unclear. The client's tax department provides a solution that the client is not entirely satisfied with, so a tax advisor is hired for a second opinion. In this instance, the client has the capability and expertise to decide whether or not to follow the tax advisor's recommendation.

A tax professional may also take on a binding advisor role. For example, the client could be a smaller company that does not have an internal tax department, or employs an internal tax department only to handle the day-to-day business items and needs outside help for other matters (e.g., expansion into foreign markets, real estate transactions). Under these circumstances, advisors know that the client does not have the knowledge or expertise to make an independent decision, and is likely to follow the advice given by the advisor.

Summary

Jonas et al. (2005) has shown that the specific advisor role can impact information search behavior, and suggests that this is caused by differences in motivation. Based on differences in observed information search behavior, the authors provide support for their argument that binding advisors (advisors who know the client lacks the knowledge or expertise to make an informed decision on their own) tend to be guided by impression motivation. Impression motivation is characterized by a desire to please the client, and advisors guided by such a motivation tend to engage in a confirmatory information search to find support for the client's preferred position. On the other hand, the behavior of recommending advisors (advisors who know the client does have the knowledge or expertise to make an informed decision) supports the claim that recommending advisors tend to be guided by accuracy motivation. Accuracy motivation is characterized by a desire to find the best (or most appropriate) solution to the problem, and advisors guided by such a motivation tend not to engage in confirmatory information searches.

Research in tax has implicitly focused on the behavior of binding advisors. However, both binding and recommending advisors are common in tax settings, and it is possible that the strong confirmatory behaviors reported in prior research is an artifact of the subjects being placed in a binding advisor role. Therefore the current study determines if the results found in the prior research are robust under different advisor roles.

Other Potential Factors

In general, the judgment and decision-making research tends to indicate that confirmatory behaviors are prevalent in circumstances where the proper solution is uncertain and the decision makers are motivated to find support for a particular position (Kunda 1990, Koehler 1991). By their nature, tax professionals tend to have strong motivations to find support for the client's preferred position, and prior research provides evidence that tax advisors tend to engage in confirmatory behaviors.

However, Koehler (1991) argues that confirmatory behaviors will decrease once the specific situation calls for the decision makers to go out of their way to consider alternative solutions beyond their preferred position. Besides differences in advisor role, a number of other situational factors may potentially affect the extent to which accountants are more willing to consider alternatives besides the preferred position, which may in turn decrease the extent of confirmatory behaviors. The remainder of this section discusses the following factors: perceived accountability for the final decision, perceived accountability with respect to the information search process, perceived ease of the decision task, strength of the initial preference, advocacy, and concerns about accuracy.

Perceived Accountability

Research in psychology on decision-making and accountability has shown that increasing accountability (i.e., the need to justify either a final decision or the decision process) tends to decrease biases in decision-making, because the decision maker becomes more concerned about being evaluated by another party. For example, McAllister et al. (1979) find that subjects who

feel accountable for important decisions tend to be more careful, and willing to exert more time when processing information. Kruglanski and Freund (1983) report that subjects who expect to justify their choices show a decrease in the primacy effect (preference for information or solutions that they consider first). Tetlock (1983) also reports that subjects expecting to justify their decisions demonstrate less of a primacy effect when making judgments of guilt with respect to a hypothetical court case. Russo et al. (2000) find that introducing accountability among salespersons decreases confirmatory information evaluations. According to Tetlock (1985), introducing accountability prompts a more careful (and less biased) processing of information.

In addition to concern about justifying the final decision itself, research also shows that concern about justifying how one arrived at the final decision can also decrease confirmatory behaviors. Jonas et al. (2001) argue that concern with having to justify the information search process creates a need to prove that one engaged in appropriate search behavior. This induces an "information focus" instead of only a "decision focus" when searching for information, and can lead to decreases in confirmatory searches. In fact, accountability for the information search process has been reported to have an even stronger effect on reducing confirmatory information searches and evaluations than accountability for the final decision. Doney and Armstrong (1996) find that among purchasing agents, being accountable for the decision-making process decreases confirmatory information searches and evaluations to a greater extent than only being accountable for the final decision itself. Siegel-Jacobs and Yates (1996) examine a scenario where subjects judge the likelihood that various individuals would hold a specific attitude, based on given background information about those individuals. Comparing how individuals use the

available information, the authors find that those who feel accountable for their information search take more information into account in their final judgments than those who are only accountable for their final decision.

Accountability is also an important characteristic within the public accounting environment. Gibbins and Emby (1985) conduct a survey in which 95 percent of respondents rate the ability to justify one's final decision as either essential (84 percent) or important (14 percent). In a study asking accountants to self-report their feelings and perceptions with respect to accountability, Gibbins and Newton (1994) find that, in general, the respondents feel strong accountability for most situations. Furthermore, the need to justify decisions has been shown to improve decisions in both auditing and tax. In audit, Johnson and Kaplan (1991) find that holding auditors accountable in a decision task increases auditor consensus (agreement across auditors) and auditor self-insight (how thoroughly the auditor attends to information when making judgments), which the authors argue should lead to fewer overall auditor errors. Kennedy (1993) reports that holding MBA subjects accountable in a going concern judgment task eliminates recency decision bias. In tax, Cloyd (1997) compares the information search patterns of tax professionals and finds that, among knowledgeable professionals, those who are held accountable have more effective search patterns (where effectiveness was measured by comparing the number of essential pieces of information cited in a tax memo to the number of irrelevant items cited).

To summarize, prior research in accounting has also shown that accountability may improve overall decisions; yet, the direct effect of accountability on information search and evaluation has not yet been studied. Studies on accountability in psychology show that as the

need to justify one's decision or decision processes increases, confirmatory behaviors tend to decrease, as they prompt a more careful processing of information (Tetlock 1985). However, in a tax environment, the potential effect of accountability is not entirely clear, *a priori*. As mentioned earlier, tax accountants are motivated both by a strong desire to please the client (advocacy) as well as being bounded by professional standards to not provide inappropriate recommendations (accuracy). It is possible that either or both of these motivations could override any effect predicted by differences in perceived accountability. In addition, in a tax environment, accountability on its own still has elements of uncertainty with respect to which parties one may eventually be called upon to justify to (e.g., supervisors, clients, the tax authority, or a court), as well as additional uncertainty relating to the potentially conflicting preferences and risk thresholds of these other parties.

While comparing the effects of accountability to different parties and perceived differences in preferences and risk thresholds of various other parties goes beyond the scope of the current study, accountability on its own is an important characteristic in an accounting and tax environment (Gibbins and Newton 1994, Gibbins and Emby 1995), but its overall and comparative effect on confirmatory behaviors remains uncertain. In addition, prior research suggests that accountability for the research process may have more of an impact in reducing decision biases than accountability for the final decision (Doney and Armstrong 1996, Siegel-Jacobs and Yates 1996, Jonas et al. 2001). While research has not addressed the extent to which professionals are accountable for their search process in a decision task, reviewers within a firm could easily implement such a strategy if accountability with respect to the search process is

shown to decrease potential decision biases. Therefore, the current study contributes to the literature by providing insight on the extent of perceived accountability for both the final decision and the information search process on confirmatory behaviors and subsequent decisions.

Perceived Ease of the Decision Task

Another potential factor that can impact an individual's behavior in a decision-making task is how easy (as opposed to complex) the overall task is perceived to be. Mann and Taylor (1970) suggest that as complexity of a decision-making task increases, individuals have a greater desire to reach a quick end to the tension of making a decision.[8] In their study, they confirm that, as complexity increases, a subject's preference for one alternative over another becomes stronger.

Similarly, Browenstein (2003) summarizes research with respect to decision conflict (i.e., "conflict theory"), and reports that decision conflict tends to arise when one alternative is not necessarily better than another and each alternative offers its own unique set of advantages and disadvantages. Conflict theory states that the conflict induced by having to make a decision creates negative affect, which is unpleasant, so decision makers engage in confirmatory behaviors in order to quickly find a solution and reduce this negative affect. While not explicitly explored in prior accounting research, this theory could easily lend itself to a tax setting. In a decision task where the proper tax position is unclear, different positions could have varying levels of advantages and disadvantages. For example, one position may have the advantage of having the most tax savings for the client, but on the other hand, could also be the most risky in

[8] In this experiment, the authors chose to characterize a difficult choice as a choice between alternatives that were closely matched in attractiveness, while an easy choice was characterized as making a choice between alternatives that were not closely matched.

terms of the position being challenged by the tax authority or in overall defensibility. Alternatively, another option may have an advantage of being easier or less risky, but would not please the client. This is just one example, but it is reasonable to assume that perceived ease of the overall decision task is a worthwhile consideration in a tax environment.

An alternative explanation behind why perceived ease of the decision task can impact behavior relates to cognitive load. The more complex a decision task is, the more cognitive effort must be expended to arrive at a solution. According to Kunda (1990):

> Search strategies have costs that may be weighted against their utility. The implication is that people may focus not only on how good an outcome they desire but also, and sometimes predominantly, on how much cognitive effort they are willing to expend. In other words, people are aware of the effort-accuracy tradeoff and select strategies by considering both their costs and their benefits. (481)

Following this line of thought, Ditto and Lopez (1992) propose the "quantity of processing" view, which states that individuals gravitate towards preference-supporting information because it requires less cognitive effort to process. The authors predict and find that due to differences in necessary cognitive effort, subjects presented with information supporting their preferences require less overall information to reach their preferred conclusion, compared to subjects presented with information that does not support their preferences to reach the nonpreferred solution.

This alternative explanation also lends itself to an accounting task. In tax, accountants are frequently under time pressure due to time budgets or filing deadlines. According to Spilker and Prawitt (1999), increased time pressure leads tax advisors to increase their overall cognitive effort in order to complete the task within the allowed time. Combining this finding with the

quantity of processing view, it is reasonable to assume that because tax advisors' cognitive resources are limited, that they may default towards confirmatory behaviors in order to reduce the overall cognitive effort needed to arrive at a final decision.[9]

While the overall difficulty of making a final decision has not yet been explored in accounting or tax, it is reasonable to assume that there may be systematic differences between different decision tasks, with respect to the level of cognitive effort needed before the advisor can recommend a final solution. On the other hand, even though the complexity of a decision task has been shown to lead to differences in confirmatory behaviors, a tax environment is unique in that professionals have potentially conflicting motivations of behaving as client advocates and not recommending inappropriate solutions to their clients. Similar to the discussion on perceived accountability, it is possible that advocacy or accuracy motivations may override any effect predicted by the perceived ease of the decision task. Therefore, assessments of the perceived ease of the decision task are included in this study, and contribute to the literature by providing preliminary evidence of the general and comparative impact of this factor on behaviors and subsequent perceptions and judgments.

[9] Support for this argument can also be found in Koehler (1991), who explains that because of limits of time and processing abilities, decision makers often "cannot continue indefinitely in an exhaustive search for all possible hypotheses (512)". He goes on to explain that once an alternative (such as a preferred position) is deemed acceptable, there may be little effort expended to explore alternatives. This implies that decision makers may more easily default to confirmatory behaviors when there are limits imposed on their cognitive resources.

Strength of the Initial Preference

As mentioned earlier, confirmatory behaviors tend to occur when individuals adopt a particular position as their preferred solution, and in so doing, they adopt a reference frame where their initial preference is temporarily assumed to be true.[10] Then, using that solution as a frame of reference, they engage in confirmatory behaviors in order to find support for that preference. Koehler (1991) discusses studies in this area and explains that one explanation for these confirmatory behaviors is that they allow the individual to create a better fit between the hypothesis and the available information. In addition, difficulty arises in considering alternative solutions due to the onset of inertia—changing reference frames is more difficult than accepting the original hypothesis as a beginning reference frame. Therefore, it is not unreasonable to assume that the more committed the advisor is to a particular solution before seeking out and evaluating information, the less likely that the advisor will be to seriously consider alternative solutions, and the more likely that advisor will engage in confirmatory behaviors with respect to their initial preferences.

Research in accounting provides evidence that initial hypotheses can impact subsequent behaviors and decisions. For example, Church (1991) has auditors make judgments about the most likely cause for an extreme fluctuation in a client's records. After the subjects made a preliminary decision, the author manipulates the strength of the commitment (those considered strongly committed were informed they would be required to provide written arguments justifying why they made their preliminary choice, and their arguments would be reviewed by

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[10] Initial beliefs refer to what the advisor assumes is the best solution before beginning any research. While initial beliefs and the client-preferred position may overlap, this does not necessarily have to be the case. The main purpose of this variable's inclusion is to capture any effects created by initial preferences, whether they are due to the advisors' own beliefs, or a strong initial preference for the client's preferred position.

representatives from their firm).[11] The author finds that those who are strongly committed to their hypothesis attach more importance to information that confirms this hypothesis. They also are more likely to evaluate mixed evidence in a way that is consistent with their original hypothesis.

Kadous et al. (2003) also looks at how strength of commitment impacts subsequent auditing decisions. While their study does not look at confirmatory behaviors per se, the authors do find evidence that those who are more strongly committed towards finding support for their preferred solution (using self-reported measures of commitment) tend to exploit ambiguity in professional standards to rule in favor of the client and are more likely to find the client's method as the most appropriate.

In summary, decision-making research in psychology suggests that individuals tend to engage in confirmatory behaviors because they have a preference for a preconceived solution. While not explored directly, it seems reasonable to assume that as this preference increases in strength, so might the extent of confirmatory behaviors. It is also reasonable to expect that accounting advisors may have stronger preferences before beginning research, depending on how they react to the specific circumstances of the decision-making task. For example, advisors may have stronger commitment towards the client's preferred position if they face an increased amount of pressure from their firm or the client. Another environmental factor that could impact the strength of the advisor's commitment could be the overall level of engagement risk; for

[11] While similar, this is not the same construct as accountability, as used in the current study. Accountability refers to the need to justify either one's final decision or the search process; in the Church (1991) paper, the author manipulated how strongly the advisors were committed to their initial hypotheses (and not their final decision).

example, the advisor may be more committed to find support for the client's preferred position if the engagement risk is low, as the likelihood of the tax advisor facing negative consequences due to inappropriate advice is lower.[12]

Because of its potential impact on information search and evaluation behavior, as well as subsequent perceptions and judgments, strength of the initial preference is also included in the current study. This contributes to prior research in both psychology and accounting by determining if the strength of the initial preference matters, and if so, to what extent. In addition, the current study also provides evidence of the comparative impact of strength of the initial preference with respect to other situational factors.

Advocacy

Another variable that may assist in determining the extent of confirmatory behaviors is how strongly advisors identify themselves as client advocates. By their nature, advocates wish to find support for the client's preferred position. Research on confirmatory behaviors has shown that individuals engage in confirmatory behaviors in order to justify their preferred position (Kunda 1990), while Trope and Liberman (1996) report that as the need to defend a particular position increases, so does the tendency to engage in confirmatory behaviors. This suggests that, the more advisors identify themselves as client advocates, the greater their motivation to decide in favor of the client's position.[13] As this motivation increases, they are more likely to engage in

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[12] Kadous et al. (2008), while not studying the impact of commitment strength, did find that advisors were more likely to recommend the client's preferred position when the engagement risk was low.

[13] Advocacy strength may seem similar to the strength of the initial preference; however, they are not quite the same constructs. Initial preferences refer to what the advisor believes is the best solution to the immediate task, before beginning any research. Advocacy refers to a desire to find support for the client's preferred position. While these two positions may overlap, this is not necessarily the case. Another way to describe the difference is that initial

confirmatory behaviors. This view is supported in decision-making literature in psychology by Tetlock et al. (1989), who find that when people know the preferences of their audience, they tend to shift their own views to match that of the audience and spend most of their time trying to justify those positions.

Accounting research has found evidence that professionals—both in audit and in tax—may take on advocacy roles and make decisions that will be favored by the client. An overwhelming theme of this research is that in situations where the proper accounting treatment is unclear, tax professionals tend to make decisions that follow the client's preferences (Johnson 1993, Cuccia 1994, Cuccia et al. 1995, Spilker et al. 1999, Davis and Mason 2003, Kahle and White 2004, Barrick et al. 2004)

Even auditors, who are not typically characterized as client advocates (see Roberts 1998), will make decisions that follow client preferences in certain situations. For example, Hackenbrack and Nelson (1996) find that when engagement risk is moderate (as opposed to high), auditors tend to permit aggressive, client-preferred reporting positions, and justify such positions by aggressively interpreting vague accounting standards. Salterio and Koonce (1997) report that, when auditors know which position is preferred by the client and the available information is mixed with respect to which position is best, the auditors tend to follow the client's preferred position. Kadous et al. (2003) find that auditors who are highly motivated to find support for the client's preferred position exploit ambiguity in professional standards and rule in favor of the client.

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preference is internal (based on what the advisor personally believes), while advocacy is more external (based on a desire to please the client).

In contrast to auditors, tax professionals are characterized as client advocates—in fact, professional standards require them to behave as advocates when recommending a position on a tax return (AICPA, 2000, 9). This advocacy role leads them towards favoring the client-preferred positions in situations where the proper tax treatment is unclear. For example, Ayres et al. (1989) asks tax professionals to examine five different cases and the law associated with each case. The law was vague enough that there was no clear answer for each case. The authors find that tax professionals tend to rule in favor of the client, when the available information was ambiguous. Schisler (1994) finds that if tax preparers have aggressive clients, they tend to be significantly more aggressive in their final recommendations.

Cuccia (1994) and Cuccia et al. (1995) both examine if the aggressiveness of reporting decisions changed with respect to changes in standards. Cuccia (1994) specifically studies the impact of an increase in economic sanctions for choosing a position that is too aggressive, while Cuccia et al. (1995) study replacing a vague verbal standard with a more concrete numerical standard. Both studies find that despite changes in standards designed to curb the likelihood of advisors recommending an aggressive position, the overall aggressiveness of taxpayer recommendations does not significantly decrease.

Advocacy has been shown to play a role not just for tax preparers, but for tax supervisors as well. For example, Hatfield (2001) finds that supervisors attach more weight to research reports that favor the client's preferred position. Similarly, Barrick et al. (2004) report that supervisors find memos supporting the client's preferred position to be more persuasive.

Research has also shown that tax professionals tend to conduct confirmatory information searches in order to find support for the client's preferred position. For example, Cloyd and Spilker (1999, 2000) and Kadous et al. (2008) study the information search behavior of tax professionals who are asked to make a ruling on whether a tax client could be considered an investor or dealer for the purposes of a real estate transaction. While advocacy itself was not studied directly, subjects are found to engage in confirmatory information searches to find support for the client's preferred position. The authors also find that the extent of the confirmatory information search had an indirect impact (through the perceived likelihood of judicial success for the client's position) on the final recommendation made by the advisor. In fact, in Cloyd and Spilker (1999)'s second experiment, the facts of the case are manipulated so that the client's preferred position had less than a 14 percent chance of judicial success. The authors find that 46 percent of the subjects still recommend the client's preferred position, and that those who make this recommendation show a strong confirmatory search behavior.

How strongly advisors identify themselves as client advocates have also been shown to impact how they evaluate information. Both Johnson (1993) and Davis and Mason (2003) ask tax professionals a series of questions in order to determine how strongly they view themselves as client advocates. Afterwards, the advisors examined information and provided relevance ratings and a final recommendation for the client. Johnson (1993) finds that the strength of the advocacy rating has a direct relationship with how strongly the advisor recommends the client's preferred position. Davis and Mason (2003) finds that advocacy strength impacts how professionals view case precedents; specifically, stronger advocates view supporting information as being more similar (and thus, more relevant) to the client's specific circumstances.

In summary, both auditors and tax professionals have been shown to behave as client advocates and, as such, attempt to find support for the client's preferred position under certain circumstances. This has the potential to lead the advisors to make inappropriate recommendations (Cloyd and Spilker 1999). Because how strongly advisors view themselves as client advocates can vary between individuals (Johnson 1993, Davis and Mason 2003), this measure will be included in the current experiment. However, the advisors' level of advocacy is only one factor that can vary depending on the individuals' reaction to the specific situation and the client. Therefore the current paper will contribute to the literature in accounting by exploring its comparative impact on behaviors and subsequent perceptions and judgments.

Concerns about Accuracy

Research on accuracy and decision-making has shown that concerns about accuracy can impact how one selects and evaluates information in a decision task. Reviewing research in this area, Kunda (1990) states that accuracy concerns promote a deeper and more careful processing of information. In turn, this more careful processing tends to decrease biases (such as confirmatory behaviors) in a decision-making task and causes decision makers to be more willing to explore alternatives besides the initial preference (Payne et al. 1993).

One example that illustrates differences in behavior from an increased accuracy motivation is Jonas et al. (2005). In this study, the authors manipulate advisory role and compare advisors who are motivated to be accurate with advisors who are motivated to follow the client's preferences in a decision task. The authors find that those who are motivated to be more accurate are less likely to engage in confirmatory behaviors.

While studies of the direct effects of accuracy incentives in accounting tasks are limited, some research is worth noting. One of these is Cuccia (1994), which finds that increasing economic sanctions for taking an overly aggressive tax position increases overall effort of the tax professionals (as measured by time spent and additional information requested) in arriving at a solution, consistent with the position that increases in accuracy concerns also increase effortful processing of information. However, despite the increase in effort, and contrary to predictions of decision-making research in psychology, Cuccia does not find that increased sanctions significantly change the aggressiveness of the final position taken by advisors.

On the other hand, both Kadous and Magro (2001) and Kadous et al. (2008) increase accuracy concerns not by increasing sanctions, but by increasing the client's practice risk in a tax setting. Low practice risk was characterized by a client who had successfully defended tax positions in prior tax audits, responded quickly to requests for information, and had no history of involving the tax advisor in litigation. High risk clients were those who had failed at defending positions during audits, did not respond promptly to information requests, and had a history of engaging tax practitioners in litigation. Kadous and Magro (2001) find that advisors of high-risk clients place more weight on information that does not support the client's preferences, than do advisors of low-risk clients. Kadous et al. (2008) find that only advisors with low-risk clients engage in a confirmatory search.

To summarize, research in accounting has shown that increased riskiness of the client tends to decrease both confirmatory information search behavior and the aggressiveness of the final decision. However, the impact of concern about accuracy on confirmatory behaviors has not been explicitly explored in an accounting setting. Because prior research on accuracy and

decision-making in psychology has shown that concerns about accuracy tend to increase effortful processing and lead to a decrease in decision biases, accuracy measures are also included in the current study to determine their relative influence, compared to the other potential factors, on the extent of confirmatory behaviors engaged in by advisors.

It is also worth mentioning that despite the predictions made by prior research on accuracy and decision-making, in a tax setting, advisors are both expected to behave as client advocates and are bounded by legal standards to not provide inappropriate advice These motivations could possibly conflict with each other, and prior research has not yet explored which of these motivations has a greater overall impact with respect to differences in behavior and subsequent perceptions and judgments. Therefore, the current study offers an additional contribution by exploring the relative importance of accuracy concerns compared to advocacy and other factors predicted by prior research.

Summary

Prior decision-making research has indicated a number of factors that may contribute towards predicting the extent of confirmatory behaviors engaged in by advisors: advisor role, perceived accountability with respect to the final decision, perceived accountability with respect to the information search process, perceived ease of the decision task, strength of the initial preference before beginning research, how strongly the advisors view themselves as client advocates, and concern about providing an accurate solution. Furthermore, these factors can easily change between decision tasks based on the specific situation. For example, differences in decision contexts can occur because of differences in the following: clients, relationships

between the firm and the client, the overall riskiness of the client, expectations placed on the advisor from the client, expectations placed on the advisor from the advisors' superiors and/or the firm, the advisors' own attitudes or expectations about the most appropriate tax treatment, or resources available to the advisor (i.e., different levels of time pressure), just to name a few.

Because situational factors can vary between different tax advising tasks, it is important to examine some of these factors to determine their relative impact on confirmatory behaviors. First of all, depending on circumstances, tax advisors could be considered either as a binding or a recommending advisor. Next, accountability is a characteristic of the accounting environment, as professionals often have to justify their decision or processes to another party. However, differences can occur between the accountability expectations placed on the advisor, depending on the situation. In addition, it is also reasonable to assume that based on the facts and circumstances of the client's case, differences may occur between the necessary cognitive effort needed for advisors to find a solution that they are satisfied with. Similarly, depending on the specific facts and circumstances of the case, advisors may have different preliminary preferences as to the most appropriate tax treatment for the client.

By definition, tax accountants are client advocates, but research in tax has shown that the degree to which advisors identify themselves as client advocates varies between individuals (Johnson 1993, Davis and Mason 2003). It is also reasonable to assume that how strongly an advisor identifies themselves as client advocates may depend on situational factors, such as the nature of the relationship between the advisor (and the advisor's firm) and the client, or differences in expectations placed on the advisor. Finally, accuracy concerns are also strong in the accounting environment, as the potential consequences for providing an inappropriate

position or engaging in confirmatory behaviors can be quite high. It is also possible that differences in advising situations (such as perceived riskiness of the client) can instill different levels of concern about accuracy.

While these factors have been implicated in affecting the extent of confirmatory behaviors, research has not addressed all of them simultaneously to determine their comparative impact. The main purpose of the current study is to examine which of these factors have the most direct impact on identifying differences in how advisors search for or evaluate information. In addition, a legal decision-making setting such as tax is unique in that advisors are motivated by the potentially conflicting goals of advocacy (finding support for the client's preferences) and accuracy (not recommending an inappropriate position). It is possible that some of the differences in behavior predicted by psychological studies on decision-making may be overshadowed by either the advocacy or accuracy motivations prevalent in a tax setting. In addition, besides examining differences in behavior, this study also examines the comparative impact of the situational factors on perceptions and judgments relating to the final decision, as well as the final decision itself.

Linking Confirmatory Behaviors to Perceptions and Judgments

Prior research has shown that engaging in confirmatory behaviors also tends to influence the final decision chosen by the decision maker, as well as perceptions and judgments related to the final decision. Koehler (1991) suggests that adopting a conditional reference frame (i.e., the advisor is motivated to find support for the client's preferred position) can lead to confirmatory information searches and confirmatory information evaluations. Furthermore, by engaging in

these behaviors, the preferred alternative seems to be better in the decision maker's mind, which leads to both an increased likelihood of selecting the preferred alternative and to an increase in the perception that it is the most appropriate solution.

This position has been supported in the accounting literature on confirmatory behaviors. Both Cloyd and Spilker (1999) and Kadous et al. (2008) find that subjects who engage in confirmatory information searches are more likely to attach higher ratings to the likelihood of judicial success for the client's preferred position. The authors also find a significantly positive relationship between the advisors' judicial success ratings and how strongly they recommend the client's preferred position to the client. Both studies also find a significant and direct relationship between client preference and the strength of the final recommendation; however, Cloyd and Spilker (1999) find a positive relationship while Kadous et al. (2008) find a negative one. Kadous et al. suggest that changes in the regulatory environment between the times the two studies were conducted might account for the difference.

There are similar findings with respect to confirmatory information evaluations. Johnson (1993) finds that those who engage in confirmatory information evaluations attach higher ratings to the likelihood of judicial success for the client's preferred option. In addition, she finds a significantly positive link between the likelihood of judicial success and the strength of the final recommendation. The individual's advocacy rating also has a significantly positive relation to the strength of the final recommendation.

In sum, prior research in accounting has shown that engaging in confirmatory behaviors tends to increase the perceived likelihood of judicial success for the preferred option, which in turn increases the strength of the final recommendation. Koehler (1991) also suggests that

engaging in confirmatory behaviors increases the advisors' feelings of confidence that the client's preferred position is the most appropriate. While it is possible that accountants may follow the same pattern, this has not yet been explored in an accounting context.

It is also possible that some of the situational factors in this study predicted to impact the extent of confirmatory behaviors may also have their own direct influence on subsequent perceptions and judgments, such as the perceived likelihood of judicial success for the client's preferred position, how strongly the advisor would recommend the client's preferred position, level of confidence with respect to the appropriateness of the client's preferred position, and the final decision itself.

Taken together, prior research has examined the impact of situational factors on confirmatory behaviors. However, with the exception of the direct link found between advocacy and strength of the recommendation (Johnson 1993), research has not examined if there is a direct link between any of these situational factors and subsequent perceptions and judgments. Another main contribution of the current study is to explore if the factors have a direct impact on differences in perceptions and judgments, or if the links are only indirect through confirmatory behaviors. If any direct links are found, this will provide preliminary evidence on which situational differences may be the most likely to lead to potentially biased perceptions or decisions, beyond that which is explained by differences in confirmatory behaviors.

