

Factors affecting the audit process and social theories

Gholamhossein Mahdavi and Abbas Ali Daryaei

Gholamhossein Mahdavi is based at the Department of Accounting, School of Economics, Management and Social Sciences, Shiraz University, Shiraz, Iran. Abbas Ali Daryaei is based at the Faculty of Social Science, Department of Accounting, Imam Khomeini International University, Qazvin, Iran.

Abstract

Purpose – The purpose of this paper is to apply the concept of social theories to explain auditors' attitude toward balance time between marketing activities and auditing responsibilities.

Design/methodology/approach – Data were collected through a survey, from which a measure of auditor's view on the importance of marketing was identified and regressed against balance between audit time and marketing activities. In addition, a measure of balanced attitude of auditors toward the time of the audit and marketing activities was identified and regressed against attitude toward the importance of corporate governance mechanisms.

Findings – The results obtained from the hypothesis test indicated that the audit fee can be a decisive factor in the status of auditors to carry out their function in the social structure which is limited to the stakeholders. The balance time between auditing and marketing is of the same importance to all auditors. Furthermore, entrepreneur auditors find the present corporate governance good for the prosperity and creativity of the forces within the auditing firms. As a result, entrepreneur auditors are very effective in corporate governance mechanisms.

Originality/value – The most significant contribution of the present study is the development of auditing literature to better understand and analyze the behavior of auditors.

Keywords Corporate governance, Auditing marketing, Parsons' theory of social action, Structure theory of Giddens

Paper type Research paper

1. Introduction

During the past decades, auditing market at the international level has witnessed a lot of changes, and one of them is the issue of marketing for the credit service providers. The said changes in auditors' tendency toward marketing mainly commenced after the Supreme Court decision in America in 1977. Auditors always try to maintain their independence for the balance of the community and their personal interests. However, auditors' personal interests can maintain their clients under competitive conditions; nevertheless, maintaining the client, and not violating auditors' professional features such as independence is the subject of some research (Clow *et al.*, 2009; Daryaei, 2016). Therefore, the subject of this study is to examine auditors' view to the financial balance between auditing and marketing. Also, the examination of the relationship between this issue and a view to improving corporate governance mechanisms as a space where audit setting is established is another issue examined in this study. Auditing is a social process that would somehow be beneficial to everyone in the community (Monks and Minow, 1995). Thus, if auditing is a social process, its numerous relationships and problems can be analyzed based on social theories. A lot of people are considering to provide a conceptual framework for relations between the parties. Parsons was one of those people. According to Parsons, social action is all humanities' subject, and as according to Parsons, the system concept is very crucial for a scientific understanding, he believed in the ability to analyze a system for human action (Roche, 1998). Each actor always has various purposes; his

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actions in the pursuit of each of these objectives affect others or are being affected in the pursuit of other objectives. Moreover an actor has certain cognitive ideals and practices affecting his choice of opportunities. Finally, he has values and norms which govern his action in selecting objectives and arranging them in terms of priority. As a result of this, if the audit firm is considered a legal person, in other words a social actor, then, in explaining his relationship with other social actors connected with a company as a set of contracts (Monks and Minow, 1995), we should note the assumptions of the theory of action.

Auditing firm has a definite purpose. This implies that it can create the balance between actors associated with a company as the company's stakeholders. Does this balance affect other assumptions of action theory? For instance, this actor idealism does not make some stakeholders' to have disbelief in others. Lack of proper credit of managers' practice can inspire the company's external actors to replace the manager (Hermalin and Weisbach, 2007). Certainly, the performance of this actor in pursuit of objectives and ideals could cause incorrect interpretations of social events, here economic activities of the company (Roche, 1998).