CHAPTER III

THEORY AND HYPOTHESES DEVELOPMENT

This chapter discusses the pertinent theory and develops the hypotheses that will be tested. Research on confirmatory behaviors in psychology has shown that individuals tend to engage in such behaviors when they have a preference for particular solution before searching for and/or evaluating evidence. In addition, prior research in tax has concluded that tax advisors engage in strong confirmatory behaviors. For example, Cloyd and Spilker (1999) report "We predicted and found that subjects spent more time viewing cases with conclusions consistent with the client's desired outcome (i.e., positive cases) than cases inconsistent with the client's desired outcome (i.e., negative cases) (300)." Similarly, Johnson (1993) states: "The results of this research suggest that preparers use confirmatory processes in their evaluations of judicial evidence (2)." However, in these studies, only a binding advisor role was considered (no distinction was made between binding and recommending advisors).[14] Research in decision-making has shown it is reasonable to expect that both the nature of the advisory role and a number of factors—which can vary depending on the specific advising situation—have the potential to impact the extent of an individual's confirmatory behavior. The main purpose of this paper is to determine which factors are of relatively greater importance in predicting the extent of the advisor's confirmatory behaviors.

[14] The second study in Cloyd and Spilker (1999) examined the behavior of advisors when the client's preferred position had only a 13.75 percent chance of being supported. After separating subjects based on their final decision, the authors found that 46 percent of the subjects supported the client's preferred position, and those subjects, on average, engaged in confirmatory behaviors. However, this study did not separate subjects based on confirmatory or disconfirmatory behaviors, and only looked at the average information search behavior among the subset of subjects.

The next part of this chapter discusses the theory and hypotheses related to these factors. Each decision-making task in a tax context may be different, due to changes in situational factors from case to case. These differences can include differences in the specific advisor role, as well as differences in justification requirements placed on the advisor (accountability), the amount of cognitive effort needed to make a decision (perceived ease of the decision task), the strength of the initial preference before beginning research, advocacy, and concerns about accuracy. In addition, advocacy and accuracy are both included because by their nature, tax advisors have strong, possibly conflicting motivations to find support for the client's position and yet are bounded by professional standards to not recommend an inappropriate solution.

This chapter discusses and develop hypotheses related to these factors, and will conclude by discussing the expected and explored links between confirmatory behaviors and the final decision, as well as judgments and perceptions with respect to the final decision.

Advisor Role

Jonas et al. 2005 found differences in behavior depending on whether the advisor's role is either "binding" or "recommending." Binding advisors know their clients will follow the advisor's solution, because the clients lack the expertise to make an informed decision on their own. These advisors are not concerned with the pros and cons of each alternative, and instead are motivated to provide the client with answers the client prefers. Therefore, binding advisors engage in confirmatory information searches. On the other hand, recommending advisors are asked merely to provide a recommendation for the client to consider. These advisors know that

their clients have the expertise to make an informed decision, so they are motivated to be accurate, and thus do not engage in confirmatory information searches (Jonas et al. 2005).

Prior research in psychology on different advisor roles has not explicitly studied a link between advisor role and information evaluation. However, when an individual wishes to provide support for a preferred position, confirmatory information searches and/or confirmatory information evaluations are both strategies that the decision maker may adopt (Koehler 1991). Also, the action of gathering information in support of a particular position can impact the evaluation of that information (Klayman and Ha 1987). Therefore it is not unreasonable to assume that advising role and the motivations they instill could also potentially impact how the advisor evaluates information.

Research in tax has typically only focused on the behavior of binding advisors and has shown strong confirmatory behaviors (Cloyd and Spilker 1999, Cloyd and Spilker 2000, Kadous et al. 2008, Johnson 1993, Davis and Mason 2003). However, both binding and recommending advisors are common in a tax setting. It is possible that the confirmatory behaviors found in prior accounting research have been an artifact of placing the subjects in the role of a binding advisor.[15] If advisors behave as predicted by Jonas et al. (2005), this would be evidence that advisory role is a critical factor underlying the results found in earlier accounting research.

Based on the preceding discussions, I will test the following hypothesis:

> *H1: Binding advisors will engage in confirmatory information searches and confirmatory information evaluations to a greater extent than recommending advisors.*

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[15] Cloyd and Spilker (1999) and (2000) and Kadous et al. (2008) asked subjects to determine if the client should be considered an investor or a dealer for a specific tax scenario. Johnson (1993) asked subjects if the amount paid to the company president was reasonable or not. Davis and Mason (2003) asked subjects to determine if a class of workers should be classified as employees or independent contractors. No indication was given in these studies that the client would consider anything other than what the advisor recommended.

Perceived Accountability

The accounting environment is characterized by a need to justify one's decision to other parties (Gibbins and Emby 1985, Gibbins and Newton 1994). Furthermore, accounting studies have also shown that requiring advisors to justify their final decision can potentially reduce decision biases in an accounting setting, such as recency (Kennedy 1993), or ineffective search patterns (Cloyd 1997). While these studies did not look at confirmatory behaviors specifically, research in psychology on accountability in a decision-making task argues that holding individuals accountable for their final decision prompts a deeper and more careful processing of information (Tetlock 1985), which is expected to decrease decision biases such as confirmatory behaviors. This reasoning leads to the following hypothesis:

> *H2a: Concern with having to justify the final decision will be negatively related to the extent of confirmatory information searches and confirmatory information evaluations.*

In addition, research has shown that concern about having to justify how one arrived at a particular position can have a greater impact on decreasing decision biases than having to justify the final decision itself (Doney and Armstrong 1996, Siegel-Jacobs and Yates 1996). Concern with evaluation with respect to the information search process creates a need to justify why specific information was selected or not. In turn, this induces an "information focus" instead of a "decision focus," and decreases confirmatory behaviors (Jonas et al. 2001). Therefore I predict the following:

> *H2b: Concern with having to justify the information search process will be negatively related to the extent of confirmatory information searches and confirmatory information evaluations.*

Perceived Ease of the Decision Task

Research in psychology on the complexity of the decision-making task has shown that the more complex a decision task seems, the more likely that the decision maker will gravitate towards their preferred solution (Mann and Taylor 1970). Kunda (1990) and Ditto and Lopez (1992) suggest that complex decision tasks require more cognitive effort and therefore, decision makers prefer information that supports their preferences because it requires less cognitive effort to process. Browenstein (2003) reports that confirmatory information evaluations increase as the overall difficulty of the task increases.

Tax research can be a long and difficult process requiring a lot of cognitive effort, depending on the facts and circumstances of the case. If advisors find the task to require a significant amount of cognitive effort to arrive at a solution, they may default to a strategy of following confirmatory behaviors in order to reduce overall cognitive load and reduce negative affect induced by having to make a difficult decision. Therefore, I make the following prediction:

> *H3: The perceived ease of the overall decision task will be negatively related to the extent of confirmatory information searches and confirmatory information evaluations.*

Strength of the Initial Preference

Confirmatory behaviors tend to occur when individuals adopt a particular position as a hypothesis that is temporarily assumed to be true.[16] Then, using that solution as a frame of reference, they engage in confirmatory behaviors in order to find support for that decision. In

[16] Initial beliefs refer to what the advisor assumes is the best solution before beginning any research. While initial beliefs and the client-preferred position often overlap, this does not necessarily have to be the case.

addition, difficulty arises in considering alternative solutions due to the onset of inertia—changing reference frames is more difficult than accepting the original hypothesis as a beginning reference frame (Koehler 1991).

Therefore, it is not unreasonable to assume that the more committed the advisor is to a particular solution before seeking out and evaluating information, the more likely that advisor will engage in confirmatory behaviors with respect to that decision—or in other words, the more difficult it will be for the advisor to seriously consider alternative solutions. Furthermore, while confirmatory behaviors were not studied directly, research in accounting has provided evidence that that the strength of the advisor's initial belief can impact behaviors and decisions (Church 1991, Kadous et al. 2003, Johnson 1993). This leads to the following prediction:

> *H4: The strength of the preference for the client-preferred position before beginning the information search will be positively related to the extent of confirmatory information searches and confirmatory information evaluations.*

Advocacy Concerns

Another variable that may assist in determining the extent of confirmatory behaviors is how strongly advisors identify themselves as client advocates. In general, tax professionals have been shown to demonstrate a strong client advocacy (Cuccia 1994, Cuccia et al. 1995, Spilker et al. 1999, Barrick et al. 2004, Kahle and White 2004), but advocacy strength can vary between individual advisors (Johnson 1993, Davis and Mason 2003).

By definition, advisors who act as advocates are strongly committed towards finding support for the clients' preferred position. Therefore it seems reasonable that the more that advisors identify themselves as client advocates, the more committed they will be towards

finding support for the client's position. Research in psychology on decision-making has found that as the need to defend a position increases, individuals are more likely to engage in confirmatory behaviors (Tetlock et al. 1989, Kunda 1990, Trope and Liberman 1996). Therefore, this leads to the following hypothesis:

> *H5a: The strength of advocacy will be positively related to the extent of confirmatory information searches and confirmatory information evaluations.*

Concerns about Accuracy

While tax advisors are characterized by strong advocacy concerns, they are also simultaneously motivated to provide accurate advice—or at the very least, not provide inappropriate advice —to their clients. The jurisprudence literature suggests that advisors need to look at information that both supports and opposes the client's preferred position (Levi 1949, Ashley 1990), and regulations require that the tax professional look at all relevant information and not judge the importance of information based on which position is supported by that information. Consequences for failing to engage in an appropriate information search or evaluation and providing faulty recommendations to a client can be severe.

Research in psychology on accuracy and decision making has shown that concerns about providing an accurate solution (due to potential consequences) tend to prompt more caution when examining evidence and making final decisions (Kunda 1990, Browenstein 2003, Jonas et al. 2005). In tax, Kadous et al. (2008) found that confirmatory information searches decrease when the client is characterized by high practice risk (which may have induced higher concerns with respect to accuracy). Therefore I predict the following:

H5b: The strength of concerns for accuracy will be negatively related to the extent of confirmatory information searches and confirmatory information evaluations.

Summary

The preceding discussion outlined the various factors explored in the current study. Different advisor roles, as well as other factors such as concerns about accountability, perceived ease of the decision task, strength of the initial preference, advocacy, and concerns about accuracy are all predicted to impact the extent of confirmatory behaviors. However, it is important to note that it is impossible to make any predictions about which of the factors will have the most significant influence relating to confirmatory behaviors. Therefore formal hypotheses about how the factors compare relative to each other cannot be made at this time, although the nature of the relationship (positive or negative) in the above predictions is not expected to change when all factors are considered simultaneously.

Links between Behaviors and Perceptions and Judgments

Koehler (1991) suggests that engaging in confirmatory behaviors increases the perception in decision makers' minds that their preferred position is the best solution. Research in tax has supported this claim. Cloyd and Spilker (1999) and Kadous et al. (2008) manipulated client preference (whether the client preferred to be considered an investor or a dealer for a real estate transaction) and studied the information search behavior of tax advisors. Besides finding evidence of strong confirmatory behaviors, the authors of both studies found a significantly positive relation between the extent of the confirmatory information search and the perceived likelihood of judicial success for the client's preferred position. In addition, a significantly

positive relation was found between the perceived likelihood of judicial success and the strength of the recommendation.[17] Johnson (1993) found similar positive relationships when examining confirmatory information evaluations.

However, these prior studies have not explored other factors that decision-making research in psychology suggests impact the extent of confirmatory behaviors. Including these factors will allow for a better understanding with respect to what may account for differences in perceptions and final judgments. Including these individual factors when studying the link between behaviors and this perception will accomplish two purposes. First, I will determine if the factors on their own offer any additional explanatory power towards differences in perceptions and judgments (e.g., the perceived likelihood of judicial success), after controlling for the advisor's search and evaluation behaviors. For example, one who identifies strongly as a client advocate may engage in more of a confirmatory information search, which in turn leads to increases in the perceived likelihood of the client's position being judicially supported. In addition, it is also possible that being an advocate places the advisor in a state of mind where the client's preferred position seems more reasonable, which has nothing to do with the information search itself. Therefore by including the factors when studying perceived likelihood of judicial success, I will be able to tell if the factors also have a direct link on this perception, or only an indirect, through the behaviors.

The second purpose will be to better understand if the behaviors do in fact link directly to the perceived likelihood of judicial success, or if the factors themselves are correlated omitted variables. It is possible that differences in individual factors lead to differences in behavior and

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[17] Strength of the recommendation referred to how strongly the advisor would make a particular recommendation to the client. This variable ranged from -3 (strongly recommended "dealer" treatment) to +3 (strongly recommended "investor" treatment).

differences in perceptions and judgments, and that the causality suggested by prior research is not direct. For example, if an advisor has a high concern with respect to accuracy, this may decrease confirmatory behaviors. At the same time, it may cause them to be more cautious with respect to assigning a high likelihood of success to the client's preferred position. In this case, the link between behavior and perceived likelihood is not direct, although both change due to increased accuracy concerns.

For the same reasons, I will also include the factors in looking at the link between perceived likelihood of judicial success and the strength of the final recommendation in order to add overall explanatory power. In addition, I will also extend prior literature in tax by also exploring how the factors, behaviors, and perceived likelihood of judicial success leads to differences in the final recommendation itself (i.e., whether or not the advisor selects the client's preferred option), and degree of confidence with respect to the final recommendation being the most appropriate.

Because it is unknown which factors will be the most significant with respect to behaviors, perceived likelihood of judicial success, strength of the recommendation, confidence, or the final decision itself, no formal hypotheses will be made.

CHAPTER IV

RESEARCH METHODS AND DESIGN

This chapter describes the research methods and design. An overview of the subjects and demographics is provided first. The next section discusses the instrument and the cases used. The third section explains how the task was administered. Fourth is a discussion of how the independent variables were measured. Following this section is an explanation of how the dependent behavior variables were collected, and finally how the individual perceptions and judgments with respect to the final decision were measured.

Subjects

The subject pool consisted of 114 subjects. Of these subjects, 24 were accounting tax professionals from a Big 4 accounting firm. The experience of these professionals ranged from two months to 27 years, with an average experience of 9.03 years, and the average amount of time spent devoted to tax-related work in the last year was 92 percent. The remaining 90 subjects comprised 63 masters'-level accounting students from various universities with an established course in conducting tax research (which the subjects had taken), and 27 law students.

Student subjects were recruited by contacting professors in law and graduate accounting courses at three different Midwestern universities. Professional subjects were recruited by contacting managers at local offices of three public accounting firms (21 of the 24 professional subjects were employed by a Big 4 accounting firm).[18]

[18] A series of ANOVAs were run comparing professionals with student subjects on all of the dependent variables, and no significant differences were observed.

For tests examining advisory role, the entire subject pool was used. However, for tests examining the situational factor variables, information was collected on only 96 of the subjects.[19] This subset of 96 subjects was used for the remaining analyses. Table 1 summarizes the demographic information on the entire subject pool as well as the subset of subjects.

INSERT TABLE 1 HERE

Development of the Instrument

The issue used in the materials is the deductibility of certain expenses. A tax compliance scenario was chosen over tax planning because compliance represents a set of facts that have already occurred, and as such, leaves less room for interpretation. Therefore, in a tax compliance situation, unlike a tax planning situation, a decision must be made that is based solely on the search and evaluation of information (Johnson 1993).

During the tax year in question, a corporation that owned a bar spent a considerable sum of money on both remodeling the bar and converting an unused portion of the preexisting building into a restaurant. Some costs could be traced clearly to the bar, and some clearly to the restaurant. However, some costs could not clearly be traced to one or the other, as both the bar and restaurant benefited. The treatment of these costs depended on whether the restaurant business could be considered an expansion of the bar business (and thus, be expensed and

[19] Questions designed to ascertain measures for the factor variables had not yet been included when the experiment was given to the first eighteen subjects.

deducted immediately) or a new business enterprise (and thus, be capitalized and amortized). All subjects were told that the client would strongly prefer to treat the costs as deductible expenses. Appendix A provides the information on the client given to each subject.

It is possible that some subjects may have preexisting knowledge on this particular tax issue as it relates to U.S. tax law, which may in turn impact their information search and/or information evaluation phase of the task, or their final decisions and judgments. To control for the effects of any such preexisting knowledge, the subjects were told to assume they were on temporary assignment to the fictitious Western European nation of Canalla. They were told that Canalla was analogous to the United States with respect to its overall demographics and legal system, with the only relevant concern being potential differences in specific tax law.

Background tax law addressing the client's issue was provided to all subjects. However, this background law was purposefully vague on the proper tax treatment for the client situation, and the subjects would need to conduct research in order to arrive at a solution.

A database of 24 court cases was created for use in the research portion of the task. Half of these cases the court ruled in favor of immediate expensing, and in the remaining half, the court ruled in favor of capitalization. In addition, subjects were asked to assume that the 24 court cases they had to choose from were cases that they found after entering in search terms in a court case database. Because one would not necessarily expect every case returned in a search to be relevant to the client's immediate situation, to add realism to this task, half of the cases available

were deemed "relevant" to the client's situation, while the other half were not. Hence, there were six relevant/expense cases, six relevant/capitalization cases, six irrelevant/expense cases, and six irrelevant/capitalization cases.[20]

More than half of the cases were completely fictitious; ideas for the remaining cases came from actual court cases but facts and circumstances and/or rulings were significantly changed for the purpose of this task. Each case was written in a style similar to what one would find when reading through an actual court case (see Appendix B for a sample research case). In order to ensure that subjects' searches and evaluations were based solely on the cases themselves, all of the court cases provided had the same level of judicial authority. In addition, none of the cases referenced each other, and dates and dollar figures were excluded.

Administration of the Task

Subjects were solicited through professors (for students) and managers (for professionals). Volunteers who agreed to participate were distributed information packets and were told they could read through and complete the task on their own time. The packet included the following: a set of step-by-step instructions to follow, a memo from myself explaining the nature of the task, a consent form, a $5 bill as incentive to complete the task, information on the

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[20] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings were as follows: Relevant/Expense cases 6.9, Irrelevant/Expense cases 2.6, Relevant/Capitalize cases 7.0, Irrelevant/Capitalize cases 2.4. Cronbach's Alpha measure of Interrater reliability on these 24 cases was computed to be 0.816.

Both law students were also asked to provide a rating from 0 (low) to 10 (high) on overall realism with respect to the decision task. One student rated a score of 10, and the second a score of 8.

Finally, these students were asked if after reading through all the cases, if they believed a court could still easily rule in favor of either capitalization or expense treatment for the client. This question was not assigned a numerical answer, but both reported that they did believe that a court could still easily rule in favor of either position.

client and background case law (see Appendix A), and a case log in order to make sure that they adhered to the 40-minute time limit imposed for the research portion of the task.[21] Subjects were also provided with a unique identification code that they would use when accessing the online materials. Personal identifying information on the individual subjects was not collected.

The memo also indicated that subjects would need approximately an hour of uninterrupted time, they were not to discuss the task with anyone else, and they were not to use any research materials outside of those provided to them. At the end of the task, subjects were asked if they adhered to these restrictions: all of them reported that they did not discuss the case and they did not use any outside materials. Fourteen subjects did report an interruption while doing the case, but the majority of these were not longer than ten minutes at most.[22] Analyses that did not include these subjects did not significantly change the results, so these subjects remained included in the sample.

After reading through the memo and client information, subjects were directed to an online website for the information search portion of the task. The 24 cases were presented in a random order. Similar to most legal and tax databases, following each of the cases was a short annotation that briefly described the issue and ruling in the case. These annotations included no information with respect to the facts and circumstances of the cases, the reasoning behind the court's decision, or the relevance to the client's case.

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[21] Cloyd and Spilker (1999) allowed 30 minutes for subjects to conduct research. For the immediate task, three subjects pilot tested the experiment. One subject felt comfortable with a solution after 24 minutes of research; a second after 30; and the third after 42.

[22] The self reported delays were: one subject for two minutes, four subjects for five minutes, four subjects for ten minutes, one subject for fifteen minutes, one subject for thirty minutes, one subject for forty minutes, one subject for forty five minutes, and one subject for fifty five minutes.

Subjects were given a time limit of 40 minutes total for the research portion of this task. A time limit was imposed to require subjects to selectively search for information, similar to professionals in the real world. A case log was included in the material so they could track how much time had passed. Subjects were reminded repeatedly, both in the instructions and on the online pages, to adhere to the 40 minute time limit.[23]

Also, before beginning the actual research, subjects were reminded to conduct the research portion of their task as they normally would when attempting to find a solution on a legal issue:

> "Please conduct your information search as you would for any other client situation. For example, if there is a case or component that you would normally skim, please do so here as well. If you come to a case that doesn't seem pertinent and you would normally stop reading and move on to a different case, please do so here. Likewise, if there is a case or component that you would normally read through more carefully, please do so here.... Because of time constraints, you should not expect to read every case. However, you may find that you don't need the entire forty minutes to conduct your research. If you reach a point where you would normally stop researching, please do so here as well. Do not feel obligated to use the entire forty minutes if you don't find it necessary."

Subjects selected a case that they wanted to review in more detail. Doing so opened a new window that provided information on that particular case. The case was organized into four sections that were displayed simultaneously (see Appendix B for a sample case): case issue (brief explanation of what the overall question was with respect to the case), case facts (background history of the plaintiff and the dispute), case conclusion (brief explanation of how the court ruled), and case analysis (detailed description of the arguments put forth by the plaintiff and the

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[23] To prevent subjects being overly concerned about time, or from feeling they have to stop immediately at 40 minutes, they were told they should check the time only once they finished reviewing a case. If at that point, 40 minutes or more had expired, they needed to stop the research portion of the task. Analysis of the total time spent on research showed that none of the subjects went more than a few minutes over the 40 minute limit.

tax authority, and the reasoning behind the court's final decision). After reviewing the case, the subject provided a rating of how important they found that case after reviewing it, on a scale between 0 (not important at all) and 100 (extremely important).

Once the subject answered the question, the window closed. Subjects were asked to record the time in their case log. As long as the time limit had not yet expired, they could select any case from the original database to review, including cases they may have already examined.

Subjects completed the research portion of the task either by stopping once they felt they reached a solution they were comfortable with or because the time limit expired. Once the research portion was concluded, subjects accessed an online survey where they provided a final set of importance ratings for the cases they examined. They were also asked which cases they would cite in a memo explaining their final decision. In addition, they indicated which solution they chose, and answered a series of questions to determine their perceptions and judgments with respect to the final decision, informational questions to determine differences based on the situational factors, manipulation check questions, and finally provided some demographic data (see Appendix C for the post-research questionnaire).

Independent Variables

Advisor role was manipulated between subjects. Recommending advisors were told that the client already employs a team of tax professionals in-house, and while this team was competent enough to make a decision on their own, the client had asked the accounting firm to

provide a recommendation for them to consider. Binding advisors were told that the client had very little tax law knowledge or experience, was unsure of the proper tax treatment, and was willing to go along with whatever the advisor recommended (see Appendix A).

A series of questions was provided in order to measure the remaining situational factors (perceived accountability with respect to the final decision, perceived accountability with respect to the search process, perceived ease of the decision task, strength of the initial preference, advocacy, and concerns about accuracy). Answers were provided using a 0-10 point scale. An overview of all the measures is provided in Appendix D.

To provide tests for H2a (perceived accountability with respect to the final decision), subjects provided the level of concern they had with justifying their decision to their supervisor, to the client, to the tax authority, and overall (JustDecSuper, JustDecClient, JustDecTA, and JustDecOverall, respectively). For H2b (perceived accountability with respect to how they conducted the information search process), subjects provided the level of concern with having to justify how they conducted their information search to their supervisor, to the client, to the tax authority, and overall (JustSrchSuper, JustSrchClient, JustSrchTA, and JustSrchOverall, respectively). For all of these measures, the subjects provided a number between zero (no concern) and ten (extremely concerned).

For H3, subjects were asked how easy they found the overall decision task (EaseOfFinal). Subjects responded with a score between zero (extremely difficult) and ten (extremely easy). For H4, subjects provided a score describing their preference before beginning their research (PrefBefResearch), which ranged from zero (strongly preferred capitalization) to ten (strongly preferred expense).

For H5a (advocacy), subjects provided assessments with respect to the importance of following the client's preference as they conducted their research (ImpFllwResearch) and as they made their final decision (ImpFllwDecision). Additionally, they were asked to gauge the importance of building a justifiable case for the client's preferred position (RCJustCP), finding support for the client's preferred position (RCSuppCP), and finding reasons why the client's preferred position might not be allowed (RCAgainstCP). Finally, subjects provided ratings on their level of concern with respect to future business with the client when conducting their research (RCFutureBus). For each of these measures, subjects responded with a score between zero (was not important/did not consider this) and ten (extremely important).

For H5b (concerns about accuracy), subjects provided ratings with respect to concern about the following: consequences of making a wrong decision (ConseqConcern), finding the most appropriate solution (RCApprop), and identifying what the tax authority was most likely to view as the most appropriate position (RCTA). Subjects provided scores between zero (was not important/did not consider this) and ten (extremely important).

Table 2 displays the minimum, maximum, mean, and standard deviation values for these factor variables, as well as the behavior and the dependent variables. As the table shows, there is wide variation in the range of values given by subjects in response to the above questions. This is important to note for the hypotheses tests, as they predict that variation in the factor variables can be used to explain or predict variation in the dependent variables.

INSERT TABLE 2 HERE

In addition, a factor analysis was performed using the four variables measuring perceived accountability with respect to the final decision (H2a), the four variables measuring perceived accountability with respect to the research process (H2b), the six variables measuring advocacy (H5a), and the three variables measuring concerns about accuracy (H5b). The purpose behind performing a factor analysis is that because each of these categories have multiple measures, it is possible that some of these independent variables captured the same overall construct. Factor analyses find variances within variables that are shared by other variables, and groups them together as components. Subsequently, these component scores can be used in analysis by replacing the individual variables (Kerlinger and Lee 2000).

The factor analysis method used was a principal components analysis. Factors were considered significant if Eigenvalues were less than one. The rotation method was Varimax using a Kaiser Normalization. Related to the analysis, the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.785, and Bartlett's test of sphericity had a chi-squared of 1,184 ($p < 0.001$). The cumulative percent of components explained by the analysis was 69.605 percent.

The results of the analysis indicate that the variables load onto components defined by their respective categories. JustDecOverall, JustDecTA, JustDecClient and JustDecSuper all loaded onto one component, AccountDec (perceived accountability with respect to the final decision). JustSrchOverall, JustSrchTA, JustSrchClient, and JustSrchSuper all loaded onto a second component, AccountSrch (perceived accountability with respect to the search process). RCSuppCP, RCJustCP, ImpFllwDec, ImpFllwRes, RCAgainstCP, and RCFutureBus all loaded onto a third component, Advocacy. Finally, RCTA, ConseqConcern, and RCApprop all loaded

onto a fourth component, Accuracy. From this point forward, analyses will be done using the components (AccountDec, AccountSrch, Advocacy, and Accuracy) instead of the individual variables.

Dependent Variables – Behaviors

Two measures are used to capture information search. First is the difference between expense and capitalization cases selected by the subject (COUNT), as a proportion of total cases examined. The online database tracked the number of cases examined based on a unique identification code entered by the subject. The formula for COUNT is:

> COUNT = (Number of expense cases examined – Number of capitalization cases examined) / Total cases examined

The second measure of confirmatory information search is computed similarly, only instead of the number of cases examined, the time spent reviewing cases are compared. The online database tracked how long each subject spent reviewing each case. Therefore, the formula comparing time spent (TIME) is computed as follows:

> TIME = (Time spent reviewing expense cases – Time spent reviewing capitalization cases) / Total time spent reviewing cases

Two measures are employed to capture information evaluation. Both of these measures focus on the cases the advisor chose to cite in a memo as relevant to their final decision. The first measure was a comparison of the number of cases cited that support the client's preferred expense position to the number of cases cited that did not support the expense position. This difference was expressed as a proportion of total cases cited (MEMO):

> MEMO = (Number of expense cases cited in a memo – Number of capitalization cases cited in a memo) / Total number of cases cited in a memo

Proportions were used for the above three measures to control for any individual differences between subjects based purely on overall volume of cases examined or cited in a memo.