According to action theory, auditing firms offer reasonable trust to the financial performance of the company. Aside these, the assumption of values and norms governing an action or actor affect the relationship between an auditing firm and stakeholders. The most significant norm in the case of an auditing firm is its independence (Chan and Wu, 2011). A feature by removing the framework of actions deepens in obscures. An auditing firm independence is a very special feature, a norm that is of particular importance in the explanation of its relationship with other stakeholders. According to this theory, external factors can affect actors' action. In the latter case, external process is marketing, which affects the relationship between actions and actors. If this diminishes or undermines an actor norm, based on action theory, the actor comes out in terms of profit. This implies that in this case, marketing has disturbed the assumption of values. Thus based on this theory, we cannot certainly approve or reject the presence or absence of marketing mechanism. Despite, the fact that there are also requirements of a court for the release of advertising and marketing for auditing firms (Hay and Knechel, 2010). Even with acceptable results, we still cannot decide on the existence or non-existence of marketing for auditing firms.

The major question of the present study is whether the attitude and subsequently behavior of Iranian Association of Certified Public Accountants (IACPA) on issues related to auditing marketing and creating a balance between marketing activities and auditing responsibilities can be justified based on social theories like the theory of social action of Parsons.

The remainder of this study is organized as follows. Section 2 examines existing literature and discusses the studies surrounding attitude toward auditing marketing and corporate governance with emphasis on social theories. Section 3 discusses our empirical methodology and outlines our main hypotheses. The sample, summary statistics and empirical results are described in Section 4. The conclusion of the study is presented in Section 5.

2. Literature

Parsons' structural functionalism theory on one hand considers the functions and results of social phenomena and on the other hand considers stable and continuous relationship between the community elements and the whole social system (Fogarty, 1994). Each structure which is made up of fixed and stable relationships is proportional to a number of functions in the social system. Thus, structural functionalism is made up of two sources, one which considers the community with elements in place and working properly and is necessary in the system and a function is a set of activities performed to fulfill a need or social needs, and the other where social phenomena are analyzed through the quality of

the community structure. In this case, the set components are in continuous and continuous connection by a structural factor. Structural functionalism considers the durability of social system by providing the community basic functions. Any structure is also determined and formed based on functional requirements of the social system. Structural functionalism view of Parsons plays a significant and dominant role in sociology that Parsons is its best known founder (Roche, 1998; Allahyarahmadi, 2012). In this view, functional requirements and needs of a social system are emphasized. Social system tends to carry out tasks for military survival that social structures have the duty to respond to these needs. Parsons perceives social life as a certain kind of living organism. Thinking that social life is a system (a network of different components) which explains structural part of his theory and being likened to a biological system explains the functionalist part. Hence, Parsons' work title is structural functionalism. A social system of actions, such as the human body, has needs that should be satisfied so as to maintain the system and components that act to meet those needs. All living systems tend to a balance or balanced stable relationship between various components aside other systems (Ritzer, 2003). Parsons always emphasized on stability and order and in fact social theory is an attempt to answer the question "How is social order possible?"

Auditors' negative perceptions of marketing have converted into more positive attitude. This change in auditors' attitude toward marketing empowered with greater use of marketing activities, and auditors established relationships with clients, especially younger auditors who enter the auditing profession use different marketing activities to change their perceptions and promote services (Clow *et al.*, 2009). If marketing for auditing firms is considered a social phenomenon (Broberg *et al.*, 2013), then there are two diverse approaches to the study of social phenomena, first Holistic and second Atomistic one. Holistic approach tends to explore communities or social entities which have characteristics similar to organisms. Atomistic one tends to examine the social entities with similar characteristics to the mechanical components that can be defined, implemented and run individually. If the characteristics of individuals – auditing firms – are determined in terms of opportunities and social roles then an individual beginning from the characteristics of these components could finally reach the whole characteristic, as well as starting from the whole function could finally reach the whole characteristic, as well as starting from the whole function could finally reach the individual parts. As the characteristics of the smallest part are combined in the whole but cannot be assumed, the notion that what people do is proportional to social entities' needs cannot be social entities because first, people have biological characteristics and others that are environmental product are not shared by the rest of the community; thus, peoples actions may be determined by factors other than those that are a part. Second, even if those having no biological characteristics and so on affecting their actions, it would have not been totally determined by their participation in the whole because the different parts of these whole may have different effects on actions.