The second evaluation measure is the difference between the average importance rating attached to expense cases cited in a memo to the average importance rating attached to capitalization cases cited in a memo (EVAL). Subjects provided importance ratings twice for each case they read: the first rating was immediately after reading a case; second was after they had finished the research portion of the task. For the second importance rating, subjects were reminded of their original score and could make changes if they wished. The purpose of this was to give them an opportunity to change how important a case seemed after comparing to other cases that they read. Paired-sample t-tests were conducted comparing the preliminary score with the final score, and results were not significantly different. In addition, analyses using both the

preliminary score and the final score were analyzed, with similar results. Therefore, the final scores will be the ones discussed for the remainder of the analysis. The formula comparing the evaluations is as follows:

> EVAL = Average importance score of expense cases cited in a memo – Average importance score of capitalization cases cited in a memo

It is important to note some potential concerns with this variable that warrant further discussion. First, it is possible that the differences in importance weights between the expense and capitalization cases cited in a memo may not be very strong, as by their nature these cases are viewed by the subject as important enough to include in a memo in the first place. In addition, analyses requiring the above measure need to have subjects include at least one expense case and one capitalization case in a memo. Of the 114 total subjects, fifteen had to be excluded because they either did not cite any expense cases or they did not cite any capitalization cases in a memo (and of the subset of 96 subjects about whom information on the factors was collected, thirteen were excluded).

Alternative measures for the EVAL variable were considered and rejected. One such alternative was a comparison of the average importance rating attached to all expense cases to the average importance rating attached to all capitalization cases. However, to add realism to the research task, the court case database also included irrelevant cases. Because of this, average ratings could be significantly decreased simply because a subject viewed an irrelevant case. For example, if one viewed one relevant capitalization case and rated it a 90, one relevant expense case and rated it 100, and one irrelevant expense case and rated it a 0, a comparison of average scores would show an average capitalization rating of 90 and an average expense score of 50.

However, in reality, the relevant expense case was given more weight, but inclusion of the score on the irrelevant case would show this subject as not engaging in a confirmatory information evaluation.

Another alternative considered was to compare the average ratings of only the relevant cases. However, this measure could be offset by potential differences between what the experimenter and what the subjects view as relevant cases and the subject (despite the relevant cases being rated as more relevant by two experienced law students who examined every case). However, applying such a measure to the real world is somewhat problematic. In a real world decision task, there is no way to know ahead of time which cases will be relevant and which ones will be irrelevant before actually reading them. Because of this, it would be difficult, if not impossible, to extrapolate any results found by using this measure to a real world setting. However, analyses using EVAL scores based on cases cited in a memo and scores based on only the relevant cases yielded similar results. Therefore, for the remainder of this paper, EVAL will refer to the difference between the average importance rating attached to expense cases and the average importance rating attached to capitalization cases, of all the cases that the subject would cite in a memo.

With respect to all four behavior variables, each can be either positive, negative, or zero. A positive value would indicate a confirmatory behavior—looking at more cases, spending more time on cases, citing more cases in a memo, or attaching more weight to cases cited in a memo—that support the client's preferred expense position. In contrast, a negative value would indicate a disconfirmatory behavior—looking at more cases, spending more time on cases, citing more

cases in a memo, or attaching more weight to cases cited in a memo—that do not support the client's preferred expense position (instead, they support the capitalization position). A score of zero would indicate neutral behavior, neither confirmatory nor disconfirmatory.

Dependent Variables—Perceptions and Judgments

In addition to the behavior variables, information was collected based on the final decision, as well as perceptions and judgments with respect to their final decision. For the perceived likelihood of judicial success of the client's preferred position (RecJudSucc), subjects were asked the following:

> "Based on your research, if the client case were to go to court, what do you believe is the likelihood that the court would rule in favor of the EXPENSE option (i.e., treating the restaurant as a business expansion of the bar and therefore expensing the costs in question)? Logically, if you subtract your answer from 100, this new number should represent what you believe is the likelihood of a court ruling in favor a new business and therefore capitalizing the costs."

Subjects provided a rating between 0 and 100, representing what they believed the likelihood of judicial success for the client preferred position.

To gauge how strongly the subject would make their final recommendation to the client (RecStrength), subjects answered the following question: "How strongly would you recommend your choice to the client?" Replies could range from zero (not a strong recommendation at all) to ten (extremely strong recommendation). For comparison purposes on this dependent variable, the scores were multiplied by negative one (-1) if the subject's final decision was to capitalize the

costs. Therefore, scores on this question could potentially range from +10 (extremely strong recommendation for the client's preferred position) to -10 (extremely strong recommendation for the position not preferred by the client).

Subjects were also asked to provide ratings of confidence (RecConfidence) by responding to the following: "How confident are you with respect to your choice being the best or most appropriate alternative? This refers to your own personal opinion only and not necessarily what you would communicate to the client." Answers could range from zero (not confident at all) to ten (extremely confident). It is important to note that confidence and strength of the recommendation are not necessarily the same measures—confidence refers to the advisors' own internal belief and not necessarily what they would communicate to the client; strength of the recommendation refers to how strongly they would recommend their decision to the client, which would be communicated with the client.

To analyze differences in this variable, scores were multiplied by negative one (-1) if the subject's final decision was to capitalize the costs. Therefore, scores on this question could potentially range from +10 (extremely confident that the client's preferred position is the most appropriate) to -10 (extremely confident that the position not preferred by the client is the most appropriate).

Subjects were also asked to provide a final decision. Their responses were coded using a dummy variable (FinalDecisionDummy), with a score of 1 denoting a decision to expense, and a score of 0 denoting a decision to capitalize.

CHAPTER V

ANALYSIS OF RESULTS AND DISCUSSION

This chapter presents the results of the study. The first section describes the general behaviors observed. The second section tests for random assignment of subjects between advisor role conditions and discusses the results of the manipulation checks. Third is an examination of the control variables. Next, tests and analyses comparing differences between advisory roles are considered. The following section tests the remaining hypotheses with respect to the behavior variables and the situational factors. The last section presents the results of the additional analyses of behaviors and factors on the final decision, and perceptions and judgments with respect to the final decision.

Discussion of General Behaviors

Table 3 shows the average behaviors engaged in by all subjects. The difference column in this table shows only slight confirmatory behaviors based on COUNT, TIME, and EVAL. The effect for MEMO appears to be somewhat stronger, but on average, it appears that confirmatory behaviors are not very strong.

INSERT TABLE 3 HERE

However, looking at only the averages is misleading. Table 4 shows a more in-depth look at subjects by separating subjects into groups based on whether they engaged in confirmatory, disconfirmatory, or neutral behaviors. Overall, for each of the behaviors, more subjects tended to

engage in confirmatory behaviors than the number of subjects who engaged in disconfirmatory or the number of subjects who engage in neutral. However, it is noteworthy that for each behavior, a high proportion of subjects did not engage in a confirmatory behavior. Furthermore, the extent of the average disconfirmatory behavior engaged in by the subjects is of similar strength to the extent of the average confirmatory behavior.

For example, compare behaviors based on the number of cases examined (COUNT). Of the 114 subjects, 50 (or 43.9 percent) looked at more cases that support the client's preference than cases that did not. And of those subjects, on average they examined 31.06 percent more supporting cases. On the other hand, 42 subjects (36.8 percent) looked at more cases that did not support the client's preference than they did at cases that did support the client's preference. And of those subjects, on average they examined 22.8 percent more nonsupporting cases.

Similarly, 62 subjects engaged in confirmatory information search based on TIME, with the subjects spending on average 26.5 percent more of their time on expense cases. The remaining 52 subjects engaged in a disconfirmatory information search, spending on average 19.6 percent more of their time on capitalization cases.

With respect to confirmatory information evaluations based on EVAL, 61 engaged in confirmatory information evaluations, and rated expense cases 9.13 points higher than capitalization cases. In contrast, 26 subjects engaged in disconfirmatory information evaluation, rating capitalization cases 8.9 points higher than expense cases. Finally, on MEMO, 63 subjects engaged in confirmatory information evaluation, on average citing 46.9 percent more expense cases, while 27 subjects engaged in disconfirmatory information evaluation, citing 39.4 percent more cases.

Taken as a whole, these results confirm that while many advisors engage in confirmatory behaviors, many do not; furthermore, the extent of the confirmatory and disconfirmatory behaviors is of similar magnitude. This also provides early evidence that prior research in tax on confirmatory behaviors, which has typically shown strong evidence of confirmatory behaviors by reporting average behavior among advisors, may be misleading.

INSERT TABLE 4 HERE

Random Assignment and Manipulation Checks

Advisory role is the only variable manipulated in this experiment. Table 5 compares the demographic data between those in the binding advisor condition (n = 59) and the recommending advisor condition (n = 55). To ensure random assignment between conditions, an ANOVA is performed the following variables: whether the subject is a student or professional, whether the subject received law or accounting training, whether the subject is male or female, age, average number of years of experience in accounting, and the percent of time in the last year devoted to doing tax work. Table 6 presents the results of the ANOVA tests for randomization. No significant differences are reported, signifying that the randomization of subjects across advisory role condition is considered successful.

INSERT TABLE 5 HERE

INSERT TABLE 6 HERE

In order to perform tests comparing binding and recommending advisors, it is necessary to ensure that the manipulations were successful. Binding advisors are advisors who know or believe that the client lacks the knowledge or expertise to judge the quality of the recommendation given, and will go along with whatever solution is offered by the advisor. In contrast, recommending advisors know that the client does possess the knowledge or expertise to judge the quality of the recommendation and that the client is merely looking for a solution to consider. To test the success of the manipulation, subjects responded to three questions: (1) To what degree do you feel that the client had the competence or expertise to make a decision without your assistance; (2) How likely do you feel that the client would be able to judge the quality of your recommendation; and (3) To what degree do you feel that the client will follow your recommendation. Subjects responded on a scale between zero (extremely unlikely) and ten (extremely likely). The average responses between advisor role and the results of the independent sample t-tests are presented in Table 7. The difference in average response is significant for all three questions, indicating a successful manipulation.

INSERT TABLE 7 HERE

Control Variables

It is possible that some systematic differences in responses between subjects may be driven by either the status of the subject (student vs. professional) due to differences in real-world experience, or by training received by the subject (law vs. accounting). Both of these are discussed in more detail below.

The main criterion in order to provide a reliable test for the theory is that the subjects must have experience in conducting legal research and making decisions based on that research. Tax professionals clearly meet this criterion. In addition, both law students and tax accounting students at the graduate level receive significant research training in their studies, and all students in this study had received training in conducting legal research.

However, some differences may exist between professional and student subjects. For example, research in accounting has shown that experience can cause differences in information search behaviors. For example, in auditing, McMillan (1994) shows that less experienced subjects (defined as students and auditors with limited experience) are more inclined to engage in confirmatory information searches with respect to audit evidence, while more experienced auditors tend to engage in more balanced search strategies. In tax, Spilker and Prawitt (1997) report that when under time pressure, more experienced decision makers are better able to identify and encode the most relevant information when conducting information searches.

On the other hand, some prior research has shown that both professionals and students engage in confirmatory behaviors to a similar degree. For example, Cloyd and Spilker utilize professionals in one study (1999) and students in another (2000). In comparing the results from the two papers, the authors do not find significant differences between the subject pools with respect to their confirmatory information searches. This leads them to conclude that there is no significant difference in information search behavior between tax professionals and students (see Cloyd and Spilker 2000, footnote 19). Similarly, Schulz-Hardt et al. (2000) support this notion in their study on the information search behavior on a decision-making task, and find that professionals engage in confirmatory behaviors just as strongly as student subjects.

To determine if there were any significant differences based on whether the subject was a student or professional, a series of ANOVAs are run on each of the dependent variables examined in this study. Table 8 presents the results of these ANOVAs. No significant differences are found. However, because of the possibility that whether a subject was a student or a professional could still have an indirect impact on some of the dependent variables, a dummy variable denoting professional or student status (ProforStudent) is included as a covariate in regression analyses. In addition, to control for experience, a variable for age is also included in regression analyses.[24]

INSERT TABLE 8 HERE

Another possibility is that there could be systematic differences in behaviors or judgments based on whether the training received by the subject was in law or in accounting. In particular, Cloyd and Spilker (2000) reported that when comparing law students to accounting students, in general, law students engaged in confirmatory information searches to a lesser degree than accounting students. Therefore, to determine if there was any early indication of similar results in the current study, a series of ANOVAs is run on each of the dependent variables. Table 9 presents the results of these ANOVAs. None of the tests on the behavior variables yielded significant results; however, weakly significant differences are found on

[24] Another control variable considered was the years of experience as an accountant. However, the majority of student subjects had no experience as a public accountant (median = 0), so there was concern that using experience as a variable may be, by its nature, only relevant to the smaller subset of professional accountants. Therefore, experience was not included as a control variable on regression analyses and age was included instead.

RecStrength ($p = 0.071$) and RecConfidence ($p = 0.099$). Therefore, to control for any potential differences due to the type of training the subject received, a dummy variable (LawOrAcct) is included as a covariate for all regression analyses.

INSERT TABLE 9 HERE

Also, although not the focus of this study, it is possible that advisors may behave differently depending on what they believe is the probability of the client being audited by the tax authority. The experimental materials purposefully avoid making any mention with respect to the likelihood of the client being audited in order to control for this possibility. However, some subjects may have had different opinions on this measure that subsequently impacted how they conducted their information search and evaluation, or their final decisions. To control for this in the analyses, a covariate representing the subjects' belief on the likelihood of the client being audited (LikeAud) is included.

Finally, ANOVAs were computed to determine if there were any significant differences based on which pool the subject came from (i.e., different public accounting firms for professionals and different schools and classes for student subjects). No significant differences are found and the results are collapsed across the location condition.[25] The results of this ANOVA are presented in Table 10.

INSERT TABLE 10 HERE

[25] One of the subject pools is excluded from this analysis because it contained only three subjects.

Comparison of Advisory Roles

H1 predicts that binding advisors are more likely to engage in confirmatory behaviors than recommending advisors. Panel A of Table 11 shows the extent of the confirmatory behaviors engaged in by binding and recommending advisors. To test this hypothesis, independent sample t-tests are run on each of the confirmatory behavior variables, comparing advisor role. The results of these tests are summarized in Panel B of Table 11. Contrary to expectations, none of the differences are found to be significant.[26] Therefore H1 is not supported.

INSERT TABLE 11 HERE

While advisor role does not have a significant impact with respect to the extent of confirmatory behaviors, it is possible that advisor role could still be used to predict whether an advisor engages in a particular confirmatory behavior or not. Table 12 (Panels A, B, C, and D) display the results of performing crosstabs and a chi-square analysis comparing advisor role to whether or not the subject engaged in a confirmatory behavior. The results of these tests show that advisor role does not impact the likelihood of advisors engaging in one type of behavior over another. Panel E of Table 12 shows the crosstabs comparison based on advisor role and final decision made, and similar to the behavior variables, advisor role does not significantly impact the final decision made by advisors.

[26] In addition, subsets were created to determine if advisory role only had an impact among subjects who had a preference for the expense position before beginning research. The effect of advisory role was also tested among subsets of subjects based on their final decision. No significant results were found based on advisory role among these subsets.

INSERT TABLE 12 HERE

Because of the lack of significant findings based on advisory role, the remaining analyses are collapsed across advisory role condition, and in the regression analyses, advisor role is still included as a dummy variable and covariate (BindorRec). The reason for its continued inclusion is two-fold. First, it is possible that some of the remaining factor variables offer significant explanatory power with respect to differences in behavior, and that advisor role is significant but only when also taking the other factors into account simultaneously. The second reason is that while advisor role may still offer significant explanatory power with respect to differences in subsequent perceptions and judgments, but only after controlling for the effect of information searches and evaluations. Therefore, BindorRec will remain in the regression analyses to test for these two possibilities.

Remaining Hypotheses Tests

Overview

To test the hypotheses with respect to the behavior variables (COUNT and TIME for information search behavior; EVAL and MEMO for information evaluation behavior), a series of tests are conducted. First, the scores on the factor variables (perceived accountability with respect to the final decision, perceived accountability with respect to the information search process, perceived ease of the decision task, strength of the preference before beginning research, advocacy, and concerns about accuracy) are compared to the two information search variables

using a simple correlation analysis. The purpose of this analysis is to determine which of the hypotheses are supportable based purely on the direct relationship between the factor variables and the information search variables.

Following the correlational analysis with the search variables, similar correlational tests are conducted with respect to the information evaluation variables; however, a somewhat different approach is used. Klayman and Ha (1987) posit that gathering information in support of a particular position can impact the evaluation of that information. Therefore, it is possible that variation in the information evaluation variables could be partially explained by variations in the information search variables. To control for this possibility, first, regressions are performed. For the tests using EVAL, in the first stage, both COUNT and TIME are regressed directly against EVAL. The residuals from this regression represent the variance in EVAL left unexplained by COUNT and TIME. These residuals, instead of the EVAL variable itself, are then examined in a correlation analysis against the factor variables. A similar procedure is used to compare the factors against MEMO.[27]

In addition to the correlational tests, regression analyses are conducted that include all of the factor variables simultaneously. The dependent variables for these analyses are the information search variables and the residuals from regressing the search variables on the

[27] Another possible way to measure the correlation between the factor variables and the information evaluation variables would be to conduct partial correlations that control for COUNT and TIME. However, residuals are chosen in this analysis for two reasons. First, the residuals obtained here will be used in subsequent analyses, as part of a two-stage regression. Second, the results from conducting partial correlations yield very similar—and in many cases, almost exactly the same—results. Therefore, in the interest of maintaining consistency with subsequent tests, the residuals from regressing the information search variables on the information evaluation variables are used for the correlation analyses, instead of a partial correlation test.

information evaluation variables. The purpose of these regressions is to determine which factor variables are comparatively more important with respect to the extent of the confirmatory behaviors.

The next section presents the results from the correlation analyses and the regression analyses. Following this is a summary of these results with respect to the hypotheses tests. For purposes of convenience, Table 13 is included which summarizes the results of the hypotheses tests with respect to the correlations. Table 14 summarizes the results of the regression analyses.[28]

INSERT TABLE 13 HERE

INSERT TABLE 14 HERE

Correlations

The first set of tests for the hypotheses are to examine the correlation between each of the factors against the behavior variables. The information search variables—COUNT and TIME—can be used directly. However, as outlined previously, it is possible that how one conducts an

[28] To test the assumptions with respect to normality and homogeneity of variance, the following tests were conducted, as suggested by Norusis (2003). For normality, a histogram of the residuals was examined. The histograms all appeared to be normal or close to normally distributed, which was confirmed by examining the quantile-quantile plot. For homogeneity of variance, a scatterplot was created by plotting residuals against the predicted values. The scatterplots all appeared random over the range of predicted values, indicating that for the analyses, the homogeneity of variance assumption was likely not violated.

information search could potentially directly affect how that individual evaluates that information. Therefore, it is necessary to derive a value for the information evaluation variables—EVAL and MEMO—that control for the impact of information search.

To do this, both COUNT and TIME are regressed directly on EVAL, and the values of the residuals are collected. Table 15 reports the results of this regression. Based on the results, it appears that the information search variables do not significantly impact the importance ratings of cases cited in a memo. However, the residual values from this regression are collected, as they should represent the variance in the EVAL variable that is left unexplained by COUNT and TIME.

INSERT TABLE 15 HERE

Following the same logic, both COUNT and TIME are regressed directly on MEMO. The results of this regression are presented in Table 16. In this case, the coefficients on both COUNT and TIME are significant and positive. This would indicate that both measures of the extent of the confirmatory information searches significantly impact the extent of confirmatory information evaluation, as measured by the difference between the number of supporting and nonsupporting cases cited in a memo. The residuals from these regressions are also collected.

INSERT TABLE 16 HERE

To test the hypotheses, a simple correlation analysis is performed by comparing the factor variables against COUNT and TIME (for information search) and the residuals from regressing COUNT and TIME on EVAL and MEMO (for information evaluation). The results of the correlation analysis are presented in Table 17.

INSERT TABLE 17 HERE

Regressions

To examine the comparative impact of the factor variables on the extent of the information search, regressions are run which include all of the factor variables as independent variables. A series of control variables are also included in all of the regressions: a dummy variable signifying if the subject was a professional or student subject; a dummy variable signifying if the subject had training in law or in accounting; a dummy variable indicating if the subject was placed in the binding or recommending advisory position; a variable denoting the subject's age, and a variable that measured the subjects' perceived likelihood that the client would be audited by the tax authority. The results of the regressions using COUNT and TIME as dependent variables are shown in Tables 18 and 19, respectively.

INSERT TABLE 18 HERE

INSERT TABLE 19 HERE

In order to test which factors are significant when regressed against confirmatory evaluations, it is necessary to control for the impact of confirmatory searches. To do this, a two-stage regression is performed. In the first stage, both COUNT and TIME are regressed against EVAL (the results of this regression is shown in Table 15). For the second stage, the factor variables are regressed on the residuals from the first regression. The results of the second regression are shown in Table 20.

INSERT TABLE 20 HERE

Similarly, in order to test which factors were significant with respect to MEMO, a two-stage regression is run. First, COUNT and TIME are regressed against MEMO (the results of this regression are shown in Table 16). For the second regression, the situational factors are regressed on the residuals from the first regression. These results are shown in Table 21.

INSERT TABLE 21 HERE

Hypotheses Tests

H2a predicts that as the level of concern that advisors have with respect to justifying their final decision increases, the likelihood of engaging in confirmatory behaviors will decrease. However, a significant correlation is not found between the level of concern with justifying the

final decision and any of the behavior variables. Similarly, the coefficient on this variable is not significant on any of the regressions on the dependent behavior variables. Therefore, H2a is not supported.

H2b predicts that as the level of concern that advisors have with respect to justifying how they arrived at their final decision increases, the likelihood of engaging in confirmatory behaviors will decrease. A significant correlation is found between AccountSearch and MEMO, but contrary to expectations, the correlation is positive ($r = 0.231$, $p = 0.023$). In addition, when regressing the factor variables on the behavior variables, the coefficient on this independent variable is significant ($p = 0.042$) and positive when MEMO is the dependent variable. In conclusion, H2b is not supported, but a significantly positive relation is found between the level of concern with having to justify the information search process and citing more supporting cases in a memo.

H3 predicts that the easier that the advisor found the decision task, the less likely they would be to engage in confirmatory behaviors. Results from the correlation analysis indicate that a significant relationship existed between EaseOfFinal and EVAL ($r = 0.216$, $p = 0.05$), but contrary to expectations, the direction of the correlation is positive. Similarly, the regression analysis found that the coefficient on EaseOfFinal is only significant when the dependent variable is EVAL ($p = 0.046$), and that the coefficient was positive. Therefore, H3 is not supported, but a significantly positive relationship exists between perceived ease of the decision task and attaching more importance to supporting cases.

H4 predicts that how strongly the advisor prefers the client's preferred position will increase the likelihood of engaging in confirmatory behaviors. However, correlations with respect to PrefBefResearch are not significant on any of the behavior variables. In addition, PrefBefResearch is not significant in any of the regressions. Based on this analysis, H4 cannot be supported.

H5a predicts that how strongly advisors view themselves as client advocates is positively related to the extent of confirmatory behaviors. A weakly positive correlation is found between AdvConcern and COUNT ($r = 0.192$, $p = 0.062$). In addition, the regression coefficient for AdvConcern is significantly positive for COUNT ($p = 0.039$). However, none of the correlations with the other behavior variables are significant, and neither is the coefficient for AdvConcern on regressions for any of the other behavior variables. Therefore H5a is weakly supported with respect to a direct relation between advocacy and COUNT, and is supported when advocacy is regressed on COUNT.

H5b predicts that the level of concern advisors have with respect to providing an accurate recommendation is negatively related to the extent of confirmatory behaviors. AccConcern is found to be significantly correlated with both COUNT ($r = - 0.211$, $p = 0.039$) and TIME ($r = - 0.292$, $p = 0.004$), but not EVAL or MEMO. The regression coefficients on AccConcern are also almost significantly negative when the dependent variable is COUNT ($p = 0.065$), and significant when the dependent variable is TIME ($p = 0.010$). In summary, H5b is supported for both the information search variables COUNT (directly and almost in the regression) and TIME (both directly and in the regression), but not the information evaluation variables EVAL and MEMO.

Summary

To begin with, while prior research in tax has shown strong evidence of confirmatory behaviors, the results of the current study show that advisors do not necessarily engage in confirmatory behaviors. As shown by Table 10, while confirmatory behaviors are common and engaged in by the majority of advisors, a substantial number of advisors do engage in disconfirmatory behaviors. Also noteworthy is that the extent of the confirmatory and disconfirmatory behaviors is of similar magnitude.

The current study also manipulates advisor role between recommending advisors and binding advisors. H1 predicts that binding advisors would engage in confirmatory behaviors to a greater extent than recommending advisors. However, the results indicate that no significant differences exist in how advisors conduct their information searches or information evaluations based on advisor role. Therefore H1 is not supported.

In addition, a number of factors that can potentially vary--depending on the facts and circumstances of the decision-making task--are examined in order to determine if any of these factors could be used to explain or predict differences in advisors' behaviors. These factors are tested through examining correlations to determine direct relations. Also, these factors are also tested simultaneously through regression analyses in order to determine the relative importance with respect to each other. A summary of these analyses and hypotheses tests are displayed in Tables 13 and 14.

By combining the overall results from these hypotheses, it is possible to determine which factors are the most important with respect to the extent of confirmatory behaviors engaged in by individuals. By examining the significance of the regression coefficients, it appears that how

strongly advisors identify themselves as client advocates has the greatest impact in determining the extent of the confirmatory information search, when confirmatory information search is measured based on comparing the number of supporting and nonsupporting cases read by the advisor (COUNT). In addition, concerns about accuracy are mildly significant in a negative direction, indicating that the more concerned advisors are with respect to providing an accurate solution, the less likely they may be to engage in confirmatory behaviors.

When confirmatory information search is measured with respect to the time spent examining supporting and nonsupporting cases (TIME), concerns about accuracy are strongly significant both in the correlational and in the regression analyses. None of the other factor variables are significant. One way to interpret this result is that the concern advisors have with providing an accurate solution offers the most explanatory power with respect to the extent of the confirmatory information search based on TIME.

One measure of the extent of confirmatory information evaluation was the difference in importance ratings advisors attached to the cases that they read and selected to include in a memo explaining their final decision (EVAL). Neither of the information search variables are significant with respect to how the information was evaluated in terms of importance ratings. After controlling for the effects of information search, the only significant factor variable is the perceived ease of the decision task (for both the correlational and the regression analyses), and contrary to expectations, this variable is significant in a positive direction. This result seems to indicate that the most relevant factor in determining the difference between importance ratings is how easy the advisors find the decision task—advisors are more likely to view information supporting the client's preferences as relevant if they find the overall decision task to be easy.

The second measure of the extent of confirmatory information evaluation is a comparison between the number of supporting and nonsupporting cases cited in a memo as being relevant to the advisors' final decision (MEMO). In contrast to the EVAL measure, both information search variables (COUNT and TIME) are strongly significant and positive when regressed on MEMO, indicating that engaging in a confirmatory information search significantly increases the likelihood of selecting more supporting cases as relevant. After controlling for the effects of the information search, the effects of perceived accountability with respect to the information search process is significant in the correlational analysis, and in the regression analysis. Contrary to expectations however, this factor was significantly positive. Taken together, these analyses indicate that the extent of the confirmatory information evaluation when measured by the number of cases cited in a memo, the variables with the most significant impact are the extent of the information search variables, i.e., engaging in a confirmatory information search increases the likelihood of engaging in a confirmatory information evaluation when measured by MEMO. In addition, the greater the level of concern with having to justify the information search process, the more likely advisors will be to cite supporting cases in a memo.[29]

In summary, prior research on decision-making has predicted a number of variables that could potentially impact the extent of confirmatory behaviors. The current study provides evidence that in a decision-making task in tax, different variables are of comparatively greater importance, depending on how confirmatory behaviors are measured. For COUNT, advocacy is the most important (positive), followed by concerns about accuracy (negative). For TIME, concerns about accuracy (negative) are the most important. For EVAL, only the perceived ease

[29] This interpretation was supported by regressing all the factors and the information search variables COUNT and TIME simultaneously on MEMO. The information search variables were strongly significant in a positive direction ($p = 0.002$ and $p = 0.003$, respectively), followed by a significant positive coefficient on AccountSearch ($p = 0.048$).

of the decision task is significant (positive). Finally for MEMO, both COUNT and TIME are important (both positive), followed by the level of concern with having to justify the information search process (positive).

The next section will take these analyses a step further by exploring how the factors and behaviors might be used to predict differences in the advisors' perceived likelihood of judicial success for the client's preferred option, strength of the final recommendation, confidence with respect to the final recommendation being the most appropriate, and the final recommendation itself.

Additional Analyses: Links between Behaviors and the Final Decision

This section explores the relative importance of the confirmatory behaviors and the factor variables with respect to perceptions regarding the likelihood of judicial success for the client's preferred position, the strength of the final recommendation, confidence with respect to the advisor's final decision being the most appropriate, and the final recommendation itself. The purpose of this analysis is two-fold. First, it is an important preliminary step towards shedding light on which behavior variables are important in predicting differences with respect to perceptions and judgments in a decision task. In addition, results from the analysis can be used to discover if differences in any of the factor variables offer any additional explanatory power with respect to differences in perceptions and judgments, after controlling for the effect of confirmatory behaviors. Second, this analysis will be helpful in determining if behaviors directly impact perceptions and judgments, or if instead are caused by correlated omitted variables.

The remainder of this section will proceed as follows. First is an exploratory analysis, to determine whether or not advisors engaging in a confirmatory behavior is enough on its own to predict differences in subsequent perceptions and judgments (e.g., are advisors who conduct confirmatory information searches more likely to support the client in their final decision; or, are advisors who cite more supporting cases in a memo are more likely to be confident with respect to their final decision). Answering these questions provides preliminary evidence if any specific behaviors might be driving differences in subsequent judgments. Next, an in depth analysis of the link between behavior variables and the perceived likelihood of judicial success for the client's preferred position is performed. Following this is a discussion about the strength of the recommendation, followed by confidence, and lastly, the final decision itself.

Predicting Subsequent Judgments Based on Behavior

The purpose of this section is to explore if merely engaging in a confirmatory behavior is enough to significantly predict differences in the perceived likelihood of judicial success for the client's preferred position, strength of the final recommendation, confidence with respect to the final recommendation, and the final recommendation itself. Because information on the factor variables are not included in these initial analyses, the entire subject pool (N = 114) is utilized.

For the first series of tests, subjects are separated into two subject pools: those who engaged in a confirmatory information search based on the number of cases examined (positive value for COUNT), and those who did not (either engaged in a disconfirmatory information search and had a negative value for COUNT or a neutral information search and had a zero value for COUNT).

Table 22, Panel A presents the results of independent sample t-tests of the remaining dependent variables based on this separation. As the table shows, those who engaged in a confirmatory information search based on COUNT also tend to spend more time on cases supporting the client's preferred position ($p < 0.001$). This is not surprising, as it is reasonable to expect that advisors would spend more time reading supporting cases, if they chose more supporting cases to begin with, *ceteris paribus*. In addition, those who engage in a confirmatory information search based on COUNT are more likely to engage in a confirmatory information evaluation search based on MEMO ($p < 0.001$). This is also expected, as the coefficient from regressing COUNT on MEMO was strongly significant and positive (see Table 16).

The results also show that those who engage in confirmatory information searches based on COUNT tend to rate the perceived likelihood of judicial success for the client's preferred position more highly ($p = 0.066$), recommend the client's preferred position more strongly ($p = 0.031$), and are more likely to view the client's preferred position as the most appropriate solution ($p = 0.059$). Panel B of Table 22 shows the distribution of subjects based on whether they conducted a confirmatory information search based on COUNT and their final decisions. A high number of advisors recommend the client's preferred position, both among those who engage in a confirmatory information search (82.0%) and those who do not (70.3%). However, the difference in the proportion of subjects choosing the client's preferred position is not significant between groups, indicating that COUNT alone is not enough to predict whether or not a subject will choose the client's preferred position ($p = 0.150$). However, it is worth noting that if those who engage in a neutral information search are removed from the analysis, then the proportion of subjects who engage in a disconfirmatory search and choose the client's preferred

position decreases (64.3%), and the chi-squared between those who engage in a confirmatory search and those who engage in a disconfirmatory is almost significant ($p = 0.054$). Taken together, this seems to indicate that those who conduct a confirmatory information search based on COUNT are much more likely to choose the client's preferred position, compared to those who engage in a disconfirmatory information search.

INSERT TABLE 22 HERE

The results from conducting the same analysis on TIME are presented in Table 23. Panel A shows that, similar to the analysis on COUNT, those who engage in a confirmatory information search based on TIME are also more likely to engage in a confirmatory information evaluation based on MEMO ($p < 0.001$), which is not surprising for reasons discussed previously. They also recommend the client's preferred position more strongly ($p = 0.002$). In addition, the perceived likelihood of judicial success for the client's preferred position is rated higher for those who engage in a confirmatory information search ($p = 0.025$). Next, those who conduct a confirmatory information search are more likely to view the client's preferred position as the most appropriate ($p = 0.007$). Finally, Panel B shows that in a crosstabulation comparison, advisors who engage in a confirmatory information search are much more likely ($p = 0.007$) to recommend the client's preferred position (85.5%), compared to those who did not engage in a confirmatory information search (63.4%).

INSERT TABLE 23 HERE

Table 24 shows the results of separating advisors based on whether or not they engaged in a confirmatory information evaluation based on their respective EVAL scores. While differences in the other behavior variables are not significant, a significant difference is found comparing the perceived likelihood of judicial success ($p = 0.036$), indicating that those who engage in a confirmatory information evaluation are more likely to attach higher likelihoods of judicial success to the client's preferred position. Differences are also significant with respect to the remaining judgment variables, indicating that those who engage in confirmatory information evaluations are also more likely to recommend the client's preferred position more strongly ($p = 0.004$), and to be more confident that the client's preferred position is the most appropriate ($p = 0.002$). Finally, those that engage in the confirmatory information evaluation are significantly more likely ($p = 0.005$) to recommend the client's preferred position (83.6%) than those who do not engage in a confirmatory information evaluation (57.9%).

INSERT TABLE 24 HERE

Lastly, Table 25 summarizes the findings of separating subjects based on whether or not they conduct a confirmatory information evaluation based on MEMO. Similar to most findings on the other variables, those who engage in a confirmatory information evaluation tend to place higher ratings on the perceived likelihood of judicial success ($p = 0.012$), the strength of the final recommendation ($p = 0.001$), and the degree of confidence that the client's preferred position is

the most appropriate ($p = 0.001$). Also, those who engage in confirmatory information evaluations are significantly more likely ($p = 0.001$) to recommend the client's preferred position (87.3%) than advisors who do not engage in a confirmatory information evaluation (60.8%).

INSERT TABLE 25 HERE

In summary, these analyses seem to indicate that engaging in confirmatory behaviors (both searches and/or evaluations) tends to increase the perceived likelihood of judicial success, as reported by prior studies in tax (Johnson 1993, Cloyd and Spilker 1999, Kadous et al. 2008). The analyses also seem to show that the strength of the recommendation for the client's preferred reporting position and the degree of confidence that the client's preferred position is the most appropriate tend to be higher among those who engage in confirmatory behaviors. Finally, the crosstabulations provide evidence that a significantly higher proportion of advisors tend to choose the client's preferred position if they engaged in a confirmatory behavior. The next analyses will explore these dependent variables in greater depth to determine if they are merely correlated, or if a direct relationship between behaviors and perceptions and judgments exist (and if so, which variables have the strongest impact).

Perceived Likelihood of Judicial Success

Prior research in tax examined the link between confirmatory behaviors and perceived likelihood of judicial success for the client's preferred tax position. A significantly positive relation was found between the likelihood assessments and both information search behaviors (Cloyd and Spilker 1999, Kadous et al. 2008), and information evaluation behaviors (Johnson 1993). In these studies, citing decision-making research in psychology (e.g., Koehler 1991), the authors predicted that the act of emphasizing information that supports the client's preferred solution would cause advisors to view supporting information as more valid and/or relevant. In turn, this would increase the likelihood of advisors believing that the client's preferred position is supported by the available information. Cloyd and Spilker (1999) predicted and found that knowing client preferences caused the subjects to engage in a confirmatory information search with respect to the client's preferred position, which in turn led subjects to rate the perceived likelihood of judicial success higher. Johnson (1993) predicted and found that engaging in confirmatory information evaluations affected the assessments of judicial success for the client's preferred position.

The current analysis will extend these prior findings by determining if the situational factors offer any additional explanatory power with respect to differences in the advisors' perceived likelihood of judicial success. Another purpose is to determine if a direct relationship between behavior and perceived likelihood of judicial success exists, or if the results in prior research may be driven by a correlated omitted variable.

To test for differences in the perceived likelihood of success for the client's preferred position, advisors were asked to rate, on a scale between 0-100, what they believed was the percent likelihood that a court would rule in favor of the client's preferred position, if the case were challenged by the tax authority (RecJudSucc).

The column labeled "RecJudSucc" in Table 26 summarizes the results of examining the correlation between RecJudSucc and the behavior variables (COUNT, TIME, EVAL, and MEMO), as well as the six factor variables. According to this analysis, both COUNT and MEMO are positively correlated and significant with perceived likelihood of judicial success for the client's preferred position. Also recall that Tables 22 through 25 indicate that those who engage in confirmatory behaviors are more likely to view the perceived likelihood of judicial success for the client's preferred position to be higher than those who do not engage in confirmatory behaviors. Taken together, these findings are consistent with the findings in prior accounting studies.

INSERT TABLE 26 HERE

The next analysis regresses all the behavior variables on RecJudSucc, in order to determine which of these factors, if any, are the most significant with respect to predicting differences in the perceived likelihood of judicial success. Table 27 displays the results of this

regression. Surprisingly, none of coefficients on any of the behavior variables are significant. This may indicate that the behaviors themselves do not directly impact how the advisors view the likelihood of judicial success for the client's preferred position.

INSERT TABLE 27 HERE

The next analysis determines if any of the situational factors offer any additional explanatory power for differences with respect to the perceived likelihood of judicial success, after controlling for the information search and evaluation behaviors. In order to conduct this test, a two-stage regression is performed. In the first stage, the behavior variables are regressed directly on RecJudSucc. The residuals of this regression represent variance in RecJudSucc that are not explained by the information search and information evaluation behaviors. For the second stage, the factor variables are regressed on the residuals from the first regression. The results from this regression should be helpful in determining if there is a direct relationship between any of the factors and differences between the perceived likelihood of judicial success that are not explained by differences in information searches or evaluations.

Table 28 shows the results from this regression. The most significant factor is a negative relationship with AccountSearch ($p = 0.016$), followed by an almost significantly positive relationship with AccConcern ($p = 0.056$). This indicates that after controlling for behaviors,

those with a strong concern with having to justify the information search process are less likely to view the client's preferred position as justifiable. On the other hand, the stronger the accuracy concern, the more likely the advisors are to view the client's preferred position as justifiable.

INSERT TABLE 28 HERE

In summary, the current analyses provide preliminary evidence that while behaviors may be correlated with the perceived likelihood of judicial success for the client's preferred position, the behaviors on their own do not seem to provide significant predictive power. Instead, the most significant predictors with respect to high ratings on the likelihood of judicial success seem to be factors which can vary depending on the decision task; specifically, accountability with respect to the information search process is negatively related, while concerns about accuracy are positively related.

Strength of the Final Recommendation

Prior research in tax has found evidence of a link between the perceived likelihood of judicial success for the client's preferred position and how strongly the advisor recommends the client's preferred position. Johnson (1993), Cloyd and Spilker (1999), and Kadous et al. (2008) all predicted and found that higher likelihood assessments of judicial success resulted in stronger recommendations for the client's preferred position. In addition, Johnson (1993) also found support that advocacy had a direct impact on the strength of the recommendations.

In the current study, the strength of the recommendation is measured by asking subjects to respond to a question asking them how strongly they would recommend their final decision to the client (RecStrength). Subjects provided ratings between zero and ten. In order to differentiate between those who recommended the client's preferred position and those who did not, these scores were multiplied by negative one (-1) if the advisor did not recommend the client's preferred position.

The RecStrength column in Table 26 shows the correlation between RecStrength and the behavior variables, RecJudSucc, and the factor variables. As found in prior tax research, a significantly positive relationship exists between RecJudSucc and RecStrength ($p < 0.001$). In addition, all four behavior variables are also positively correlated, which may be early indication that engaging in a confirmatory behavior increases the strength of the recommendation for the client's preferred position.

Similar to prior analyses, two stage regressions are run. In the first stage, the behavior variables are regressed directly on RecStrength in order to determine if the behavior variables themselves offer significant explanatory power behind differences in the strength of recommending the client's preferred position. In addition, RecJudSucc is also included in this regression, as prior literature found evidence that perceived likelihood of judicial success significantly impacted the strength of the recommendation (Cloyd and Spilker 1999, Johnson 1993). Table 29 displays the results of this first regression. According to the regression results, RecJudSucc is very significant and positive ($p < 0.001$), as is EVAL ($p = 0.003$). This indicates

that perceived likelihood of judicial success for the client's preferred position and placing more weight on cases supporting the client's preferred position increase how strongly advisors recommended the client's preferred position.

INSERT TABLE 29 HERE

The second regression is conducted by regressing the factor variables on the residuals from the first regression. The purpose of this second regression is to determine if any of the factor variables offer any additional explanatory power after controlling for their impact on the behavior variables and the perceived likelihood of judicial success. The results of this second regression are shown in Table 30.

INSERT TABLE 30 HERE

As the table shows, after controlling for behavior and perceived likelihood of judicial success, two variables remain significant and one more is weakly significant. AccountDec is significantly positive ($p = 0.026$), which can be interpreted by stating that having a strong concern about having to justify the final decision tends to increase the strength of recommendation for the client's preferred solution. AccConcern is significantly negative ($p = 0.029$), indicating that higher concern about providing an accurate solution decreases the strength of recommending the client's preferred solution. Finally, PrefBefResearch is weakly significant

($p = 0.067$) and interestingly is negative, which provides mild support for the finding that those who have a strong initial preference for the client's preferred position are actually less likely to strongly recommend the client's preferred position.

To summarize, how strongly the advisor would recommend the client's preferred position is significantly increased by the perceived likelihood of judicial support for the client's preferred position. In addition, engaging in a confirmatory information evaluation by attaching more weight to information supporting the client's preferences increases the strength of the recommendation. However, after controlling for these variables, concerns about accuracy significantly decrease and perceived justifiability with respect to the final decision significantly increase the strength of the recommendation. This provides evidence that other factors which may vary depending on the circumstances of the decision task still influence the strength of the recommendation. Finally, comparatively, in a regression that includes all the behavior variables, perceived likelihood of judicial success, and the factors, the order of most significant predictors of differences in the strength of the recommendation are as follows: RecJudSucc (positive, $p < 0.001$), AccountDec (positive, $p = 0.022$), AccConcern (negative, $p = 0.025$), and PrefBefResearch (negative, $p = 0.043$).

Confidence in the Final Recommendation

Psychological research on confirmatory behaviors predicts that confirmatory behaviors are likely to occur when decision makers are motivated to find support for a particular position. As a result, supporting information is viewed as more important and relevant. In turn, decision makers become more confident with respect to that particular solution being the best or most appropriate answer to the problem (Koehler 1991).

In order to test which confirmatory behaviors are the most important in predicting differences in confidence in the advisors' recommendations, as well as which factors offer additional explanatory power, tests similar to those for the strength of the recommendation are conducted. Measures of confidence were obtained by asking subjects to rate on a scale of 0-10 how confident they are with respect to their final decision being the most appropriate decision for the task (RecConfidence). In order to differentiate between those who recommended the client's preferred position and those who did not, these scores were multiplied by negative one (-1) if the advisor does not recommend the client's preferred position.

As a preliminary step, tests of correlation were conducted and the results are displayed in Table 26. All four behavior variables are positively correlated with RecConfidence, providing early evidence that the extent of confirmatory behaviors may potentially lead to greater confidence with respect to the client's preferred position being the most appropriate. Similarly, RecJudSucc is also positively correlated.

For the remaining analyses, a two-stage regression is performed. First, the behavior variables and RecJudSucc are regressed on RecConfidence. RecJudSucc is included because it stands to reason that the greater the perceived likelihood of judicial success for the client's preferred position, the more likely that the advisor would be confident that the client's preferred position is the most appropriate.

Table 31 shows the results from this first regression. RecJudSucc is strongly significant and positive ($p < 0.001$), confirming that advisors who believe there is a strong likelihood of judicial success for the client's preferred position are more likely to be more confident that the client's position is the most appropriate. Similarly, EVAL is significantly positive ($p = 0.001$), indicating that attaching more weight to information supporting the client's preferred position is the most important behavior variable in predicting differences in confidence.

INSERT TABLE 31 HERE

To determine if the factor variables offer additional explanatory power, they are regressed on the residuals from the first regression. Table 32 summarizes the results of this second regression. As shown, AccountDec is the most significant variable and is positive ($p = 0.046$), indicating that as concern about justifying the final decision increases, confidence in the client's preferred position increases.

INSERT TABLE 32 HERE

In summary, while all four behavior variables are correlated with differences in confidence, the perceived likelihood of judicial success and the extent of confirmatory information evaluation based on differences in importance weights attached to information are the most significant indicators of overall difference in confidence. After controlling for these variables, perceived accountability with respect to the final decision is still significant. Finally, if all the explored variables are regressed simultaneously on RecConfidence, the order of most significant predictors are as follows: RecJudSucc (positive, $p < 0.001$), AccountDec (positive, $p = 0.040$), EVAL (positive, $p = 0.063$), and AccConcern (negative, $p = 0.090$).

Final Decision

This final analysis explores which confirmatory behaviors are most significant with respect to predicting the final decision made by the advisor, as well as if the factor variables offer any additional explanatory power. To conduct the tests on final decision, FinalDecisionDummy is used as the dependent variable. A value of one (1) indicates that the advisor selected the client's preferred position; advisors who did not recommend the client's preferred position were scored a value of zero (0). A preliminary correlational analysis using Spearman's Rho is shown in Table 26. The results of this analysis show that TIME, EVAL, MEMO are all significantly correlated and positive, indicating that engaging in confirmatory behaviors (outside of COUNT) tend to increase the likelihood of engaging in confirmatory behaviors. This is also confirmed by the crosstabulation tests shown in Tables 22 through 25.

To determine which behavior variables are the most significant, a regression analysis is conducted. RecJudSucc is also included in this first regression because it is not unreasonable to assume that the greater the perceived likelihood of success for the client's preferred position, the more likely the advisor will select that position.

Because the dependent variable in this instance is a dummy categorical variable, the results are derived using a logistic regression. Table 33 shows the results of this first regression. According to the results, RecJudSucc is the most significant and is positive ($p < 0.001$), confirming that increased perceived likelihood of judicial success for the client's preferred position increased the likelihood of selecting the client's position. Interestingly, none of the behavior variables are significant on their own (although if RecJudSucc is removed from the analysis, EVAL becomes significant).

INSERT TABLE 33 HERE

Similar to earlier analyses, the factor variables are regressed on the residuals of this first regression. Table 34 reports the results of this second regression. As the table shows, after controlling for behaviors and RecJudSucc, EaseOfFinal is the most significant factor and the relationship is positive ($p = 0.005$). This provides evidence that the easier the advisor finds the decision task, the more likely they are to recommend the client's preferred position. Next, AccountDec is significant and positive ($p = 0.024$), illustrating that greater concern about having to justify the final decision increases the likelihood of selecting the client's preferred position. In

addition, PrefBefResearch is weakly significant and negative ($p = 0.083$), providing mild support for the notion that a strong preference for the client's preferred position actually decreases the likelihood of choosing the client's preferred position.

INSERT TABLE 34 HERE

To sum, only RecJudSucc is positive and significant with respect to the likelihood of advisors choosing the client's preferred position. The behaviors on their own are not significant predictors (however, if RecJudSucc is not included in the regression, EVAL does become significantly positive) After controlling for behaviors and RecJudSucc, individual differences in EaseOfFinal and AccountDec are still significant predictors of differences in the final recommendation made by advisors. Finally, if all variables are regressed simultaneously to determine which have the most overall and direct predictive power, the order of significance is as follows: RecJudSucc (negative, $p < 0.001$), PrefBefResearch (negative, $p = 0.045$), COUNT (negative, $p = 0.053$), and AccConcern (negative, $p = 0.085$).

Summary of Additional Analyses

One purpose of the additional analyses was to explore which behaviors had the most significant impact, relative to each other, in predicting differences between the perceived likelihood of judicial success for the client's preferred position, how strongly the advisors recommend the client's preferred position, the degree of confidence in the client's preferred

position being the most appropriate, and the final decision itself. The results of these analyses showed that none of the behaviors were significant with respect to predicting differences perceived likelihood of judicial success, despite both COUNT and MEMO being significantly correlated with this measure. In turn, perceived likelihood of judicial success was the most significant predictor with respect to strength of the recommendation, confidence in the recommendation, and the final decision. In addition, EVAL was also significant and positively related to strength of the recommendation and confidence in the recommendation.

A second purpose of the analyses was to determine if differences on any of the factor variables are useful in predicting differences in judgments and final decisions. Because the behavior variables were not significant with respect to the perceived likelihood of judicial success but COUNT and MEMO were strongly correlated, it is possible that prior research which found a link between the behaviors and differences in perceived likelihood of judicial success may be the result of a correlated omitted variable. As the current results show, concern with justifying the information search process was the most significant determinant, and was negatively related. Concerns about accuracy were also almost significant and positive. It is possible that these could be correlated omitted variables that drove results in prior research.

Also it is interesting to note that subjects who engaged in confirmatory behaviors were more likely to strongly recommend the client's preferred position, have more confidence in the client's preferred position, and more likely to select the client's preferred position (see Tables Table 22 through 25). In addition, the behavior variables were all significantly correlated with these perceptions and judgments (see Table 26). However, when the behaviors were regressed on RecStrength and RecConfidence, the only significant predictor variable was EVAL (both when

the perceived likelihood of judicial success was included as an independent variable and when it was not), and none of them were significant when regressed on the FinalDecisionDummy (although EVAL became significant if the perceived likelihood of judicial success was not included in the regression). Furthermore, this may indicate that differences in information search patterns on their own were not enough to predict differences in perceptions and judgments, and neither were differences in the number of cases cited as relevant in a memo; instead, the relationship between these behaviors and subsequent perceptions and judgments may be due to correlated omitted variables.

Next, regressions were run on the remaining dependent variables after controlling for confirmatory behaviors and the perceived likelihood of judicial success. AccountSearch was significantly positive with respect to RecStrength, RecConfidence, and the final decision. EaseOfFinal was strongly significant with respect to the final decision. PrefBefResearch was negative and weakly significant on RecStrength and the final decision. Finally, AccConcern was negative and significant on RecStrength. Taken together, these situational factors still represent significant explanatory power on differences in judgments related to the final decision, after controlling for behaviors. Perceived accountability with respect to the search process and ratings of advocacy, however, were not significant after controlling for the effect of behaviors and perceived likelihood of judicial success. This would indicate that the effect of these factor variables was only indirect, through perceived likelihood of judicial success and confirmatory behaviors.

To summarize, these additional analyses seem to indicate that confirmatory behaviors on their own were not enough to lead to differences in perceived likelihood of judicial success; which may indicate that perceived accountability with respect to the information search process and concerns about accuracy may be correlated omitted variables in prior studies. In addition, the extent of confirmatory information evaluation based on importance weights attached to information and the perceived likelihood of judicial success were significant in predicting differences in perceptions and judgments with respect to the final decision (while the remaining behavior variables are not). Finally, differences with respect to various situational factors still offered significant explanatory power for differences in strength of the recommendation, confidence in the recommendation, and the recommendation itself, after controlling for the impact of confirmatory behaviors.

CHAPTER VI

DISCUSSION OF RESULTS AND CONCLUSION

The first section of this chapter is an analysis of the results provided in the prior chapter. This includes the nature of general confirmatory behaviors found in the current study, discussion of each of the factor variables and the related hypotheses tests. Following this is a section on potential limitations of the study. The final section concludes.

Discussion of Results and Hypotheses

Confirmatory Behaviors in General

One main finding in the current study was that while the majority of advisors engaged in confirmatory behaviors, a high proportion engaged in either neutral or disconfirmatory behaviors. In addition, the results shown in Table 10 provide evidence that those who engage in disconfirmatory behaviors do so to an extent that is of comparable strength to those who engaged in confirmatory behaviors. This finding was in contrast to prior studies in accounting, which typically show strong evidence of only confirmatory behaviors. The current study suggests that behaviors are more diverse than proposed in the prior literature, which tends to focus on the average or most frequent behavior.

One possible explanation for the discrepancy could be differences in the experimental designs leading to unforeseen consequences. For instance, in comparison to Cloyd and Spilker (1999), subjects in the current study had a longer time limit (40 instead of 30 minutes). Also, subjects in Cloyd and Spilker (1999) viewed a much higher number of cases: during the study's 30 minute time limit, one group of subjects viewed an average of approximately 19 out of 24

total cases, and another viewed approximately 18 of the 24 cases; in the current study, the average number of cases viewed was 6.80 in a 40 minute time limit. This suggests that subjects in Cloyd and Spilker (1999) spent significantly less time on each case than subjects in the present study. It is impossible to directly compare the difference between the current study and prior research on confirmatory information search in tax (Cloyd and Spilker 1999, Cloyd and Spilker 2000, Kadous et al. 2008) with respect to how the information was structured and presented. However, based on the difference between number of cases and time spent examining cases, it is reasonable to assume that how the information was structured and presented likely differed, which in turn may have led to overall differences in confirmatory behaviors.

In addition, some differences between the current study and prior research were purposefully created in order to better emulate what might occur in the real world when one engages in an information search of a database. For example, in the current study, all cases were listed randomly, and of the 24 cases, only half were deemed relevant. Subjects could also pick any of the cases and as many or as few as they desired. In contrast, the cases in Cloyd and Spilker (1999) were separated into groups based on one of four factors that needed to be considered in order to make a final ruling, and all cases were relevant. It is possible that differences in how the cases were presented could have led to unexpected differences in the behavior observed in the current paper and that which was observed in prior research.

Some differences in experimental administration also existed between the current study and prior research with respect to information evaluations. In Johnson (1993), all subjects read and evaluated the same four court cases. In Davis and Mason (2003), only two cases were examined and all subjects read both. In neither of these studies were subjects allowed to pick

which cases they wanted to read and evaluate. Jonas and Frey (2000) argue that being forced to choose from pieces of information increases the observed confirmatory behaviors, compared to being allowed to select only the information that one wishes. Therefore it is possible that the current study observed a lower number of subjects engaging in confirmatory information evaluations because subjects only evaluated the information that they wished to examine in the first place.

Another reason the current research did not find overwhelmingly strong confirmatory behaviors may be due to changes in the overall accounting and legal environment, especially since the passage of Sarbanes–Oxley and the increased restrictions imposed under IRC §6694. Advisors may now be more concerned about engaging in balanced behaviors. Kadous et al. (2008) supports this notion in a recent study, finding the presence of confirmatory information searches only for low-risk clients. Therefore, perhaps the confirmatory behaviors that were found in earlier research are not so prevalent now, resulting in some individuals' preferring to err on the side of caution and engage in disconfirmatory information searches and evaluations.

Specific Cases

Although not the focus of the current study, it is worth noting some differences that were found with respect to the specific cases examined. Recall that each subject was presented with 24 possible cases to examine. All 24 cases were related to the client's situation in some way, in that the plaintiff was a business engaged in selling one type of product or service, new business activities were introduced, and a determination needed to be made as to whether the new activities constituted a new trade or business or an expansion of an existing business.

Half of the cases ruled in favor of expense (the client's preferred option) while half ruled in favor of capitalization. Further, among these cases, in order to better simulate what one might expect when using a search database to find precedent court cases, half of the cases were deemed relevant to the client's specific circumstances, while the other half were related but not relevant. Hence, of the 24 cases, there were four subgroups of six each: relevant expense cases, relevant capitalization cases, irrelevant expense cases, and irrelevant capitalization cases. [30]

In order to conduct the information search portion of the task, subjects could select from a list of the 24 cases, presented in random order. Next to each case was a brief annotation summarizing the issue and ruling for the case. Table 35 provides a list of all 24 cases and their respective annotations.

INSERT TABLE 35 HERE

Table 36 summarizes the frequency of each specific case, along with the average time spent on each case, the average importance rating given, and the frequency that each case was selected to be cited in a memo. Comparing Panel A and Panel B of Table 36 shows that the relevant cases were examined more frequently than the irrelevant cases, which is not surprising. However, it is interesting to note that within each category of cases (expense vs. capitalize, and relevant vs. irrelevant), instead of cases being examined with relatively equal frequency, some cases appeared to be selected much more often than others. For example, within expense cases,

[30] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings were as follows: Relevant/Expense cases 6.9, Irrelevant/Expense cases 2.6, Relevant/Capitalize cases 7.0, Irrelevant/Capitalize cases 2.4. Cronbach's Alpha measure of Interrater reliability on these 24 cases was computed to be 0.816.

the number of advisors who chose to examine Lolly's Sandwiches and Deli and Doug's Sports and Outdoors was 80 and 72, respectively. In contrast, only fifteen advisors chose to examine Sloopy's Party Supplies. Similarly, for capitalization cases, Carlson Computer and Television was chosen 77 times, as opposed to Allis Art Studios, which was only selected by 38 advisors.

While only conjecture can be offered, it is possible that the most popular cases chosen were chosen because of surface similarities to the client's set of circumstances. All cases were similar to the client in that a determination had to be made with respect to a new set of business activities; however, the most common cases chosen—Lolly's Sandwiches and Deli, Doug's Sports and Outdoors, Jensen's Autos, Carlson Computers and Television, and Smith Lawn and Garden—were similar to the client's circumstances in that the company originally had a store that sold a specific type of product and then the business began selling a new type of product or offering a new service (see annotations provided in Table 35). It is possible that advisors gravitated towards these specific cases more often, because they were easier for the advisor to relate to the client's specific case. Future research could address the extent that individual cases are viewed as more appealing.

Finally, it is also interesting to note that Panel B of Table 36 shows that with respect to irrelevant cases, on average, irrelevant expense cases were rated more relevant and cited in a memo to a much greater extent than irrelevant capitalization cases. Even more noteworthy is that both of these groups of cases were rated similarly with respect to the relevance to the client's set of circumstances by law students hired to read through all the cases (on a scale of zero to ten, the average rating for the irrelevant expense cases and the irrelevant capitalization cases were 2.6 and 2.4, respectively). One possible explanation, which future research could address, is that

even when cases are not deemed relevant, cases that find support for the client's preferred position is still more likely to be given more weight and viewed as important.

INSERT TABLE 36 HERE

Advisor Role

Jonas et al. (2005) suggested that advisors placed in a binding advisor role are more likely to engage in confirmatory behaviors than are recommending advisors. The authors argue that binding advisors are primarily motivated by an "impression motivation," a desire to follow the client's preferences. On the other hand, recommending advisors are primarily motivated by an "accuracy motivation," a desire to provide the most appropriate solution to the client. The authors found support for their predictions by providing evidence that binding advisors were significantly more likely to engage in a confirmatory information search.

However, the current study found no significant differences in behavior between binding and recommending advisors. While it is impossible to make a direct comparison between this study and that of Jonas et al. (2005), some differences between the two could unexpectedly account for why advisor role did not impact behavior. One potential difference between the current study and Jonas et al. (2005) may be that level of involvement was heightened in the current study. Kunda (1990) suggests that level of involvement may also decrease confirmatory behaviors, due to an increase an accuracy motivation. In Jonas et al. (2005), subjects were not likely to have had a high level of involvement: subjects had no reason to be concerned about providing an inappropriate recommendation, and they were placed in a decision situation that

was a one-time occurrence (thus, they did not have to be concerned with their reputation or even with seeing the client again). On the other hand, the subject pool in the current study included professionals and graduate-level accounting and law students. All of these subjects devoted either their present or future livelihoods to making decisions based on conducting legal research, and had received significant training in conducting and evaluating such research. Therefore, it was also possible that they had a high level of involvement in performing a task (which they had been trained to do as part of their academic or professional career) which overrode any advisory role condition.

Another explanation for the absence of a difference between binding and recommending advisors in the current study is that, by their nature, tax and legal advisors are expected to behave as client advocates, and find support for the client's preferences if they can. Therefore it is possible that because of the strong advocacy motivation, some subjects behaved as client advocates, regardless of whether they were a binding or recommending advisor.

It is also possible that compared to Jonas et al. (2005), accuracy concerns were heightened in the current study. Jonas et al. (2005) does not recognize any consequences for making a poor decision. Kunda (1990) suggests that accuracy goals can be increased if the consequences of making a wrong decision are increased. In the current study, while there were no experimental consequences of making a poor decision, the subject pool consisted of accounting professionals and student subjects who had been trained in conducting research and using their findings to make a decision in a legal context. It could be argued that based on the

subject pool and the nature of the task, the potential consequences of providing poor legal advice were very salient to the subjects. Therefore, in the current experiment, concerns about accuracy might have overridden any differences in behavior predicted by advisor role.

Finally, it is worth noting that while Jonas et al. (2005) find support for binding advisors' main motivation being impression and recommending advisors' main motivation being accuracy, the authors also recognize that the opposite could potentially occur. For example, a binding advisor role (making a decision for the client) could also induce a strong desire for accuracy, instead of making a favorable impression: if the advisors know that the client will follow the advice given, and the consequences of providing inappropriate advice are severe, advisors may be more inclined to ensure that their advice is accurate. On the other hand, a recommending advisor role (making a recommendation that the client will evaluate and consider), could have prompted an impression motivation instead of accuracy: if advisors know that their recommendation will be evaluated before any final decision is made, this could provide a safety net, and the advisors would not need to be as concerned with providing bad advice

Taken together, in the current study, both advocacy and accuracy concerns may have been enhanced compared to Jonas et al. (2005) simply by the nature of the task and subject pool, either of which (or both) may have overridden differences in behavior based only on advisor role. In other words, some binding advisors may have followed an accuracy motivation, while others followed an impression. Similarly, some recommending advisors may have followed an accuracy motivation, while others followed an impression motivation. Providing support for this possibility is that the distribution of values for binding advisors and for recommending advisors on each variable used to assess advocacy (ImpFllwResearch, ImpFllwDecision, RCJustCP,

RCSuppCP, RCAgainstCP, and RCFutureBus) and accuracy (ConseqConcern, RCApprop, and RCTA) were found to be very similar. In addition, when the average value of each of these variables was compared between binding and recommending advisors using independent sample t-tests, no significant differences were found.

Perceived Accountability—Final Decision

H2a predicted that advisors who express a greater concern about having to justify their final decision will be less likely to engage in confirmatory behaviors. However, a significant correlation was not found between perceived accountability with respect to the final decision and the extent of confirmatory behaviors. Furthermore, the coefficient for this perceived accountability measure on the regressions using all the factor variables was not significant.

While some research in psychology on accountability has predicted that concern about justifying the final decision may decrease confirmatory behaviors, some literature suggests that the opposite might also be true. For example, Tetlock (1992) suggests that if advisors are concerned about justifying their final decision to a party with known preferences, they are more likely to engage in a confirmatory information search. By doing so, they are collecting information that they subsequently could use to justify their final decisions. Also, finding justification for the preferred position may provide a layer of protection in case the final recommendation turns out to be incorrect, as people tend to blame others less if the other party can provide good reasons behind their decision. Therefore it is possible that different individuals

may have reacted to accountability with respect to the final decision in different ways: some were more strongly motivated to not engage in confirmatory behaviors, while others had an increased desire to find support for the client's preferred position.

Interestingly, even though perceived accountability with respect to the final decision was not found to be significant with respect to the extent of confirmatory behaviors, after controlling for behaviors, this variable was significant and positive with respect to both how strongly the advisor would recommend the client's preferred position and how confident the advisors were with respect to the client's preferred position being the most appropriate. Also, higher values of perceived accountability with respect to the final decision significantly increased the likelihood of the advisor selecting the client's preferred position.

Taken together, this could provide evidence that those with a higher concern about justifying the final decision are more likely to recommend the client's preferred position, but they are not necessarily going to engage in confirmatory behaviors in order to arrive at such a decision.

Perceived Accountability—Search Process

H2b predicted that the more advisors were concerned with having to justify their information search process, the less likely they would be to engage in confirmatory behaviors. Neither correlation nor regression analyses were significant on COUNT, TIME, or EVAL. However, a significantly positive correlation was found on MEMO and this variable was significantly positive in a regression analysis.

These findings are puzzling, as they contradict what has been found in prior research. With respect to COUNT, TIME, and EVAL, it is possible that, similar to concerns about justifying the final decision, accountability with respect to the search process induces different motivations in different individuals. With some, it may have increased the likelihood of advisors wanting to make certain that they did not engage in confirmatory behaviors. With others, engaging in confirmatory behaviors may have provided a level of justification in itself.

This possibility may have been made most prominent when comparing the number of cases cited as relevant (MEMO). In this case, a higher concern about justifying the search process increased the likelihood of citing cases supporting the client's preference as relevant. It is possible that advisors who were more concerned about justifying their search process cited more supporting cases in a memo because they viewed the memo itself as justification. In other words, they could have pointed to the cases they cited in the memo to prove that they searched for and found a lot of cases before making their final decision.

In addition, after controlling for information search and evaluation, a significantly negative relation was found between perceived accountability with respect to the information search and perceived likelihood of judicial success for the client's preferred option. This may indicate that advisors who were concerned about justifying how they arrived at their final decision were more aware of the possibility that the client's preferred position was not necessarily the most appropriate position. As such, they may have had a more open mind when searching for and evaluating information, and despite what information they found, were not as willing to believe that the client's preferred position could be supported on its own merit.

Taken together, it is possible that concern about justifying the information search process may have increased the willingness to cite supporting information in a memo but decreased the willingness to assume that the client's preferred position is judicially supported. Furthermore, concern about justifying the information search process did not significantly impact how strongly the advisor would recommend the client's preferred position, the level of confidence associated with the client's preferred position, or the likelihood of selecting the client's preferred position.

Perceived Ease of the Decision Task

The prediction made by H3 was that the easier (more complex) the advisor views the overall decision task to be, the less (more) likely the advisor will engage in confirmatory behaviors. The reasoning behind this expectation was that the more complex the decision task seems, the more likely the advisor will pick a position and look to support it in order to cut down on overall effort, cognitive load, and/or negative affect associated with having to make a difficult decision.

With respect to COUNT, TIME, and MEMO, neither the correlation nor the regression coefficients for the perceived ease of the decision task were significant, contrary to prior findings in psychology on cognitive complexity of a decision. One explanation for this difference could relate to the training and experience of the subjects with respect to the task in the current study. All subjects had received significant training in conducting legal research and making a decision based on their findings. It was possible that during their training or professional experience, they

developed default search strategies that did not depend on the ease of the decision task. In other words, they engaged in their default search behavior (which may have been confirmatory or not), regardless of whether they personally viewed the task as easy or complex.

Also, contrary to expectations, a significantly positive relation was found between EVAL and perceived ease of the decision task, indicating that subjects attached more importance to cases supporting the client's preferred position when they found the overall task to be easy. One explanation is that the act of attaching more weight to information that supported the client's preferences made the advisors believe that the client preferred position had more support. In turn, because it seemed as though the client position had more support, it was easy for them to make a final decision.

Another possibility could be due to differences in how the advisors viewed information in a legal decision-making task. Prior research in decision-making in psychology suggests that if advisors found the decision task difficult, they default to confirmatory behaviors, in order to reduce cognitive load. In the current study, it is possible that the opposite may also have been true. For example, there was a lot of information for the advisors to consider. Also, as a whole, this information did not provide clear support for one solution over another. If advisors found the decision task complex because one solution wasn't necessarily "better" than the other, this may have triggered a greater concern about the pros and cons of each alternative. In turn, this could have led them to go out of their way to ensure that they did not engage in a confirmatory information evaluation. In contrast, advisors who found the decision task to be easy, despite the amount of information, may have defaulted to a confirmatory information evaluation because a concern about the pros and cons of each alternative was not triggered.

Similarly, after controlling for search and evaluation behaviors, the higher the perceived ease of the decision task, the more likely advisors were to recommend the client's preferred position. Following the discussion above, this may also provide support for the following possibilities: (1) if advisors attach more weight to information supporting the client's preferences, they may view the overall decision task as being easy and more likely to select the client's preferred position; or (2) if the task itself seems easy, the pros and cons of each alternative are not as salient, so advisors default towards wanting to support the client's preferred position.

Strength of the Initial Preference

H4 predicted that the strength of the advisor's preference for the client's preferred position was positively related to the extent of confirmatory behaviors. However, this variable was not found to be significantly correlated with any of the behavior variables. It was also not found to be significant when regressed on the behavior variables.

It is possible that the lack of significant findings could be due to self-awareness of advisors. In effect, advisors who had a strong preference for a particular position ahead of time may have been aware of this preference, so they went out of their way to ensure that their decision was not biased by their preference. It is also reasonable to assume that, because of the nature of the decision task in the current study and the potential ramifications of providing poor advice, advisors may have gone out of their way to not engage in confirmatory behaviors based on their own preferences. In summary, personal preference alone was not enough to lead to significant confirmatory or disconfirmatory behaviors.

In the remaining analyses, after controlling for advisor behavior, strength of preference for the client's preferred position ahead of time was weakly significant and negative when regressed on the strength of the recommendation for the client's preferred position. It was also weakly significant and negative when regressed on the final decision. Taken together, this provides mild support for the possibility that those who strongly prefer the client's preferred position before beginning research are less likely to recommend the client's preferred position. This possibility is consistent with the self-awareness explanation for lack of significant findings on the behavior variables. It is possible that advisors were aware of the dangers of following their own preferences, and go out of their way to not recommend a solution simply because it is what they preferred before beginning the research task.

Advocacy

Hypothesis H5a predicted that how strongly advisors identify themselves as client advocates increases their motivation to find support for the client's preferred position and the likelihood of engaging in confirmatory behaviors. With respect to COUNT, a mildly significant positive correlation was found, and the regression coefficient was significant and positive, providing support for H5a on COUNT. Interestingly enough, advocacy strength was not significant in correlations with or regressions on TIME, EVAL, or MEMO.

One explanation for the lack of significant findings on TIME or the information evaluation variables could be due to advisors having some degree of awareness with respect to the dangers of conducting confirmatory behaviors. While advisors are client advocates, they are

also constrained by legal requirements to conduct unbiased searches and evaluations of information. In addition, they also have to be concerned about the potential consequences of making inappropriate or biased decisions.

So perhaps because of these conflicting motivations, advisors who rated strongly on the advocacy scale were willing to engage in a confirmatory information search; however, they were not willing to engage in both a confirmatory information search and a confirmatory information evaluation based on advocacy alone. In other words, they went out of their way to find more support for the client's preferred position, but those who also conducted a confirmatory information evaluation did so for reasons other than advocacy.

Prior research in accounting has typically suggested or implied that because tax professionals behave as client advocates, they are more likely to support the client's preferred position (Ayres et al. 1989, Johnson 1993, Cuccia 1994, Cuccia et al. 1995, Cloyd and Spilker 1999, Spilker et al. 1999, Hatfield 2001, Barrick et al. 2004, Kahle and White 2004). This theory was moderately supported when examining the positive correlations between advocacy strength and perceived likelihood of judicial success, strength of the recommendation for the client's preferred position, and degree of confidence in the client's preferred position.

However, in contrast to the prior literature, advocacy strength was not significant when regressed on perceived likelihood of judicial success for the client's preferred position, strength of recommendation, confidence in the client's preferred position, or the final decision itself, after controlling for the effect of the advisors' behaviors. This indicates that advocacy alone was not

enough to explain differences in judgments or perceptions for the advisors, and instead, other variables were more directly responsible. This could be an indication that prior studies that assume a relationship between advocacy and ruling in favor of the client may be misleading.[31]

Concern about Accuracy

H5b predicted that higher concerns about accuracy will have a negative relationship with the extent of confirmatory behaviors. A significant and negative correlation was found on both COUNT and TIME. In addition, a mildly significant and negative coefficient was found when accuracy was regressed on COUNT, and a significantly negative coefficient was found when accuracy was regressed on TIME. Thus, H5b was supported for the information search variables.

However, the results of the correlation and the regression analyses were not significant with respect to the information evaluation variables. This could also be explained by potentially conflicting motivations for advisors. Tax advisors are motivated by both accuracy and advocacy, and the results of the analysis indicate that those who were most concerned about accuracy went out of their way to avoid conducting confirmatory information searches. But this does not necessarily mean that concerns about accuracy were enough to alter how these individuals evaluated the information that they found. In effect, some may have continued to avoid confirmatory behaviors by not engaging in a confirmatory information evaluation either, while

[31] Johnson (1993) found evidence of a link between advocacy and the strength of the recommendation for the client's preferred position. However, it is possible that these results merely picked up the correlation between advocacy and strength of the recommendation (see Table 24 and Table 26).

others may have felt that not engaging in confirmatory information searches satisfied their accuracy obligation, and therefore did engage in a confirmatory information evaluation. This would explain why strong concerns about accuracy only impact the information search variables.

The subsequent analyses also found that the coefficient for accuracy concerns was negative and significant when regressed on the strength of the recommendation for the client's preferred position This would indicate that, after controlling for information searches and evaluations, those who had a strong accuracy motivation adopted a mindset that led them to be more careful in how strongly they would recommend the client's preferred position.

However, a surprising result was found when examining regressions on the perceived likelihood of judicial success: concerns about accuracy were positive and almost significant. In other words, those who were the most concerned about accuracy were also more likely to view the client's preferred position as judicially supported. While only conjecture can be offered, these findings might also be explained by conflicting motivations among advisors. As discussed earlier, tax advisors have both strong motivations to be accurate and strong motivations to behave as client advocates (Klepper et al. 1991, Barrick et al. 2004). Those who rated high on concern about accuracy were less likely to engage in a confirmatory information search. It is possible these advisors felt that not engaging in a confirmatory information search satisfied their accuracy objective, and then proceeded to compensate (or even overcompensate) with an increased desire to believe that the client's preferred position could be judicially supported.

In sum, it appears that concerns about accuracy increase the likelihood of engaging in a confirmatory information search. In addition, after controlling for the behaviors, concerns about accuracy were positively related to the perceived likelihood of judicial success for the client's

preferred position. This may indicate that advisors who were concerned about accuracy and conduct a more appropriate information search overcompensate by being more willing to accept the client's preferred position as judicially supportable. On the other hand, concerns about accuracy are negatively related to the strength of the recommendation. Taken together, this provides evidence that while advisors who were concerned about accuracy may overcompensate with respect to the perceived likelihood of judicial success for the client's preferred position, their accuracy concerns still caused them to be more cautious in how strongly they would recommend the client's position.

Limitations

Some limitations exist in this study, which should be mentioned. The main purpose of the research was to test what may account for differences in how advisors search for information, how they evaluate information, and in their subsequent perceptions and judgments. However, a potential limitation with any experiment is the possibility that how advisors behave in an experimental task may differ from how they would behave in a real decision task. While it is impossible to predict if this occurred, steps were taken in order to protect against this possibility by attempting to make the experimental task closely resemble a real-world decision task. This included using a realistic problem for the client, presenting information in a format that replicated what advisors would find if they searched in an online database, and displaying the information in a format consistent with how court cases are typically presented.

Another potential limitation is that subjects did not conduct the task under controlled conditions. Instead, they were allowed to read through and complete the research task on their own time. Due to this freedom, it is possible that some subjects may have discussed the nature of the task with each other, helped each other complete the task, or used outside resources. However, all subjects were asked not to do any of these things, both in verbal instructions when they received the information packet, and within the experimental materials themselves. It seems unlikely that some may have ignored these instructions, as no additional incentives were offered for performance—all subjects received the same cash reward for participating. In addition, subjects answered a series of questions to ensure that they did not do these things, and none of them answered affirmatively. It is possible that they may have lied, but because all subjects received the same pay reward regardless of how they responded, and no personal information was collected, they had no incentive to lie in response to these questions.

Another potential limitation of the current research is that the findings may be unique to the set of circumstances used in the experimental administration. For example, the decision scenario was specific: a tax compliance task with only two potential solutions. By their nature, compliance scenarios deal with facts and circumstances that have already arisen. On the other hand, a tax planning scenario involves more judgments and personal interpretations, so it is possible that advisors may behave differently when they are placed in a tax planning role. Second, there were only two possible solutions for the subjects to consider. However, oftentimes in tax, more than one solution often exists for a client. It is possible that behaviors might change if there are more than just the client's preferred and non-preferred positions as possible solutions. Third, in the current study, both potential solutions for the client could be considered equally

valid.[32] This is not necessarily what an advisor would find in a real-world decision scenario, and it may be possible that if one solution had more judicial support, the results found in the current study might be different. Lastly, tax advisors are characterized by a high advocacy role, which is not necessarily the same in an auditing setting, so it is possible that some of the results found in the current study may not necessarily translate to an auditing decision scenario. Future research can be done to test the robustness of the immediate results with other decision scenarios.

Another potential limitation could be due to the way some of the variables were measured. First, with respect to the preference before beginning research, subjects were asked "Before you began your research, did you have any preferences for a particular solution?" Answers were provided on a scale from zero (strongly preferred capitalization) to 10 (strongly preferred expense). This question was not asked until after subjects conducted their research and made a decision, which admittedly may have resulted in some responses being influenced (after the fact) by the advisor's search or evaluation behavior, or their subsequent perceptions or judgments. In other words, they may not be providing a completely accurate assessment because this question was not actually asked before they began their research.

To avoid this possibility, another option would have been to ask subjects to report the strength of their preference before engaging in an information search. This alternative was considered and rejected, out of concern that specifically asking subjects to rate their preference beforehand might make their preference more salient and create an anchor in the advisors' minds. Anchors can lead individuals towards rating evidence not on its own merits but how the information compares or fits with the anchor (e.g., Chapman and Johnson 1994, Rottenstreich

[32] Two law students were hired to read through all the information and all the court cases. They both determined that after considering all the available information, a court could easily rule in favor of either decision and neither alternative was better than the other.

and Tversky 1997, Epley and Gilovich 2005). Because it was important in the current study that advisors search and evaluation behaviors resemble their behaviors in a real-world setting as closely as possible, it was decided to not ask advisors about their initial preferences until after they finished the research portion of the task. Therefore, it is possible that the self-reported measures on the strength of their initial preferences may not be as accurate as if this variable had been collected before the research process began. Future research can be used to address if differences in the strength of the initial preference occur if this question is asked before the research process begins, and if asking before the research process does create an anchoring effect.

Second, also with respect to the strength of the initial preference, in the current study, a distinction is not made between whether this preference is the client's preferred position or the advisors' personal opinions. Research in tax has shown that advisors modify their information searches and/or evaluations in response to client preferences (Cloyd and Spilker 1999, Kadous et al. 2008, Johnson 1993, Davis and Mason 2003), and that client preferences have a greater impact than the advisor's initial opinions when making judgments (Kahle and White 2004). In the current study, the strength of the initial preference could be based off of the advisor's initial belief, the client's preferences, or both. The purpose of this variable's inclusion was not to separate the two, but to have an overall measure of how strongly the advisor prefers the client's preferred position before beginning research. However, it was expected (and found) that the

majority of the advisors would not have an initial preference that did not follow the client's preferred position. [33] Future research could focus on how client preferences and initial beliefs might interact to impact differences in confirmatory behaviors.

A third potential limitation with respect to how variables were measured was the scales used in the current research. The majority of the independent variables were measured using a scale between zero and ten, and definitions for the endpoints were provided. Another possibility was to use a Likert-scale, with endpoints between one and seven. One disadvantage to the method used in the current experiment is that if the scale is wider, it may be difficult to make assumptions with respect to the difference between scores; in other words, how different a score is between values such as six or seven, or seven and eight, for example. On the other hand, by allowing subjects to choose from a wider range of values, this may increase the observed variance in responses, which will allow for more potentially more powerful and precise statistical analyses. Table 2 lists the average, minimum, maximum, and standard deviations for each of the dependent variables. It is worthy to note that on many of the independent variables, the mean value was approximately in the middle of the scale (e.g., JustDecSuper, JustSrchSuper, JustSrchTA, JustSrchOverall, EaseOfFinal, ImpFllwResearch, RCFutureBusiness). However, the standard deviation for almost all of the independent variables is approximately three, which may indicate that there was sufficient variance on these measures. However, it is possible and worth mentioning that different results may have been found, had these variables been measured on a scale from one to seven, instead of zero to ten.

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[33] Of the 96 subjects on which this variable was measured, 9 (9.375%) had an initial preference for the position that the client did not prefer, 34 (35.417%) had an initial preference for the client's preferred position, and the remaining 53 (55.208%) self-reported a "neutral" initial preference.

Next, another general limitation is that while the current study does assist in discovering which variables may be useful in explaining or predicting differences in confirmatory behaviors and subsequent perceptions and judgments, there are other possibilities that were not specifically examined. For example, other situational differences that may lead to differences in behavior or subsequent perceptions and judgments could include level of affect (positive feelings) towards the client, level of trust between the advisor and client, different pressures on the advisor (from supervisors and/or the client), or time pressure, just to name a few. In addition, the current study also focused on situational differences; however, individual characteristics or traits could also been shown to lead to differences in confirmatory behaviors and decisions, such as mood (Jonas et al. 2006), doxastic self control (defined as the ability to resist motivational pressures to accept something that violates the individuals' own beliefs, Mele 1994), level of experience (Cloyd 1997), or risk preferences. Future research could explore the extent that these other situational differences or different individual traits may also be used to explain or predict differences in confirmatory behaviors in a tax setting, and their comparative importance with respect to the variables in the current study.

Finally, it should be noted that many of the tests used variables that were not directly manipulated, so they should be interpreted with caution. Because the factors (other than advisory role) were not directly manipulated, one cannot directly infer causality. In addition, some of the factors were not significant, or were significant but in an opposite direction of what was predicted; while the preceding analysis suggested explanations, in this context they should only be treated as conjecture.

Conclusion

One of the main objectives of the current study was to explore how advisors conduct information searches and evaluations in a decision-making task. Also studied was the usefulness of different situational factors in predicting confirmatory behaviors. This is an important objective, as prior research in both tax and auditing has supported that advisors often engage in confirmatory behaviors, which in turn can increase the likelihood of selecting the client's preferred position, even if that position is inappropriate.

In addition, to the extent that situational differences are useful in predicting differences in confirmatory behaviors and subsequent perceptions and judgments, accounting firms could potentially implement policies, in order to reduce the likelihood of confirmatory behaviors and/or potentially inappropriate decisions. For example, firms can implement policies to increase accountability with respect to final decisions beyond their current practice (increase the number of reviewers or the documentation advisors must provide). With respect to accountability for the search process, firms could incorporate a need for justification beyond the final decision. In addition to (or even instead of) being accountable for the final decision, advisors could be required to explain their information search behavior by citing all the articles they examined, what they discovered from each piece of information, and how they evaluated the information that they found.

One way that firms could potentially address the perceived ease of the decision task would be—to the extent possible—reducing the advisors' overall workloads. If advisors do not need to be concerned with allocating their cognitive resources throughout many different

advising tasks, they may be more willing to spend the necessary cognitive resources to arrive at a final decision without defaulting towards confirmatory behaviors.

Firms could also address concerns with respect to strength of the initial preference, strength of advocacy, and level of concern about accuracy by incorporating a firm-level policy that values the importance of providing appropriate and accurate solutions over following client preferences. In other words, advisors are rewarded for engaging in balanced information searches and evaluations, and finding appropriate solutions first, and finding support for client preferences second, as opposed to valuing a primary desire to find support for the client's preferences, and secondary is to ensure that the firm can recommend the position while still maintaining their accuracy requirements. However, pleasing the client (in order to continue generating revenues) and the threat of competition may make it difficult for firms to put client concerns second.

With respect to the actual findings, unlike the prior literature on confirmatory behaviors in tax, which has found overwhelmingly strong confirmatory behaviors, a large number of advisors chose not to engage in confirmatory behaviors. This implies that tax advisors do not necessarily engage in confirmatory behaviors automatically, and provides support for the theory that situational differences may be useful in predicting the extent of confirmatory behaviors.

While the specific advisory role was not found to be important, a number of variables were found to be significant with respect to differences in confirmatory behaviors. For example, how strongly advisors view themselves as client advocates was the most significant factor in predicting the difference between the number of supporting and nonsupporting cases viewed by the advisors during their information search. In addition, concerns about accuracy were mildly significant, and indicated that as concern about accuracy increased, the likelihood of engaging in

a confirmatory information search decreased. When the extent of confirmatory information search was measured by comparing the amount of time spent examining supporting and nonsupporting cases, accuracy concerns were the most significant factor (the greater the accuracy concerns, the less likely the advisor was to engage in a confirmatory information search). With respect to differences in how information was weighted, the perceived ease of the decision task was the most significant (the easier the task, the less likely the advisor was to engage in a confirmatory information evaluation). Finally, when comparing the number of supporting and nonsupporting cases cited in a memo as being relevant, the nature of the confirmatory information search was the most significant predictors. After controlling for

information search, perceived accountability with respect to the information search process was the most significant (the greater the concern about justifying the search process, the less likely the advisor engaged in a confirmatory information evaluation).

Another objective of the current study was to determine if the behaviors and factors offered any explanatory power for differences in the perceived likelihood of judicial success for the client's preferred position, how strongly the advisor recommended the client's preferred position, confidence that the client's preferred position was the most appropriate, and the likelihood of selecting the client's preferred position. A preliminary analysis supported the notion that in general, those who engaged in a confirmatory behavior were more likely to: perceive the client's preferred position as judicially supported, recommend the client's preferred position more strongly, be more confident with respect to the client's preferred position as being the most appropriate, and recommend the client's preferred position.

A more in-depth analysis was conducted by regressing the behaviors and factors on the judgment and decision variables. In contrast to the prior literature, confirmatory behaviors were not significant with respect to differences in the perceived likelihood of judicial success. Instead, the most significant variable was perceived accountability with respect to the information search process (negative relation), followed by concerns about accuracy (positive relation). This may indicate that prior literature finding evidence of a relation between confirmatory behaviors and perceived likelihood of judicial success may have been driven by correlated omitted variables.

With respect to predicting differences in how strongly the advisor would recommend the client's preferred position, the perceived likelihood of judicial success was the most significant, followed by differences in importance weights attached to supporting and nonsupporting information. After controlling for the effect of confirmatory behaviors and perceived likelihood of judicial success, the order of significance for the other factors was as follows: perceived accountability with respect to the final decision (positive), concern about accuracy (negative), and strength of the initial preference (weakly negative).

For differences in levels of confidence, similar to differences in strength of the recommendation, the most significant predictors were the perceived likelihood of judicial success, followed by differences in importance weights attached to supporting and nonsupporting cases. After controlling for perceived likelihood of judicial success and confirmatory behaviors, perceived accountability with respect to the final decision still remained significant (positive).

Finally, in predicting the likelihood of the advisor choosing the client's preferred option, none of the confirmatory behavior variables were significant; however, the perceived likelihood of judicial success remained significant. After controlling for behaviors, the following factors

remained significant, and in the following order: the perceived ease of the decision task (positive), perceived accountability with respect to the final decision (positive), and the strength of the initial preference (weakly negative).

Taken together, differences in judgments and decisions are driven not only by the extent of confirmatory behaviors themselves, but by various situational factors as well. It is also interesting to note that despite the correlation between confirmatory behaviors and perceptions and judgments, differences in how the advisor weights supporting and nonsupporting information appears to be the most important behavior variable relating to how strongly the advisor recommends the client's preferred position, the level of confidence in the client's preferred position, and the likelihood of choosing the client's preferred position. On their own, differences in how the advisor searches for information, or the difference in the number of cases cited in a memo, do not appear to be significant.

Also worth mentioning is that, on its own, how strongly advisors identify themselves as client advocates was not significant with respect to any of the final decisions or judgments.[34] This may provide some preliminary evidence that prior research that assumes such a link exists may be inaccurate.

This study contributes to the current literature by providing evidence of which variables are the most significant with respect to predicting differences in confirmatory behaviors, as well as differences in subsequent perceptions and judgments made by tax professionals. This is important because searching for information and evaluating that information are crucial steps in the decision-making process, for both tax professionals and auditors. These results can be used in

[34] Even if only the factor variables are run on the dependent variables directly (without controlling for the effect of confirmatory behaviors in the dependent variable or including confirmatory behaviors as independent variables), advocacy is still not a significant predictor.

future research aimed at developing the most efficient ways to reduce confirmatory behaviors and inefficient decision-making. Future research should also address why some of the variables were not found to be significant, or were significant in the opposite direction of what was predicted. This study contributes to the literature by providing evidence that the link between confirmatory behaviors and perceived likelihood of judicial success may not be direct, merely correlated. Similarly, advocacy itself is not directly linked to differences in judgments and decision. Future research can extend these findings by exploring in more depth the nature of the relationships between these variables.

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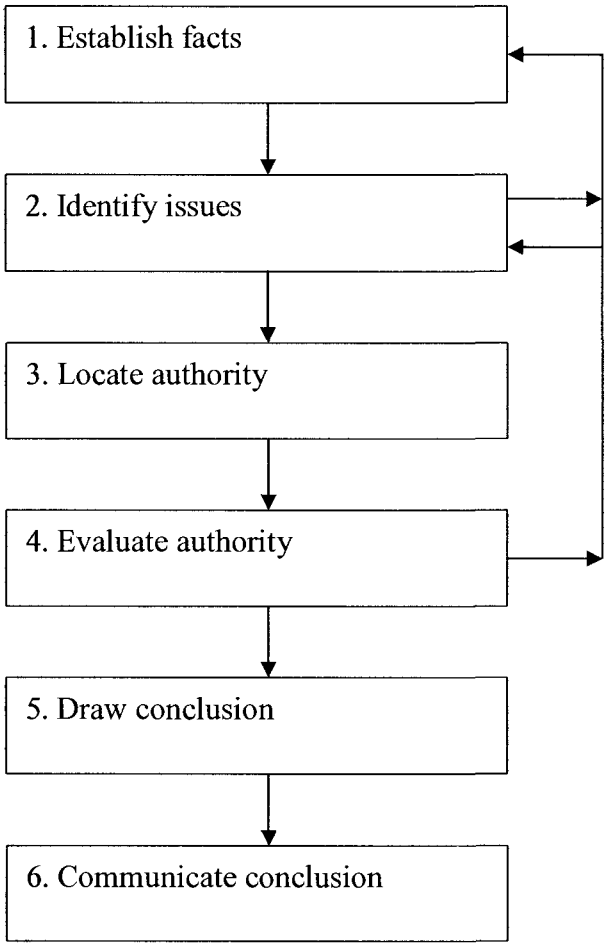
Figure 1: Phases in the Tax Judgment and Decision Making Process



From Sommerfeld and Streuling (1989)[35]

[35] Shields et al. (1995) offers a similar but alternative model to the tax decision process. The proposed steps consist of: (1) learn about and document client's tax and business context; (2) identify, rank, and document preliminary alternatives; (3) information search; (4) evaluate information; (5) revise, rank and choose among alternatives; and (6) explain, justify, and document alternatives.

Table 1: Summary of subject demographics.

Tests on advisory role were done using the total subject pool. The subset subject pool refers to subjects about which information on the additional factors were collected and was used for the remaining analyses.

	Total Subject Pool			Subset Subject Pool		
	Students	Professionals	Total	Students	Professionals	Total
Number of subjects	90	24	114	72	24	96
Number of accounting students	63			48		
Number of law students	27			24		
Number of males	45	10	55	37	10	47
Number of females	45	14	59	35	14	49
Average age	27.4	35.3	29.1	28.0	35.3	30.0
Average number of years of tax accounting experience	1.0	9.0	2.7	1.2	9.0	3.2
% of time during the last year spent doing tax work		92			92	

Table 2: Descriptive statistics of the numerical dependent and independent variables.

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Dependent Variables					
Behavior Variables					
COUNT	114	-0.600	1.000	0.052	0.281
TIME	114	-0.571	1.000	0.054	0.302
EVAL	99	-39.000	40.000	3.305	10.098
MEMO	114	-1.000	1.000	0.166	0.438
Perceptions and Judgments					
RecJudSucc	114	0	100	63.28	24.451
RecStrength	114	-10	10	4.00	6.597
RecConfidence	114	-10	10	3.93	6.638
Independent Variables					
Perceived Accountability - Decision					
JustDecSuper	96	0	10	5.33	3.256
JustDecClient	96	0	10	6.21	3.275
JustDecTA	96	0	10	6.43	3.102
JustDecOverall	96	0	10	6.56	2.642
Perceived Accountability - Search					
JustSrchSuper	96	0	10	4.92	3.131
JustSrchClient	96	0	10	4.15	2.977
JustSrchTA	96	0	10	5.03	3.248
JustSrchOverall	96	0	10	4.89	2.832

Table 2, continued.

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Perceived Ease of Decision Task					
EaseOfFinal	96	0	10	5.87	2.548
Strength of Initial Preference					
PrefBefResearch	96	1	10	6.22	1.970
Advocacy					
ImpFllwResearch	114	0	10	4.60	3.156
ImpFllwDecision	114	0	10	4.06	2.946
RCJustCP	96	0	10	6.06	3.102
RCSuppCP	96	0	10	6.10	2.953
RCFutureBus	96	0	10	5.35	3.129
RCAgainstCP	96	0	10	6.69	2.616
Accuracy					
ConseqConcern	96	0	10	6.22	1.970
RCApprop	96	3	10	9.09	1.275
RCTA	96	0	10	7.55	2.381
Control					
Age	114	21	59	29.08	8.414
LikeAud	96	0	10	5.87	2.548

See Appendix D for a description of the above variables.

Table 3: Average information search and information evaluation behaviors.

N = 114.

	Expense cases	Capitalization cases	Difference
Information Search			
Average number of cases viewed	3.54	3.26	0.27
Average number of cases viewed (as a proportion of total cases)	52.06%	47.94%	4.11%
Average time spent viewing cases in seconds (in minutes)	737.53 seconds (12.29 minutes)	678.57 seconds (11.31 minutes)	58.96 seconds (0.98 minutes)
Average time spent viewing cases (as a proportion of total time spent)	52.08%	47.92%	4.16%
Information Evaluation			
Average importance rating score for the cases cited in a memo (on a 0-100 point scale)	81.65	78.81	2.84
Average number of cases that would be cited in a memo explaining the final decision	2.71	1.99	0.72
Average number of cases cited (as a proportion of total cases cited)	58.28%	41.72%	16.56%

Table 4: Breakdown of the four confirmatory behavior variables by those who conduct confirmatory behaviors and those who conduct disconfirmatory behaviors. N = 114.

Variable	Confirmatory behaviors	Disconfirmatory behaviors	Neutral
COUNT	31.058% n = 50	-22.816% n = 42	0% n = 22
TIME	26.456% n = 62	-19.611% n = 52	n = 0
EVAL[36]	9.131 n = 61	-8.839 n = 26	0 n = 12
MEMO	46.867% n = 63	-39.418% n = 27	0% n = 24

Each cell shows the average value of that confirmatory behavior variable and the number of subjects who engaged in either confirmatory (positive values), disconfirmatory (negative values), or neutral (zero values) behaviors for each of the following four confirmatory behavior variables:

COUNT = (Total expense cases examined – Total capitalization cases examined) / Total cases examined

TIME = (Time spent examining expense cases – time spent examining capitalization cases) / Total time

EVAL = Average rating of expense cases the subject would cite in a memo – average rating of capitalization cases the subject would cite in a memo

MEMO = (Number of expense cases selected for a memo – Number of capitalization cases selected for a memo) / Total cases selected for a memo

[36] Of the 114 total subjects, 15 either did not cite any expense cases or did not cite any capitalization cases in a memo. Therefore, N=99 for the EVAL scores.

Table 5: Demographic distribution of subjects, separated by advisory role. Total N = 114.

	Binding Advisors			Recommending Advisors		
	Students	Professionals	Total	Students	Professionals	Total
Number of subjects	47	12	59	43	12	55
Number of accounting students	34			29		
Number of law students	13			14		
Number of males	21	5	26	24	5	29
Number of females	26	7	33	19	7	26
Average age	27.4	35.3	29.0	27.4	35.2	29.1
Average number of years of accounting experience	1.1	10.4	3.0	1.0	7.7	2.4
% of time during the last year spent doing tax work		93.6			90.4	

Table 6: ANOVA results for randomization of subjects across advisory role condition.

Total N = 114.

Variable Tested	Mean Square	F	p-value
Professional vs. Student subject	0.006	0.037	0.848
Law vs. Accounting training	0.033	0.181	0.671
Age	0.248	0.003	0.953
Years experience in accounting	7.806	0.260	0.611
Percent of time devoted to tax work	48.026	0.025	0.876
Gender	0.213	0.846	0.360

Table 7: Manipulation check between the advisory role conditions. The columns labeled "t score" and "p-value" report the results of independent sample t-tests comparing the responses to the manipulation check questions across advisory role. Total N = 114.

Manipulation Check Question	Average Score (0-10 scale) Binding Advisor Condition	Recommending Advisor Condition	t score	p-value
To what degree do you feel that the client had the competence or expertise to make a decision without your assistance?	1.59	6.33	- 12.855	< 0.001
How likely do you feel that the client would be able to judge the quality of your recommendation?	4.53	6.96	- 5.072	< 0.001
To what degree do you feel that the client will follow your recommendation?	8.83	7.67	3.575	0.001

Table 8: ANOVA results comparing professionals vs. students on each of the dependent variables. Total N = 114.

Dependent Variable Tested	Mean Square	F	p-value
COUNT	< 0.001	0.001	0.970
TIME	0.004	0.047	0.829
EVAL (n = 99)	172.569	1.705	0.195
MEMO	0.014	0.070	0.791
RecJudSucc	598.323	1.097	0.297
RecStrength	19.853	0.454	0.502
RecConfidence	7.500	0.169	0.682
FinalDecisionDummy	0.064	0.343	0.559

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

Table 9: ANOVA results comparing those with training in law vs. those with training in accounting on each of the dependent variables. Total N = 114.

Dependent Variable Tested	Mean Square	F	p-value
COUNT	< 0.001	0.002	0.963
TIME	0.023	0.254	0.615
EVAL (n = 99)	155.582	1.534	0.218
MEMO	0.286	1.494	0.224
RecJudSucc	1399.950	2.600	0.110
RecStrength	142.139	3.334	0.071
RecConfidence	120.245	2.771	0.099
FinalDecisionDummy	0.336	1.811	0.181

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

Table 10: ANOVA results comparing which subject pool the subject came from (school and class for student subjects, accounting firm for professional subjects), on each of the dependent variables. Total N = 111.

Dependent Variable Tested	Mean Square	F	p-value
COUNT	0.055	0.678	0.641
TIME	0.081	0.860	0.511
EVAL (n = 96)	132.934	1.514	0.193
MEMO	0.139	0.707	0.620
RecJudSucc	672.689	1.224	0.303
RecStrength	47.541	1.074	0.379
RecConfidence	44.252	0.983	0.432
FinalDecisionDummy	0.158	0.825	0.535

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

Table 11: Comparison of binding and recommending advisors. Total N = 114.

Panel A: Average values of the information search (COUNT and TIME) and information evaluation (EVAL and MEMO) dependent variables, separated by binding and recommending advisors. The numbers under the respective "Difference" columns is the number reported for each of the dependent variables listed.

	Binding advisors (n = 59)			**Recommending advisors (n = 55)**		
Variable	Expense cases	Capitalization cases	Difference	Expense cases	Capitalization cases	Difference
COUNT	0.5073	0.4927	0.0147	0.5461	0.4539	0.0923
TIME	0.5265	0.4735	0.0530	0.5280	0.4720	0.0560
EVAL[37]	82.2417	80.5683	1.6733	82.1361	77.1667	4.9694
MEMO	0.5598	0.4402	0.1197	0.6075	0.3925	0.2149

Panel B: Summary of results of independent sample t-tests between binding and recommending advisors on each of the dependent variables.

	Average Score			
Dependent Variable	Binding Advisor Condition	Recommending Advisor Condition	t score	p-value
COUNT	0.015	0.092	-1.479	0.142
TIME	0.053	0.056	-0.052	0.959
EVAL	1.673	4.969	-1.638	0.105
MEMO	0.120	0.215	-1.161	0.248
RecJudSucc	62.288	66.309	-0.917	0.361
RecStrength	3.195	4.855	-1.347	0.181
RecConfidence	3.059	4.873	-1.465	0.146

See Appendix D for a description of the above variables.

[37] The total number of subjects for the EVAL variable is 99. Of the 99, 50 were binding advisors while 49 were recommending.

Table 12: Crosstabs of advisor role and behavior.

Panel A: Confirmatory information search (COUNT). Separation of subjects based on advisor role and confirmatory information search behavior based on COUNT. Total N = 114.

COUNT	Binding advisors (n = 59)	Recommending advisors (n = 55)
Confirmatory (Total 50)	21	29
Disconfirmatory (Total 42)	24	18
Neutral (Total 22)	14	8

Chi-squared = 3.638, p = 0.162.

Panel B: Confirmatory information search (TIME). Separation of subjects based on advisor role and confirmatory information search behavior based on TIME. Total N = 114.

TIME	Binding advisors (n = 59)	Recommending advisors (n = 55)
Confirmatory (Total 62)	30	32
Disconfirmatory (Total 52)	29	23

Chi-squared = 0.617, p = 0.432.

Panel C: Confirmatory information evaluation (EVAL). Separation of subjects based on advisor role and confirmatory information evaluation behavior based on EVAL. n = 99.

EVAL	Binding advisors (n = 50)	Recommending advisors (n = 49)
Confirmatory (Total 61)	29	32
Disconfirmatory (Total 26)	13	13
Neutral (Total 12)	8	4

Chi-squared = 1.471, p = 0.479.

Panel D: Confirmatory information evaluation (MEMO). Separation of subjects based on advisor role and confirmatory information evaluation behavior based on MEMO. Total N = 114.

MEMO	Binding advisors (n = 59)	Recommending advisors (n = 55)
Confirmatory (Total 63)	32	31
Disconfirmatory (Total 27)	17	10
Neutral (Total 24)	10	14

Chi-squared = 2.360, p = 0.307.

Panel E: Final decision. Separation of subjects based on advisor role and the final decision. Total N = 114.

Final decision	Binding advisors (n = 59)	Recommending advisors (n = 55)
Expense (Total 86)	42	44
Capitalize (Total 28)	17	11

Chi-squared = 1.193, p = 0.275.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant.

Table 13: Summary of the results of the hypotheses tests using correlation analysis to examine the difference between the factor variables and the behavior variables.

Hypothesized relationship between factor variable and behavior variable	Are the correlations significant?			
	COUNT	TIME	EVAL (residuals) [38]	MEMO (residuals) [39]
H2a: AccountDec, negative	No	No	No	No
H2b: AccountSearch, negative	No	No	No	Yes, positive
H3: EaseOfFinal, negative	No	No	Yes, positive	No
H4: PrefBefResearch, positive	No	No	No	No
H5a: AdvConcern, positive	Weakly, positive	No	No	No
H5b: AccConcern, negative	Yes, negative	Yes, negative	No	No

The following key explains the possible cells in the above table:

No = No significant correlation found

Yes = Significant correlation found at $p \leq 0.05$; this cell also includes the sign of the correlation.

Weakly = Significant at $p \leq 0.10$; this cell also includes the sign of the correlation.

The columns EVAL (residuals) and MEMO (residuals) use the residuals from regressing COUNT and TIME on EVAL or MEMO directly. These residuals represent the variance in the information evaluation variables after controlling for the information search variables.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

[38] If correlations are examined using EVAL directly (instead of the residuals), EaseOfFinal is almost significant (positive, $p < 0.060$), and none of the remaining factors are significant.

[39] If correlations are examined using MEMO directly (instead of the residuals), AccountSearch is weakly significant (positive), and none of the remaining factors are significant.

Table 14: Summary of the results of the hypotheses tests using regression analysis to examine the comparative impact of the factor variables on the behavior variables.

Hypothesized relationship between factor variable and behavior variable	Are the regression coefficients significant?			
	COUNT	TIME	EVAL (residuals) [40]	MEMO (residuals) [41]
H2a: AccountDec, negative	No	No	No	No
H2b: AccountSearch, negative	No	No	No	Yes, positive
H3: EaseOfFinal, negative	No	No	Yes, positive	No
H4: PrefBefResearch, positive	No	No	No	No
H5a: AdvConcern, positive	Yes, positive	No	No	No
H5b: AccConcern, negative	Weakly, negative	Yes, negative	No	No

The following key explains the possible cells in the above table:

No = No significant correlation found.
Yes = Significant correlation found at $p \leq 0.05$; this cell also includes the sign of the correlation.
Weakly = Significant at $p \leq 0.10$; this cell also includes the sign of the correlation.

The columns EVAL (residuals) and MEMO (residuals) use the residuals from regressing COUNT and TIME on EVAL or MEMO directly. These residuals represent the variance in the information evaluation variables after controlling for the information search variables.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

[40] If the regression is done using EVAL directly (instead of the residuals), EaseOfFinal is significant (positive), and none of the remaining factors are significant.

[41] If the regression is done using MEMO directly (instead of the residuals), none of the factors are significant.

Table 15: Summary of regression coefficients when COUNT and TIME are regressed on EVAL.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	2.833 (1.165)	0.017
COUNT	0.467 (6.628)	0.944
TIME	-0.778 (6.647)	0.907

$R^2 = 0.000$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases, EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases.

Table 16: Summary of regression coefficients when COUNT and TIME are regressed on MEMO.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	0.103 (0.034)	0.003
COUNT	0.627 (0.184)	0.001
TIME	0.549 (0.173)	0.002

$R^2 = 0.478$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant.

Table 17: Summary of the correlation between the factor variables and the behavior variables.

Hypothesized relationship between factor variable and behavior variable		PEARSON CORRELATION and p-value			
		COUNT	TIME	EVAL (residuals)	MEMO (residuals)
H2a: AccountDec (negative)	Correlation	0.151	0.100	0.045	0.084
	p-value	*0.141*	*0.331*	*0.684*	*0.417*
H2b: AccountSearch (negative)	Correlation	-0.040	0.058	-0.144	0.231 **
	p-value	*0.698*	*0.572*	*0.193*	*0.023*
H3: EaseOfFinal (negative)	Correlation	-0.048	0.050	0.216 **	-0.021
	p-value	*0.643*	*0.628*	*0.050*	*0.839*
H4: PrefBefResearch (positive)	Correlation	-0.097	-0.032	-0.091	0.024
	p-value	*0.348*	*0.754*	*0.415*	*0.817*
H5a: AdvConcern (positive)	Correlation	0.192 *	0.137	-0.103	0.015
	p-value	*0.062*	*0.183*	*0.348*	*0.888*
H5b: AccConcern (negative)	Correlation	-0.211 **	-0.292 ***	-0.038	0.124
	p-value	*0.039*	*0.004*	*0.731*	*0.227*

The columns EVAL (residuals) and MEMO (residuals) use the residuals from regressing COUNT and TIME on EVAL or MEMO directly. These residuals represent the variance in the information evaluation variables after controlling for the information search variables.

* denotes significance at $p \leq 0.10$.
** denotes significance at $p \leq 0.05$.
*** denotes significance at $p \leq 0.01$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; AccountDec is perceived accountability with respect to the final decision; AccountSearch is perceived accountability with respect to the search process; EaseOfFinal is perceived ease of the decision task; PrefBefResearch is the strength of the initial preference before beginning the research task; AdvConcern is level of advocacy; and AccConcern is concern about accuracy.

Table 18: Summary of regression coefficients when variables are regressed on COUNT. N = 96.

Variable	Expected sign	Hypothesis	Unstandardized coefficient (standard error)	p-value
Constant			0.187 (0.161)	0.248
AccountDec	-	H2a	0.035 (0.029)	0.227
AccountSearch	-	H2b	-0.015 (0.029)	0.598
EaseOfFinal	-	H3	-0.003 (0.013)	0.805
PrefBefResearch	+	H4	-0.015 (0.015)	0.314
AdvConcern	+	H5a	0.065 (0.031)	0.039
AccConcern	-	H5b	-0.052 (0.028)	0.065

$R^2 = 0.155$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; AccountDec is perceived accountability with respect to the final decision; AccountSearch is perceived accountability with respect to the search process; EaseOfFinal is perceived ease of the decision task; PrefBefResearch is the strength of the initial preference before beginning the research task; AdvConcern is level of advocacy; and AccConcern is concern about accuracy.

Table 19: Summary of regression coefficients when variables are regressed on TIME. N = 96.

Variable	Expected sign	Hypothesis	Unstandardized coefficient (standard error)	p-value
Constant			0.064 (0.173)	0.713
AccountDec	-	H2a	0.030 (0.031)	0.330
AccountSearch	-	H2b	0.017 (0.031)	0.588
EaseOfFinal	-	H3	0.005 (0.014)	0.742
PrefBefResearch	+	H4	-0.007 (0.016)	0.647
AdvConcern	+	H5a	0.050 (0.033)	0.141
AccConcern	-	H5b	-0.080 (0.030)	0.010

$R^2 = 0.132$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

Explanation of variables: TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; AccountDec is perceived accountability with respect to the final decision; AccountSearch is perceived accountability with respect to the search process; EaseOfFinal is perceived ease of the decision task; PrefBefResearch is the strength of the initial preference before beginning the research task; AdvConcern is level of advocacy; and AccConcern is concern about accuracy.

Table 20: Summary of regression coefficients when variables are regressed on residuals from regressing COUNT and TIME on EVAL.[42] N = 83.

Variable	Expected sign	Hypothesis	Unstandardized coefficient (standard error)	p-value
Constant			-8.617 (6.528)	0.191
AccountDec	-	H2a	0.647 (1.180)	0.585
AccountSearch	-	H2b	-1.384 (1.154)	0.234
EaseOfFinal	-	H3	1.035 (0.511)	0.046
PrefBefResearch	+	H4	-0.432 (0.617)	0.486
AdvConcern	+	H5a	-1.001 (1.255)	0.428
AccConcern	-	H5b	0.690 (1.097)	0.531

$R^2 = 0.242$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; AccountDec is perceived accountability with respect to the final decision; AccountSearch is perceived accountability with respect to the search process; EaseOfFinal is perceived ease of the decision task; PrefBefResearch is the strength of the initial preference before beginning the research task; AdvConcern is level of advocacy; and AccConcern is concern about accuracy.

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[42] If the above variables are regressed on EVAL directly instead of the residuals, $R^2 = 0.241$, and the coefficients on the following variables are significant: EaseOfFinal (positive, $p = 0.047$).

If the behavior variables (COUNT and TIME) and the above component variables are all regressed on EVAL simultaneously, $R^2 = 0.248$, and the coefficients on the following variables are significant: EaseOfFinal (positive, $p = 0.050$).

Table 21: Summary of regression coefficients when variables are regressed on the residuals from regressing COUNT and TIME on MEMO.[43] N = 96.

Variable	Expected sign	Hypothesis	Unstandardized coefficient (standard error)	p-value
Constant			0.175 (0.195)	0.373
AccountDec	-	H2a	0.036 (0.035)	0.304
AccountSearch	-	H2b	0.072 (0.035)	0.042
EaseOfFinal	-	H3	0.000 (0.016)	0.963
PrefBefResearch	+	H4	0.006 (0.018)	0.760
AdvConcern	+	H5a	0.001 (0.038)	0.983
AccConcern	-	H5b	0.037 (0.034)	0.276

$R^2 = 0.108$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; AccountDec is perceived accountability with respect to the final decision; AccountSearch is perceived accountability with respect to the search process; EaseOfFinal is perceived ease of the decision task; PrefBefResearch is the strength of the initial preference before beginning the research task; AdvConcern is level of advocacy; and AccConcern is concern about accuracy.

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[43] If the above variables are regressed on MEMO directly instead of the residuals, $R^2 = 0.121$, and none of the coefficients on the variables are significant.

If the behavior variables (COUNT and TIME) and the above component variables are all regressed on MEMO simultaneously, $R^2 = 0.535$, and the coefficients on the following variables are significant: COUNT (positive, $p = 0.002$), TIME (positive, $p = 0.003$), and AccountSearch (positive, $p = 0.048$).

Table 22: Differences in dependent variables when subjects are separated based on COUNT.

Panel A: Summary of t-tests on the remaining dependent variables.

	AVERAGE SCORE			
Dependent Variable	Advisors who engaged in a confirmatory behavior (n = 50)	Advisors who did not engage in a confirmatory behavior (n = 64)	t score	p-value
TIME	0.23	-0.09	6.527	< 0.001
EVAL	3.90	2.90	0.479	0.633
MEMO	0.41	-0.02	5.900	< 0.001
RecJudSucc	68.78	60.67	1.858	0.066
RecStrength	5.50	2.82	2.188	0.031
RecConfidence	5.26	2.90	1.907	0.059

Panel B: Crosstabs with the final decision. This chart shows the number of advisors in each cell (behavior based on COUNT vs. final decision).

	BEHAVIOR ENGAGED IN BY ADVISOR	
Final Decision	Confirmatory	Not confirmatory
Expense (client preferred)	41	45 (27 disconfirmatory)
Capitalize	9	19 (15 disconfirmatory)

Results comparing those who engaged in a confirmatory information search to those who did not

- Pearson Chi-Squared = 2.069, p = 0.150.

Results comparing those who engaged in a confirmatory information search to those who engaged in a disconfirmatory information search

- Pearson Chi-Squared = 3.715, p = 0.054.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate.

Table 23: Differences in dependent variables when subjects are separated based on TIME.

Panel A: Summary of t-tests on the remaining dependent variables.

	AVERAGE SCORE			
Dependent Variable	Advisors who engaged in a confirmatory behavior (n = 62)	Advisors who did not engage in a confirmatory behavior (n = 52)	t score	p-value
COUNT	0.19	-0.11	6.785	< 0.001
EVAL	3.04	3.58	-0.264	0.792
MEMO	0.31	-0.01	4.241	< 0.001
RecJudSucc	68.71	58.88	2.277	0.025
RecStrength	5.76	1.89	3.243	0.002
RecConfidence	5.45	2.12	2.741	0.007

Panel B: Crosstabs with the final decision. This chart shows the number of advisors in each cell (behavior based on TIME vs. final decision).

	BEHAVIOR ENGAGED IN BY ADVISOR	
Final Decision	Confirmatory	Not confirmatory
Expense (client preferred)	53	33
Capitalize	9	19

Results comparing those who engaged in a confirmatory information search to those who did not

- Pearson Chi-Squared = 7.402, p = 0.007.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate.

Table 24: Differences in dependent variables when subjects are separated based on EVAL.

Panel A: Summary of t-tests on the remaining dependent variables.

	AVERAGE SCORE			
Dependent Variable	Advisors who engaged in a confirmatory behavior (n = 61)	Advisors who did not engage in a confirmatory behavior (n = 38)	t score	p-value
COUNT	0.00	0.04	-0.623	0.534
TIME	0.01	-0.01	0.264	0.792
MEMO	0.10	0.05	0.677	0.500
RecJudSucc	67.82	57.68	2.126	0.036
RecStrength	5.27	1.34	2.944	0.004
RecConfidence	5.39	1.13	3.207	0.002

Panel B: Crosstabs with the final decision. This chart shows the number of advisors in each cell (behavior based on EVAL vs. final decision).

	BEHAVIOR ENGAGED IN BY ADVISOR	
Final Decision	Confirmatory	Not confirmatory
Expense (client preferred)	51	22 (17 disconfirmatory)
Capitalize	10	16 (9 disconfirmatory)

Results comparing those who engaged in a confirmatory information evaluation to those who did not

- Pearson Chi-Squared = 7.993, p = 0.005.

Results comparing those who engaged in a confirmatory information evaluation to those who engaged in a disconfirmatory information search

- Pearson Chi-Squared = 3.546, p = 0.060.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate.

Table 25: Differences in dependent variables when subjects are separated based on MEMO.

Panel A: Summary of t-tests on the remaining dependent variables.

	AVERAGE SCORE			
Dependent Variable	Advisors who engaged in a confirmatory behavior (n = 63)	Advisors who did not engage in a confirmatory behavior (n = 51)	t score	p-value
COUNT	0.19	-0.11	6.601	< 0.001
TIME	0.19	-0.11	6.001	< 0.001
EVAL	2.90	3.72	-0.399	0.690
RecJudSucc	69.16	58.14	2.565	0.012
RecStrength	5.87	1.69	3.529	0.001
RecConfidence	5.72	1.73	3.336	0.001

Panel B: Crosstabs with the final decision. This chart shows the number of advisors in each cell (behavior based on MEMO vs. final decision).

	BEHAVIOR ENGAGED IN BY ADVISOR	
Final Decision	Confirmatory	Not confirmatory
Expense (client preferred)	55	31 (14 disconfirmatory)
Capitalize	8	20 (13 disconfirmatory)

Results comparing those who engaged in a confirmatory information evaluation to those who did not

- Pearson Chi-Squared = 10.696, p = 0.001.

Results comparing those who engaged in a confirmatory information evaluation to those who engaged in a disconfirmatory information search

- Pearson Chi-Squared = 13.277, p < 0.001.

COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate.

Table 26: Correlations between the behavior and factor variables with the judgment and decision variables.[44] N = 96. See Appendix D for an explanation of the variables.

		JUDGMENT AND DECISION VARIABLES			
		RecJudSucc	RecStrength	RecConfidence	FinalDecision Dummy
Behavior Variables					
COUNT	Correlation	0.222 **	0.219 **	0.193 *	0.116
	p-value	*0.030*	*0.032*	*0.060*	*0.262*
TIME	Correlation	0.184 *	0.238 **	0.227 **	0.202 **
	p-value	*0.073*	*0.019*	*0.026*	*0.048*
EVAL	Correlation	0.165	0.316 ***	0.331 ***	0.270 **
	p-value	*0.136*	*0.004*	*0.002*	*0.014*
MEMO	Correlation	0.308 **	0.272 ***	0.337 ***	0.311 ***
	p-value	*0.002*	*< 0.001*	*0.001*	*0.002*
RecJudSucc	Correlation		0.830 ***	0.838 ***	0.717 ***
	p-value		*< 0.001*	*< 0.001*	*< 0.001*
Factor Variables					
AccountDec	Correlation	0.087	0.186 *	0.190 *	0.061
	p-value	*0.399*	*0.069*	*0.064*	*0.556*
AccountSearch	Correlation	-0.203 **	-0.141	-0.141	-0.059
	p-value	*0.047*	*0.172*	*0.171*	*0.568*
EaseOfFinal	Correlation	0.173	0.218 **	0.232 **	0.208 **
	p-value	*0.091*	*0.033*	*0.023*	*0.042*
PrefBef Research	Correlation	0.163	0.005	0.039	0.037
	p-value	*0.112*	*0.964*	*0.708*	*0.717*
AdvConcern	Correlation	0.227 **	0.177 *	0.170 *	0.148
	p-value	*0.026*	*0.085*	*0.098*	*0.149*
AccConcern	Correlation	0.114	-0.057	-0.028	-0.062
	p-value	*0.269*	*0.578*	*0.784*	*0.551*

* denotes significance at $p \leq 0.10$, ** denotes significance at $p \leq 0.05$, ***denotes significance at $p \leq 0.01$.

[44] Because the variables RecJudSucc, RecStrength, and RecConfidence are all numerical, the correlation coefficient presented is the Pearson correlation coefficient. Because FinalDecisionDummy is a dummy variable, the Spearman's Rho correlation is reported.

Table 27: Summary of regression coefficients when COUNT, TIME, EVAL, and MEMO are regressed on RecJudSucc. N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	61.197 (2.808)	< 0.001
COUNT	5.465 (16.379)	0.740
TIME	-0.221 (14.857)	0.988
EVAL	0.370 (0.249)	0.141
MEMO	11.157 (10.599)	0.296

$R^2 = 0.059$

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option.

Table 28: Summary of regression coefficients when variables are regressed on the residuals from regressing COUNT, TIME, EVAL, MEMO on RecJudSucc.[45] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	-1.625 (14.412)	0.911
AccountDec	2.241 (2.606)	0.393
AccountSearch	-6.315 (2.547)	0.016
EaseOfFinal	1.564 (1.128)	0.170
PrefBefResearch	1.109 (1.362)	0.418
AdvConcern	1.587 (2.772)	0.569
AccConcern	4.698 (2.423)	0.056

$R^2 = 0.235$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

See Appendix D for a description of the above variables.

[45] If the above variables are regressed on RecJudSucc directly instead of the residuals, $R^2 = 0.212$, and the coefficients on the following variables are significant: AccountSearch (negative, $p = 0.040$) and EaseOfFinal (positive, $p = 0.087$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO) and the above component variables are all regressed simultaneously on RecJudSucc, $R^2 = 0.286$, and the coefficients on the following variables are significant: AccountSearch (negative, $p = 0.014$) and AccConcern (positive, $p = 0.068$).

Table 29: Regressing the behavior variables and RecJudSucc on RecStrength.[46] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	-10.628 (1.158)	< 0.001
COUNT	-2.934 (2.539)	0.252
TIME	2.040 (2.302)	0.378
EVAL	0.119 (0.039)	0.003
MEMO	2.513 (1.654)	0.133
RecJudSucc	0.219 (0.018)	< 0.001

$R^2 = 0.719$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecStrength is how strongly the subject would recommend the client's preferred position.

[46] If only the behavior variables are regressed on RecStrength (and RecJudSucc is not included in the regression), $R^2 = 0.152$ and the following coefficients are significant: EVAL (positive, $p = 0.003$), and MEMO (positive, $p = 0.084$).

Table 30: Summary of regression coefficients when variables are regressed on the residuals from regressing COUNT, TIME, EVAL, MEMO and RecJudSucc on RecStrength.[47] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	2.645 (2.256)	0.245
AccountDec	0.926 (0.408)	0.026
AccountSearch	0.094 (0.399)	0.814
EaseOfFinal	0.278 (0.177)	0.120
PrefBefResearch	-0.396 (0.213)	0.067
AdvConcern	0.253 (0.434)	0.561
AccConcern	-0.846 (0.379)	0.029

$R^2 = 0.209$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

See Appendix D for a description of the above variables.

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[47] If the above variables are regressed on RecStrength directly instead of the residuals, $R^2 = 0.220$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.017$) and EaseOfFinal (positive, $p = 0.015$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO), RecJudSucc, and the above variables are all regressed on RecStrength simultaneously, $R^2 = 0.787$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.022$), EaseOfFinal (positive, $p = 0.098$), PrefBefRes (negative, $p = 0.043$), AccConcern (negative, $p = 0.025$), EVAL (positive, $p = 0.091$), and RecJudSucc ($p < 0.001$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO) without RecJudSucc, and the above variables are all regressed on RecStrength simultaneously, $R^2 = 0.343$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.039$), AccountSearch (negative, $p = 0.043$), EaseOfFinal (positive, $p = 0.036$), MEMO (positive, $p = 0.042$), and EVAL (positive, $p = 0.098$).

Table 31: Regressing the behavior variables and RecJudSucc on RecConfidence.[48] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	-10.961 (1.146)	< 0.000
COUNT	-3.308 (2.513)	0.192
TIME	2.402 (2.278)	0.295
EVAL	0.130 (0.039)	0.001
MEMO	1.796 (1.636)	0.276
RecJudSucc	0.225 (0.017)	< 0.001

$R^2 = 0.732$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; RecConfidence is how confident the subject is with respect to the client's preferred position being the most appropriate.

[48] If only the behavior variables are regressed on RecConfidence (and RecJudSucc is not included in the regression), $R^2 = 0.149$, and the following coefficients are significant: EVAL (positive, $p = 0.002$).

Table 32: Summary of regression coefficients when variables are regressed on the residuals from regressing COUNT, TIME, EVAL, MEMO, and RecJudSucc on RecConfidence.[49] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	1.748 (2.290)	0.448
AccountDec	0.840 (0.414)	0.046
AccountSearch	0.144 (0.405)	0.722
EaseOfFinal	0.258 (0.179)	0.154
PrefBefResearch	-0.287 (0.216)	0.188
AdvConcern	0.128 (0.440)	0.772
AccConcern	-0.639 (0.385)	0.101

$R^2 = 0.167$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above, except that AccountDec became weakly significant ($p = 0.058$) and AccConcern became significant ($p = 0.048$).

See Appendix D for a description of the above variables.

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[49] If the above variables are regressed on RecConfidence directly instead of the residuals, $R^2 = 0.230$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.014$), and EaseOfFinal (positive, $p = 0.013$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO), RecJudSucc, and the above variables are all regressed on RecConfidence simultaneously, $R^2 = 0.785$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.040$), AccConcern (negative, $p = 0.090$), EVAL (positive, $p = 0.063$), and RecJudSucc (positive, $p < 0.001$),

If the behavior variables (COUNT, TIME, EVAL, and MEMO) without RecJudSucc, and the above variables are all regressed on RecStrength simultaneously, $R^2 = 0.325$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.055$), EaseOfFinal (positive, $p = 0.044$), AccountSearch (negative, $p = 0.052$), EVAL (positive, $p = 0.081$), and MEMO (positive, $p = 0.082$).

Table 33: Logistically regressing the behavior variables and RecJudSucc on FinalDecisionDummy. [50] N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	-9.099 (2.825)	0.001
COUNT	-5.217 (3.406)	0.126
TIME	3.830 (3.996)	0.338
EVAL	0.073 (0.046)	0.108
MEMO	3.654 (2.339)	0.118
RecJudSucc	0.187 (0.057)	< 0.001

Cox & Snell $R^2 = 0.582$, Nagelkerke $R^2 = 0.848$.

Explanation of variables: COUNT refers to the difference in the number of supporting vs. nonsupporting cases examined; TIME refers to the difference in time spent reviewing supporting vs. nonsupporting cases; EVAL refers to the difference in importance ratings attached to supporting and nonsupporting cases; MEMO refers to the difference in the number of supporting and nonsupporting cases cited in a memo as being relevant; RecJudSucc is the perceived likelihood of judicial success for the client's preferred option; FinalDecisionDummy is a dummy variable denoting the solution the subject chose (1= client's preferred, 0 = not the client's preferred).

[50] If only the behavior variables are regressed on FinalDecisionDummy (and RecJudSucc is not included in the regression), the Cox and Snell $R^2 = 0.139$, the Nagelkerke $R^2 = 0.203$, and the following coefficients are significant: EVAL (positive, $p = 0.009$), and MEMO (positive, $p = 0.057$).

Table 34: Summary of regression coefficients when variables are regressed on the residuals from regressing COUNT, TIME, EVAL, MEMO, and RecJudSucc on FinalDecisionDummy.[51]
N = 83.

Variable	Unstandardized coefficient (standard error)	p-value
Constant	0.072 (0.138)	0.605
AccountDec	0.057 (0.025)	0.024
AccountSearch	-0.015 (0.024)	0.537
EaseOfFinal	0.032 (0.011)	0.005
PrefBefResearch	-0.023 (0.013)	0.083
AdvConcern	0.010 (0.026)	0.703
AccConcern	-0.029 (0.023)	0.217

$R^2 = 0.209$.

In addition, a series of control variables were included in the model (professionals vs. students, law vs. accounting training, age, advisory role, and likelihood of the client receiving an audit). None were significant and therefore all are suppressed in order to facilitate the efficiency of presentation. If the regression was reran and excluded the control variables, the results were similar to those shown above.

See Appendix D for a description of the above variables.

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[51] If the above variables are regressed on FinalDecisionDummy directly instead of the residuals, $R^2 = 0.160$, and the coefficients on the following variables are significant: AccountDec (positive, $p = 0.056$), and EaseOfFinal (positive, $p = 0.021$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO), RecJudSucc, and the above variables are all regressed on FinalDecisionDummy simultaneously, $R^2 = 0.721$, and the coefficients on the following variables are significant: PrefBefResearch (negative, $p = 0.045$), AccConcern (negative, $p = 0.085$), COUNT (negative, $p = 0.053$), and RecJudSucc (positive, $p < 0.001$).

If the behavior variables (COUNT, TIME, EVAL, and MEMO) without RecJudSucc, and the above variables are all regressed on FinalDecisionDummy simultaneously, $R^2 = 0.273$, and the coefficients on the following variables are significant: EaseOfFinal (positive, $p = 0.063$), and MEMO (positive, $p = 0.051$).

Table 35: Annotations for each case. These annotations are brief overviews of each case, and could be read by the subjects before choosing which cases to examine in more detail.

Panel A: Relevant/Expense Cases.[52]

Case	Annotation
Wildfalls Waterpark	*Plaintiff incurred various miscellaneous expenses in adding additional attractions to its waterpark. Plaintiff was allowed to deduct the expenses that were not considered capital expenditures as the court found that the additional activities were only a business expansion.*
Two Valley Electric Co.	*The plaintiff built a new hydroelectric substation and as a result, incurred costs relating to its preexisting employees. Plaintiff was allowed to deduct these expenses as there was enough evidence to rule that the hydroelectric substation could be considered an expansion of its prior coal-firing substations.*
Jensen Autos	*Plaintiff is a partnership that owned a used car dealership and subsequently purchased an auto repair center. Plaintiff is allowed to deduct the non-capital costs relating to changes made to the auto repair, as the court found that the repair center qualified as an expansion to the used car dealership.*
Lolly's Sandwiches and Deli	*Plaintiff is a sole proprietorship that sells soups and sandwiches. The plaintiff also began seiling freshly baked bread. The courts found that in this case, the sales of bread alone could be considered a legitimate business expansion.*
Sloopy's Party Supplies	*Plaintiff is an individual who hires himself out as a clown to perform at various gatherings. He also opened a store that offered custom-made party supplies. The court ruled that the advertising expenses incurred before the store opened were deductible.*
Doug's Sports and Outdoors	*Plaintiff originally sold only camping and fishing supplies. During the year, he closed down operations to remodel and expand inventory to include sports equipment. The courts ruled that under the circumstances, the changes constituted a legitimate business expansion and therefore certain expenses could be deductible.*

[52] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Relevant/Expense cases was 6.9.

Table 35: Annotations for each case. These annotations are brief overviews of each case, and could be read by the subjects before choosing which cases to examine in more detail.

Panel B: Relevant/Capitalize Cases.[53]

Case	Annotation
Franklin Appliances	*Plaintiff was a business that evolved from repairing small appliances to repairing small and large appliances to repairing and selling appliances. The court looked at the facts and circumstances and ruled that there was not a reasonable enough link between the activities to qualify it as a legitimate business expansion.*
Kingfish Dining	*The plaintiff purchased a playhouse adjacent to its restaurant and merged the buildings. The courts ruled that under the circumstances, this did not qualify as a legitimate business expansion due to the different natures of the activities.*
Smith Lawn & Garden	*Plaintiff is a gardening supply store that expanded to provide lawn care and various landscaping services. The court ruled that based on the circumstances, the lawn care services are not a legitimate business expansion of a gardening supply store because it fails criteria put forth in IT404R and various other issues.*
Allis Art Studios	*Plaintiff ran an art studio gallery but during the year began to offer art classes to aspiring artists. The courts found that in this case, qualifications put forth both in IT306R and IT404R would indicate that these two activities are not closely related.*
Carlson Computer & TV	*Plaintiff originally sold only computers, but expanded to include television, stereos, DVDs, and computer software. The courts ruled that the fundamental nature of the store changed once the new activities were introduced.*
Auntie B's Clothing and Toys	*Plaintiff sold children's clothing and decided to open a toy store. The court ruled that in this case, the toy store did not meet the qualifications of being considered a mere business expansion and the expenses in question are not deductible.*

[53] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Relevant/Capitalize cases was 7.0.

Table 35: Annotations for each case. These annotations are brief overviews of each case, and could be read by the subjects before choosing which cases to examine in more detail.

Panel C: Irrelevant/Expense Cases.[54]

Case	Annotation
MNB Bank	*Plaintiff is a bank that incurred various costs relating to setting up branch offices in various locations. The court examined the facts of the case and ruled that the expenses in question did qualify as ordinary and necessary. Because of this, the branch offices can be considered a legitimate business expansion and the plaintiff is allowed to deduct the expenses in question.*
Virgo Real Estate	*The plaintiff was normally involved in residential property development. Due to a business opportunity, the plaintiff purchased land to be used for commercial property and deducted expenses relating to this land. The court found that under the circumstances, working in commercial property constituted a legitimate business expansion from residential property, and therefore, the expenses in question may be deductible.*
Sutherton Bank	*Plaintiff is a bank that incurred various expenses relating to setting up a credit card system. The courts found that a credit card system qualified as a business expansion from the banking business and therefore the costs were deductible.*
Herald Accounting Services	*The plaintiff made periodic payments to his former employer in exchange for a covenant not to compete with an existing client base. The courts looked at the facts and circumstances and ruled that these payments qualify as ordinary and necessary expenses.*
Pinter Trees	*Plaintiff began making forestry and timber sales from a portion of his land. The courts looked at the circumstances to determine when a going concern was created, and ruled that the costs incurred relating to the remaining land constitute a business expansion.*
Hull Cabins	*Plaintiffs began renting out a cabin on the lake while making renovations to other cabins not yet in use. It was ruled that the going concern was created once the plaintiffs received revenue and the upkeep of the other cabins were deductible as a legitimate business expansion.*

[54] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Irrelevant/Expense cases was 2.6.

Table 35: Annotations for each case. These annotations are brief overviews of each case, and could be read by the subjects before choosing which cases to examine in more detail.

Panel D: Irrelevant/Capitalize Cases.[55]

Case	Annotation
MacKinlay Artifacts	*Plaintiff decided to supplement income by dealing in ancient artifacts. The courts found that a going concern had not yet been created as the plaintiff was focusing on building up inventory and not making sales at this time.*
Flowtech Drills	*Plaintiff incurred various costs relating to its business of manufacturing and renting mud viscositators. The courts ruled that these expenses are not deductible. Even though the business had entered into contracts, it had not yet engaged in the activities for which it had been organized and no going concern had been created.*
Coleman Cookies	*Plaintiff was a company engaged in manufacturing cookies. During the year, the plaintiff incurred various expenses relating to obtaining new franchise outlets. The court ruled that these expenses were nondeductible capital expenses as they generate an asset that will benefit the plaintiff in the future.*
Myers Mfct / Yacht Assoc.	*Plaintiff is part of a consolidated group, where one member of the group attempted to deduct expenses relating to opening a marina and yacht club. The court found that in this case the marina and yacht club qualified as a new enterprise even though plaintiff was already engaged in marina and yacht activities through another subsidiary.*
Aiken Newspaper Publishing	*Plaintiff was a newspaper publishing group that acquired another newspaper. The courts ruled that the premium paid to acquire the newspaper cannot qualify as an ordinary and necessary expense so cannot be deductible.*
Campbell Market Research	*Plaintiff attempted to deduct expenses incurred while making business contacts for his independent consulting business. The courts ruled that in the present case, these expenses are nondeductible startup expenditures as a going concern had not yet been created at this time.*

[55] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Irrelevant/Capitalize cases was 2.4.

Table 36: Summary of specific cases selected by participants during the research task.

Panel A: "Relevant" Cases.

Case	Count	Ave. Time	Ave. Eval	Memo
Expense Cases				
Wildfalls Waterpark (7.5)	58	171.00	76.05	51
Two Valley Electric Co. (7.0)	18	180.89	59.44	10
Jensen Autos (5.5)	63	233.95	75.88	56
Lolly's Sandwiches and Deli (9.0)	80	236.74	75.44	67
Sloopy's Party Supplies (6.5)	15	232.36	54.47	8
Doug's Sports and Outdoors (6.0)	72	135.20	81.23	63
Capitalization Cases				
Franklin Appliances (8.5)	40	158.75	69.50	23
Kingfish Dining (7.5)	51	191.86	65.80	32
Smith Lawn & Garden (7.0)	71	209.08	67.97	51
Allis Art Studios (7.5)	38	249.63	68.45	24
Carlson Computer & Television (6.0)	77	253.71	75.62	66
Auntie B's Clothing and Toys (5.5)	44	202.86	57.24	24

The number in parentheses after the case is the average relevance rating provided by two law students asked the following: "How relevant is this case to the core client case?" A score of zero indicated "not relevant at all," while a score of ten indicated "extremely relevant."

Within the database of expense cases, half were relevant to the client's set of circumstances, while half were related but not relevant. [56] Count refers to the number of subjects who chose to examine the particular case; Time refers to the average number of seconds spent looking at the particular case (among those who chose that case); Eval refers to the average importance rating attached to that particular case (among those who chose that case); Memo refers to the number of individuals who chose to cite that particular case in a memo.

[56] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Relevant/Expense and Relevant/Capitalization cases were 6.9 and 7.0, respectively.

Table 36: Summary of specific cases selected by participants during the research task.

Panel B: "Irrelevant" Cases.

Case	Count	Ave. Time	Ave. Eval	Memo
Expense Cases				
MNB Bank (2.5)	2	194.00	15.00	0
Virgo Real Estate (3.5)	17	152.24	62.06	12
Sutherton Bank (2.5)	42	227.05	63.55	26
Herald Accounting (2.5)	7	160.86	33.14	1
Pinter Trees (2.5)	8	179.78	57.89	8
Hull Cabins (2.0)	11	123.64	58.27	7
Capitalization Cases				
MacKinlay Artifacts (2.0)	5	162.60	31.00	2
Flowtech Drills (3.5)	3	130.00	3.33	0
Coleman Cookies (3.0)	22	219.14	27.05	3
Myers Mftg / Yacht Assoc. (1.5)	9	147.89	26.67	1
Aiken Newspaper Publishing (2.0)	7	103.57	18.29	0
Campbell Market Research (2.5)	5	69.80	26.00	1

The number in parentheses after the case is the average relevance rating provided by two law students asked the following: "How relevant is this case to the core client case?" A score of zero indicated "not relevant at all," while a score of ten indicated "extremely relevant."

Within the database of expense cases, half were relevant to the client's set of circumstances, while half were related but not relevant. [57] Count refers to the number of subjects who chose to examine the particular case; Time refers to the average number of seconds spent looking at the particular case (among those who chose that case); Eval refers to the average importance rating attached to that particular case (among those who chose that case); Memo refers to the number of individuals who chose to cite that particular case in a memo.

[57] Relevance was tested by eliciting the judgments of two law students with legal research experience. On a scale of 0 (not relevant at all) to 10 (extremely relevant), the average ratings for Irrelevant/Expense and Irrelevant/Capitalization cases were 2.6 and 2.4, respectively.

APPENDIX A: RESEARCH CASE MATERIALS

Welcome, and thank you again for your participation. As mentioned previously, you will need to

- devote 50-55 more minutes of uninterrupted time to this experiment and
- you will need to have internet access as you work through the case.

If you do not have 50-55 more minutes to devote at this time, please stop now. You will need ample time to read through this case and instructions, followed by 40 minutes (at most) to conduct an information search, followed by approximately 5-10 minutes to answer some follow-up questions.

You have a few days to complete the case, so please attempt it only when you will have enough uninterrupted time. Also, please do not discuss the case with anyone, either as you work through it or after it is completed. Please read the case carefully and answer the questions honestly; your responses will remain anonymous. Be sure to work through the entire case. You will know the case is complete when you reach the web page that says "SURVEY COMPLETED."

The case presented is fictitious. The facts and law have been created for the purpose of this activity alone. You must use the attached case in the experiment. DO NOT use a case that has been distributed to anyone else and do not use outside resources when completing the case. **DO NOT use any research materials besides those that I will provide to you.**

Thank you again for taking the time to participate. When you are ready to begin the study, begin reading on the next page. Again, make sure that you have Internet access as you read the case.

Please note that this packet is double-sided.

DAVINDRE, INC. CASE

Assume that you are currently employed in the tax department of a public accounting firm. As of right now, you have been temporarily assigned to the firm's branch in the Western European nation of Canalla. Canalla is a somewhat small but industrialized nation, primarily English speaking, and is in many ways analogous to the United States with respect to its overall social and economical demographics. Canalla also is very similar to the United States with respect to its government, legal system, and courts. The unit of currency in Canalla is the Canallan dollar, which is currently close enough in value to the United States' dollar that it is safe to assume a 1:1 conversion ratio. *For all practical purposes, you can assume that Canalla is very similar to the U.S., except for potential differences in specific tax law.*

You were just assigned the account of Davindre, Inc. The corporation owns several retail businesses throughout Canalla. One of these businesses is the Fireside Bar. Before Davindre's acquisition, the building housing the Fireside Bar was a convenience store. The store was the only building on the block.

Davindre purchased the store in March of 2003 and converted the front area of the store into the Fireside Bar. Only the front area of the building was converted; the store's large rear area (storage space and garage) remained untouched. The Fireside Bar opened in August of 2003, and has been a profitable business since its inception.

After two years of operation, Davindre decided to convert the unused rear area of the building into a restaurant. Before this conversion, the bar had never served food before, only drinks. However, once the new restaurant opened the business would sell typical pub items such as burgers, sandwiches, and deep-fried food. Work on the conversion began in February of 2006. The work was completed by August of 2006.

During the expansion, Davindre also did significant work on the bar to improve its appearance and modify its design to fit better with the new restaurant. Each business has a separate entrance, but the bar and the restaurant are connected inside, allowing customers to move freely between one and the other. The building's name was changed to the Fireside Bar and Grill. Since the completion of the remodeling work and addition (the remainder of 2006), both the bar and restaurant have generated significant revenues.

Of the $1,000,000 spent on the expansion, $150,000 was spent to remodel the bar and improve its appearance and $225,000 was spent on the interior of the restaurant. The remaining $625,000 was spent on items that benefited both the bar and the restaurant; hence, these expenses could not be clearly linked to *only* the bar or *only* the restaurant.

It is now time to prepare the 2006 tax return for Davindre, and you are Davindre's tax advisor. Not being entirely familiar with Canallan tax law, you will need to spend some time reviewing the Canallan Income and Tax Act and applicable court cases. The Income and Tax Act is analogous to the Internal Revenue Code and the Canallan judicial system is similar to the U.S. judicial system (with trial courts and an appellate court system). As in the U.S., precedent and *stare decisis* apply in the Canallan courts. Based on the research you have conducted up to this point, you have found that the proper treatment of the $625,000 in expenses depends greatly on whether these costs are treated as incurred due to an expansion of an existing business or incurred in the creation of a new business.

Davindre's management strongly desires to immediately deduct the costs incurred in the remodeling and restaurant conversion on the grounds that they are related to an expansion of their business (under Section 52 of the Tax Act).

Regardless of Davindre's desires, you are also aware that the Canalla Revenue Department (analogous to the U.S.'s IRS) may view the restaurant as a new business and argue that the remodeling and conversion costs are non-deductible capital expenditures (under Section 105 of the Tax Act).

[Binding/Recommending Advisor Manipulation]

Binding Advisors

Your supervisor went out of his way to make sure that you understood that Davindre's management knows very little about tax law. Because of this, they are uncertain with respect to the deductibility of the expenses and don't have the ability or expertise to make a decision on their own. As such, they will go along with whatever reporting position you recommend, no questions asked. All that the client requires is some explanation for whichever position you suggest.

Recommending Advisors

Your supervisor went out of his way to make sure that you understood that Davindre, Inc. has a full-time team of in-house tax professionals. These professionals are fully competent to make a decision on their own regarding the deductibility of the expenses. However, the client has asked your firm to provide a recommendation which their in-house team will consider before going ahead and making their own final decision. As mentioned earlier, they will require some explanation for whichever position you suggest.

BACKGROUND CODE LAW

The Income and Tax Act (ITA) is analogous to the Internal Revenue Code and the Canallan judicial system is similar to the U.S. judicial system (with trial courts and an appellate court system). As in the U.S., precedent and *stare decisis* apply in the Canallan courts.

- *Section 52(a) states that ordinary and necessary expenses paid or incurred during the taxable year are deductible*:

ITA 52. TRADE OR BUSINESS EXPENSES.

52(a) IN GENERAL. --

There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

- *Section 105(a) states that no deduction shall be allowed for start-up expenditures*:

ITA 105. START-UP EXPENDITURES.

105(a) CAPITALIZATION OF EXPENDITURES. --Except as otherwise provided in this section, no deduction shall be allowed for start-up expenditures.

105(c)(1) START-UP EXPENDITURES. --

The term "start-up expenditure" means any amount –

105(c)(1)(A) paid or incurred in connection with --

105(c)(1)(A)(i) investigating the creation or acquisition of an active trade or business, or

105(c)(1)(A)(ii) creating an active trade or business, or

105(c)(1)(A)(iii) any activity engaged in for profit and for the production of income before the day on which the active trade or business begins, in anticipation of such activity becoming an active trade or business, and

105(c)(1)(B) which, if paid or incurred in connection with the operation of an existing active trade or business (in the same field as the trade or business referred to in subparagraph (A)), would be allowable as a deduction for the taxable year in which paid or incurred.

Income Tax Explanation Statement

The following information is taken from the Canalla Revenue Department's (CRD's) Income Tax Explanation Statements. These bulletins are the equivalent of IRS Revenue Rulings in the United States.

Income Tax Explanation Statement IT275R:

Whether a business is an expansion of an existing trade or business or new trade or business depends on the facts and circumstances of each case.

The CRD follows the "going concern" test, which states that a taxpayer "has not 'engaged in carrying on any trade or business' within the intent of Section 52(a) until such time as the business has begun to function as a going concern and performed those activities for which it was organized."

Applying this rule to the question of when an entity already engaged in a trade or business begins a new trade or business, it is appropriate to look for a change in the nature of the activities engaged in by the entity.

Income Tax Explanation Statement IT306R:

A taxpayer can deduct expenditures where the following occur:

(1) The business' new activities and the activities currently being offered are closely related or "intramural," and

(2) The expenditures are ordinary and necessary expenses of the business, and not capital expenditures.

Income Tax Explanation Statement IT319R:

An expense must be both ordinary and necessary in relation to the taxpayer's trade or business to be deductible.

To be ordinary, an expense must be customary or usual; however to be usual does not mean it needs to be expected or common, as long as the expense itself is reasonably connected to the taxpayer's business.

To be necessary, an expense must be appropriate and helpful to maintaining the business; this does not mean that the expense must be essential or required.

Income Tax Explanation Statement IT404R:

How similar or related the new activities are to the old is key in determining whether the business is an expansion or a new business interest. This question can be answered by examining if the overall nature of the business enterprise has changed as a result of the new activities.

There is no standard by which to necessarily gauge similarity between old and new activities; however, to even be considered one must be able to make a reasonable link between the old and new activities.

If the strength of the link is still uncertain, there are some additional considerations that one can examine. These considerations are meant to be a guide and not absolute, nor are they meant to be limited to only these considerations. What is most important is taking into account all available information.

In determining whether a new activity is a new business or an expansion of old business activities, all facts and circumstances with respect to the activities are to be taken into account. No one factor is determinative in making this decision. In addition, it is ***not*** intended that only the factors described in this paragraph are to be taken into account in making the determination, or that a determination is to be made on the basis of the number of factors (whether or not listed in this paragraph). Among the factors which could normally be taken into account are the following (in no particular order):

- Whether the new activities seem like a logical and/or necessary next step with respect to the original activities
- Whether the new activities take place in a separate building or location
- If the new activities take place in the same location, are there separate entrances or support functions that somehow segregate the old and new activities
- Whether the name of the business changed once the new activities were introduced
- If the company shut down operations and reopened once the new activities were introduced
- If the additional activities generate a significantly high amount of standalone revenue compared to the original activities
- If the business itself treats the new activities as a separate and distinct business interest
- If the new activities offer a support function for the original activities, or vice versa

END OF BACKGROUND LAW

APPENDIX B: SAMPLE RESEARCH CASE

Case Annotation: Plaintiff incurred various miscellaneous expenses in adding additional attractions to its waterpark. Plaintiff was allowed to deduct the expenses that were not considered capital expenditures as the court found that the additional activities were only a business expansion.

A. Case Issue

Wildfalls Waterpark built an arcade, minigolf course, and go-karts on land adjacent to its waterslides. These costs include laying of new electrical lines to accommodate the new attractions and payments made to the neighboring landowner for use of his land. The issue is if the costs related to these additional items can be considered a business expansion (and therefore deductible) or a new business (and therefore capitalizeable).

B. Case Facts

In September of Year 1, MVP Partnership purchased vacant land on the outskirts of a city. Between September of Year 1 and April of Year 2, the partnership hired construction crews to build three waterslides on this vacant land, and in May of Year 2, the business of Wildfalls Waterpark was opened. It was a seasonal business, and only remained open between the months of May and September.

Over the next few years, attendance and revenues increased and by summer of Year 5, a fourth waterslide had been constructed and completed adjacent to the three preexisting slides. Between the summer of Year 5 and Year 6's seasons, the owners decided to expand their park further by adding an arcade, a mini-golf course, a go-cart track, and a bumper boat pond. However, they had no more room on their land and needed to purchase additional adjacent land.

The adjacent land was a vacant field but the owner, H.K. Murdoch, did not want to sell. An agreement was eventually reached where Wildfalls would lease the land from Mr. Murdoch. In addition, Wildfalls would be requited to pay Mr. Murdoch 2% of the after-tax profits from Wildfalls, beginning once the adjacent land was put into use and ending ten years hence.

Once the agreement had been reached, Wildfalls converted the land into their additional attractions—arcade, mini-golf, go-carts, and a bumper boat pond. These additional attractions were ready and available in time for Wildfalls' summer season in Year 7. Wildfalls did not change the name of their business.

Because the owners of Wildfalls recognized that different individuals may have different interests and reasons for coming to the waterpark, the ticketing structure was changed. Instead of just a general admission ticket, Wildfalls offered three daily ticket passes. One was for waterslides only, and ran $25 per adult and $15 per child. Another was for the additional attractions only, which ran $10 per adult and $5 per child. These were most commonly

purchased by adults who wished to keep an eye on the kids but did not wish to use the waterslides themselves. The final was a combo ticket package, which offered unlimited access to everything in the park, both waterslides and the additional attractions. These tickets ran for $30 per adult and $18 per child. Customers were given a colored plastic bracelet after purchasing the tickets. The three packages denoted different colored bracelets, so park staff would know which individuals had access to which attractions.

Of the three ticket packages, by far the majority of the revenue comes from the waterslides only and the combination ticket packages. During the summer of Year 7, most of the revenue came from the combination packages during the beginning and end of the summer season, while the waterslides only packages were the most profitable during the middle of the summer.

Wildfalls believes that the costs involved in getting the new land ready for the new attractions should be a deductible business expense, as should the payments made to the owner of the land, Mr. Murdoch, out of the profits incurred by Wildfalls.

C. Conclusion

The court looked at whether the nature of the business significantly changed once the new activities were introduced. They found enough evidence to rule that there was a reasonable link between the old and new activities, and thus, the additional attractions could be considered business expansion. Therefore, the related costs can be considered part of a business expansion and are therefore deductible.

D. Analysis

Originally the taxpayer (MVP Partnership) treated certain expenses in getting additional attractions ready for public use as deductible expenses. The company completely redid the electrical system throughout the entire park. This included the preexisting electrical systems for the slides, parking lot, and shower/swimsuit changing areas. New lines were also added in order to accommodate the new attractions, including lights for the new attractions, motors for the bumper boat pool areas, the arcade games, and the moving obstacles in the miniature golf area. In addition, the neighboring land used to house the miniature golf, go-carts, and bumper boats was subject to lease payments and a portion of the profits, according to an agreement made between MVP and the adjacent landowner, Mr. Murdoch.

MVP Partnership treated these items as deductible, citing them as ordinary and necessary for conducting their business, as the additional attractions are clearly logical business expansions. The tax authority challenged this position made by MVP and instead claimed that these additional activities created an altogether new trade or business. Under this classification, the expenses would be considered start-up costs and would not be deductible.

The tax authority's position is that the business of running a waterslide attraction is separate and distinct from that of other attractions such as the arcade, bumper boats, mini-golf and go-carts. While the authority acknowledges that it is not uncommon for a waterslide park to

also offer the additional attractions, the authority argues that there is a distinct difference between a "waterslide-only" park and a "waterslide with additional attractions" park. In effect, Wildfalls changed the nature of its business from offering waterslides specifically to entertainment activities in general. The authority offered further support for this position because Wildfalls offers three separate ticket packages: one for waterslides only, one for the other activities, and a combination. The authority argues that MVP is treating the other activities as a separate and distinct business, and that Wildfalls is no longer merely a waterslides park.

The authority's second argument is that the additional activities do not qualify as ordinary or necessary in order to run a waterslide park. Costs related to the preexisting waterslide park would be ordinary and necessary, but these new capital expenditures and their related costs are for activities other than the waterslides.

After reviewing the facts of the case and the law, this court agrees with the positions claimed by the plaintiff MVP, and that the expenses incurred by MVP that are not considered capital expenditures with respect to the additional activities were deductible.

Section 52(a) states that if an expense qualifies as ordinary and necessary, then it may be deductible. Section 105(a) states that if an expense qualifies as a start-up expenditure, then no deduction will be allowed. IT306R states that costs of expanding an existing business can be deducted if two conditions are met: 1. The new and old business activities are closely related; and 2. The expenditures are ordinary and necessary expenses of the business conducted when expenses were incurred, and not capital expenditures.

The law offers no tests regarding how to judge the closeness of a new business activity to an old business activity. IT404R suggests some potential considerations, most importantly is if a reasonable link can be made between the old and new activities. This court interprets that standard as whether one would reasonably expect a business that specializes in the old activities would also offer the new. The court finds it completely reasonable to expect other activities at a waterslide park beyond waterslides. The authority argues that adding additional attractions to a waterslide park changes the nature of the business from a waterslide park to a recreational park. However, this court disagrees and finds that the purpose of the original business was to bring individuals and groups to the park to have fun, and the additional activities further serve that original business purpose. Furthermore, IT404R suggests that additional services that offer a support function to the original business purpose could be evidence of a business expansion, which the court believes is the case here.

Also in support of the business expansion argument is that the majority of individuals and revenue from those individuals comes from the waterslides portion of the park. IT404R suggests that this may further demonstrate the support function of the new activities.

Thus, the court rules that the overall business purpose of the park (entertainment for individuals) has not changed, and the primary means at which that purpose is served (waterslides) has not changed. For these reasons, the court rules in favor of the plaintiff MVP.

APPENDIX C: POST-RESEARCH QUESTIONNAIRE

The purpose of this appendix is to list the questions that subjects responded to after they finished their information search and proceeded to the online survey portion of the task. After the subjects entered in responses to the questions on the page, they clicked on a button to send them to the next page of questions. Any italicized text is to aid in the interpretation of the post-research questionnaire, and was not seen by the subjects. In the questions below, the "CRD" refers to the tax authority (analogous to the IRS).

Page 1

- Please enter your personal code below. It is very important that you enter the code exactly as given.

Page 2

- You indicated that your personal code is XXX. If this is correct, please click "Yes" below to proceed. If this is incorrect, please click on the "Back" button at the bottom of the page and reenter your personal code.
- Is the above personal code entered correctly?

Page 3

- Based on the research you conducted, which recommendation would you make to the client?
- *Potential responses were as follows (presented in random order):*
    - The restaurant should be treated as a new business and the related costs capitalized.
    - The restaurant should be treated as a business expansion and the related costs treated as an expense and deductible.
- Briefly summarize below why you made that choice.
- How easy did you find it to make a final decision?
    - Please enter a score between 0 (extremely difficult) and 10 (extremely easy).

Page 4

- You were asked to conduct research with 24 possible cases for you to examine. This page will ask you which cases you chose to examine and how important those cases were with respect to your final recommendation.
- As you read through the cases you filled out a case log regarding your answers to how important the cases were with respect to your final decision and whether or not you would cite this case in a memo explaining your final decision. It is possible that your answers to those questions might have changed after reviewing more cases and considering all those that you reviewed together.
- The purpose of this section is to report your final judgments on the importance of these cases and whether or not you would cite a particular case in a memo. Please enter in your final answers on these items, which may or may not be the same as what you reported and recorded in your case log when looking at the cases individually.

- The cases below are presented randomly but are grouped by similarity of the court's final decision.
- The following 12 cases are cases where the courts ruled in favor of immediate expensing. The order of presentation is random.
- For each case that you read, please enter in your final score regarding the importance of this case, between 0 (not important at all) to 100 (extremely important).
- Enter "Yes" or "No" (entering Y or N will be acceptable) if you would cite this case in a memo.
- **Only leave the answers blank if it corresponds to a case that you did not read while conducting your research.**

	How important was this case towards making your final decision, on a scale of 0 (not important at all) to 100 (extremely important)?	Would you cite this case in a memo explaining your final decision?
Wildfalls Waterpark		
Two Valley Electric Company		
Jensen Autos		
Lolly's Sandwiches & Delicatessen		
Sloopy's Party City		
Doug's Sports & Outdoors		
MNB Bank		
Virgo Real Estate Ventures		
Sutherton Bank		
Herald & Associates Accounting Services		
Pinter Trees		
Hull Cabins		

- The following 12 cases are cases where the courts ruled in favor of capitalization. The order of presentation is random.
- Similar to the case list above, for each case that you read, please enter in your final score regarding the importance of this case, between 0 (not important at all) to 100 (extremely important).
- Enter "Yes" or "No" (entering Y or N will be acceptable) if you would cite this case in a memo.

- **Only leave the answers blank if it corresponds to a case that you did not read while conducting your research.**

	How important was this case towards making your final decision, on a scale of 0 (not important at all) to 100 (extremely important)?	Would you cite this case in a memo explaining your final decision?
Franklin Appliances		
Kingfish Dining		
Smith Lawn & Garden		
Allis Art Studios		
Carlson Computer & Television		
Auntie B's Toys		
Mackinlay Artifacts		
Flowtech Corp		
Coleman Cookies		
Myers Manufacturing / Randy Dandy Yacht Assoc.		
Aiken Newspaper Publishing		
Campbell Market Research		

- Before proceeding, please review the answers you listed above and make sure you are satisfied with them. When you have finished, click on the "Next" button below.

Page 5

- Based on your answer earlier, your choice for the client was the following: XXX
- How strongly would you recommend this choice to the client?
  - Please select a choice between 0 (not a strong recommendation at all) to 10 (extremely strong recommendation).
- How confident are you with respect to your choice being the best or most appropriate alternative? This refers to your own personal opinion only and not necessarily what you would communicate to the client.
  - Please select a choice between 0 (not confident at all) to 10 (extremely confident).

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- Based on your research, if the client case were to go to court, what do you believe is the likelihood that the court would rule in favor of treating the restaurant as a business expansion of the bar (and therefore expensing the costs in question)?

    - Please enter your answer as a whole number between 0 and 100, representing the percentage likelihood of judicial success for this particular option. You do not need to add the "%" symbol to your answer.
    - Logically, if you subtract your answer from 100, this new number should represent what you believe is the likelihood of a court ruling in favor a business expansion and therefore capitalizing the costs.
- What is the likelihood of the court ruling in favor of treating the restaurant as a business expansion, and therefore, allowing the client to deduct the related costs?

Page 7

- The following series of questions will relate to your perceptions and state of mind while reading the case, conducting the research, and answering the previous questions.
- To what degree do you feel that the client had the competence or expertise to make a decision without your assistance?
    - Please select a choice between 0 (extremely unlikely) to 10 (extremely likely).
- How likely do you feel that the client would be able to judge the quality of your recommendation?
    - Please select a choice between 0 (extremely unlikely) to 10 (extremely likely).
- To what degree do you feel that the client will follow your recommendation?
    - Please select a choice between 0 (extremely unlikely) to 10 (extremely likely).
- How important do you believe your recommendation is with respect to future business with the client?
    - Please select a choice between 0 (not very important at all) to 10 (extremely important).
- How important was it to you to follow the client's preferences when conducting your research?
    - Please select a choice between 0 (not very important at all) to 10 (extremely important).
- How important was it to you to follow the client's preferences when making your final decision?
    - Please select a choice between 0 (not very important at all) to 10 (extremely important).

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- As you conducted your research and made your decision, it is possible that you may have been concerned with having to justify your decision to outside parties. For the next four questions, please indicate below the strength of your concern with having to justify your decision to the following outside parties.
- If you did not consider the party while conducting your research and making your final decision, please enter "0". Please enter a number other than "0" only if at some point you considered having to justify to the listed party.
- Please enter the level of concern you had about justifying your final decision to your supervisor.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned)
- Please enter the level of concern you had about justifying your final decision to the client.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned)
- Please enter the level of concern you had about justifying your final decision to the CRD (tax authority).
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned)
- Please enter the overall level of concern with respect to having to justify your final decision.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned)

- As you conducted your research and made your decision, it is possible that you may have been concerned with having to justify how you conducted your information search in order to arrive at your final decision. For the next four questions, please indicate the strength of your concern with having to justify how you conducted your information search.

- This is different from the previous question. The previous question asked about your concern with having to justify your final decision while you conducted your research and made a choice. Now, this question is asking if you felt you would have to justify the process you engaged in while conducting your information search (i.e., having to explain how and why you chose the cases that you did).
- If you did not consider the party, please enter "0". Please enter a number other than "0" only if at some point you considered having to justify to the listed party.
- Please enter the level of concern with having to justify your information search process to your supervisor.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned).
- Please enter the level of concern with having to justify your information search process to the client.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned).
- Please enter the level of concern with having to justify your information search process to the CRD (tax authority).
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned).
- Please enter the overall level of concern with having to justify your information search process.
    - Please select a choice between 0 (was not concerned/did not think about having to justify to this party) to 10 (extremely concerned).

- The next group of questions will ask you how important various considerations were while you conducted your research.
- As you conducted your research, how important was building a justifiable case for the client's preferred position?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).
- As you conducted your research, how important was finding support for the client's preferred position?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).
- As you conducted your research, how important was finding reasons why the client's preferred position might not be allowed?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).
- As you conducted your research, how important was finding the most appropriate solution given the facts and circumstances?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).
- As you conducted your research, how important was future business with the client?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).
- As you conducted your research, how important was identifying what the CRD (tax authority) was most likely to view as the most appropriate position?
    - Please select a choice between 0 (was not important/did not consider this) to 10 (extremely important).

- Before you began your research, did you have any preferences for a particular solution?
    - Please select a choice between 0 (strongly favored capitalization treatment) and 10 (strongly favored expense treatment), with 5 being neutral.

- As you conducted your research and made your decision, how concerned were you about the consequences of making a wrong decision?
    - Please select a choice between 0 (was not concerned/did not consider this) to 10 (extremely concerned).
- As you conducted your research, what did you believe was the likelihood of the client being audited by the CRD?
    - Please select a choice between 0 (extremely unlikely) to 10 (extremely likely).

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- Thank you for your answers, the survey is almost over. The remaining questions will ask you for demographic information.
- What is your age?
- Indicate your gender:
- Are you currently a student?
    - If so, indicate your GPA.
- Indicate below any degree programs that you are either enrolled in OR that you have completed.
    - Undergraduate degree majoring in accounting
    - Juris Doctor or other graduate law degree
    - Master's degree in accounting
    - M.B.A.
    - None of the above
- How many years experience in public accounting do you have? If none, enter 0 for years and 0 for months.
- Only considering time spent working, what percentage of your time in the course of your employment was devoted to tax-related work during the last 12 months? Please only enter a whole number between 0 and 100. If you did not work in tax during the last 12 months, enter 0.
- Have you ever taken a tax research course in school or received tax research training in a continuing education program, either from your employer or from a third-party provider?
- Did you discuss this experiment with anyone after you started reading the instrument?
    - If you did discuss the case with someone, who did you discuss it with and what did you discuss?
- Was your time spent working on this case uninterrupted?
    - If your time was interrupted, what was the length of the interruption? Enter a value in each field. For example, if you were interrupted for 15 minutes, enter 0 for Days, 0 for Hours, and 15 for minutes.
- Did you use any other research resources (other than the materials provided in your packet and the online cases given to you)?
    - If you did you other research resources, please describe what you used below.
- Please indicate any comments that you may have below.

APPENDIX D:

SUMMARY OF ALL THE INDEPENDENT VARIABLES AND DEPENDENT VARIABLES CONSIDERED IN DETERMINING SYSTEMATIC DIFFERENCES BETWEEN DEPENDENT VARIABLES.

Dependent Variables

Information Search

- COUNT: Difference between number of expense cases and number of capitalization cases examined, as a proportion of total cases examined.

- TIME: Difference between time spent on expense cases and time spent on capitalization cases, as a proportion of total time spent on all cases.

Information Evaluation

- EVAL: Difference between the average importance rating of expense cases the subject would cite in a memo and the average importance rating of capitalization cases the subject would cite in a memo

- MEMO: Difference between expense cases and capitalization cases that the subject would cite in a memo explaining the final decision, expressed as a proportion of all cases that the subject would cite in a memo.

Perceptions, Judgments, and Final Decision

- RecJudSucc: The likelihood of judicial success (expressed as a percentage between 0-100), for the client's preferred position, if such a position were chosen and challenged in court

- RecStrength: How strongly the advisor would recommend their final decision to the client. Scores could range from 0 (not a strong recommendation at all) to 10 (extremely strong recommendation). If the subject's final decision was to capitalize, the RecStrength score was multiplied by -1.

- RecConfidence: How confident the advisor was with respect to the final decision being the best or most appropriate. Scores could range from 0 (not confident at all) to 10 (extremely confident). If the subject's final decision was to capitalize, the RecConfidence score was multiplied by -1.

- FinalDecisionDummy: A dummy variable denoting the subject's final decision. A value of 1 was used for expense, a value of 0 was used for capitalize.

Independent Variables

Perceived accountability – final decision (H2a)

- AccountDec: Perceived accountability with respect to the final decision. The following variables loaded onto this component after conducting a factor analysis.
    - JustDecSuper: Please enter the level of concern you had about justifying your final decision to your supervisor.
    - JustDecClient: Please enter the level of concern you had about justifying your final decision to the client.
    - JustDecTA: Please enter the level of concern you had about justifying your final decision to the tax authority.
    - JustDecOverall: Please enter the overall level of concern with respect to having to justify your final decision.

Perceived accountability – search process (H2b)

- AccountSearch: Perceived accountability with respect to the research process. The following variables loaded onto this component after conducting a factor analysis.
    - JustSrchSuper: Please enter the level of concern with having to justify your information search process to your supervisor.
    - JustSrchClient: Please enter the level of concern with having to justify your information search process to the client.
    - JustSrchTA: Please enter the level of concern with having to justify your information search process to the tax authority.
    - JustSrchOverall: Please enter the overall level of concern with having to justify your information search process.

Perceived ease of the decision task (H3)

- EaseOfFinal: How easy did you find it to make a final decision?

Strength of the initial preference before beginning research (H4)

- PrefBefResearch: Before you began your research, did you have any preferences for a particular solution? (0 = strong preference for capitalization, 5 = neutral, 10 = strong preference for expense)

Advocacy (H5a)

- AdvConcern: Concerns about advocacy. The following variables loaded onto this component after conducting a factor analysis.
    - ImpFllwResearch: How important was it to you to follow the client's preferences when conducting your research?
    - ImpFllwDecision: How important was it to you to follow the client's preferences when making your final decision?
    - RCJustCP: As you conducted your research, how important was building a justifiable case for the client's preferred position?
    - RCSuppCP: As you conducted your research, how important was finding support for the client's preferred position?
    - RCFutureBus: As you conducted your research, how important was future business with the client?
    - RCAgainstCP: As you conducted your research, how important was finding reasons why the client's preferred position might not be allowed?

Concerns for Accuracy (H5b)

- AccConcern: Concerns about accuracy. The following variables loaded onto this component after conducting a factor analysis.
    - ConseqConcern: As you conducted your research and made your decision, how concerned were you about the consequences of making a wrong decision?
    - RCApprop: As you conducted your research, how important was finding the most appropriate solution given the facts and circumstances?
    - RCTA: As you conducted your research, how important was identifying what the tax authority was most likely to view as the most appropriate position?

Control Variables

- BindorRec: Dummy variable indicating whether the advisor was in the binding or recommending manipulation (1 = binding, 0 = recommending) *(H1)*

- ProforStudents: Dummy indicating whether the advisor was a student or a professional subject (0 = student, 1 = professional)

- Age: Variable denoting the age of the subject

- LaworAcct: Dummy indicating whether the subject's training was in law or accounting (0 = accounting, 1 = law)

- LikeAud: As you conducted your research, what did you believe was the likelihood of the client being audited by the tax authority?