This is known about auditing firms as a part of social and economic actor, and this question should be answered. For instance, whether monopoly or free market governs auditing firm activity? Whether economy where an auditing firm is formed, grown and matured has developed or is developing? What are the legal requirements of reporting of auditing firms? Despite the similarity of all the above, objectives and ideals of actors may be in conflict with the various actions. Therefore, marketing for auditing firms is a complex issue that cannot be addressed by a single version for all firms and countries.

Marketing plays an important role in keeping client needs close to the features of the product or service provided by the seller. This is interwoven with topics such as advertising and pricing. These two factors, i.e. seller and buyer, are interconnected in the economic structure with a function like marketing. The basic question is whether the auditor and the client will get closer to each other through the marketing process or they are damaged because of disruption in some of the auditor's intrinsic features such as independence

(Mahdavi and Daryaei, 2015). Based on Parsons' Theory of Social Action, auditors should be able to make a balance between their needs and those of others.

This study, following prior literature such as Broberg *et al.* (2013), focuses on auditors as suppliers of professional services. Although these services are traditionally related to specific skills, accountability and professional practice, they are not related to marketing tasks. To study how auditors can establish a balance between the auditing responsibilities and the marketing process, it is important to know what functions are expected from the auditing profession.

2.1 Auditing in Iran

The first time auditing was mentioned in Iranian law was in business law, enacted in 1932 in which it was decided that General Assembly of each company chooses one or more inspectors among shareholders or from outside to provide a report to General Assembly of owners by handling the company's accounts and documents regarding the general situation of the company and financial statements prepared by the management in the following year (Mashayekhi and Mashayekh, 2008). Regulations on how to choose Certified Public Accountants were approved in 1967, and the Constitution was approved in 1972. In addition to the measures of creating professional accounting system to employ the services of accountants specializing in tax audits, amendments of Commercial Code (corporations) Act 1968 require corporations to attach the report of profit and loss statements and balance sheet of CPAs (Iran Audit Organization, 2016).

The victory of the Islamic Revolution in 1978 resulted in the selection of managers for a number of companies, dependent capitalists to the former regime, nationalization of a number of industries and units, then auditing firms' activity faced with difficulty and finally in 1980 the Article relating to reforming of some laws of direct tax, content of direct tax and CPAs was cancelled and as a result in practice Association of Certified Public Accountants was shut down. In Articles 61 and 116, Certified Public Accountants and auditing firms were changed to Accountants acceptable to the Ministry of Economic Affairs and Finance so that in terms of direct tax law, only review of Accountants acceptable to the Ministry of Economic Affairs and Finance of offices and financial statements was acceptable (Mashayekhi and Mashayekh, 2008). After the nationalization of some industries and companies' confiscation, control and ownership of public sector for companies and other economic entities resulted in the creation of a large number of organizations and administration institutions, and the establishment of necessary institutions that are responsible for companies and other economic entities' audit. Nationalized Industries and Planning Organization's audit firm, audit firm of martyr foundation in 1980 was due to the need. In 1983, the issue of integration of public sector audit firms was raised and audit organization establishment law was approved. With the approval of the legal statute of the audit organization in 1987, audit firms were integrated in the public sector and audit organization was established (Iran Audit Organization, 2016).

The concerns of Iran's audit profession are to determine the minimum rate of audit fees and breaking rate of some audit firms. But considering the audit service as a homogeneous service, competitive pricing will threaten the independence and quality of audit services (Daryaei, 2016). Non-competitive system in Iran's audit market is as a result of improper position of business space that with regard to Iran's membership in international treaties and agreements, it is expected that transparency is increased in the business and consequently the monopoly of the audit market is also reduced to some extent. However, explaining and reforming auditors' attitude can cause a considerable contribution to this issue.

2.2 Auditing marketing

As a result of the nature of the audit market in Iran which was described in the previous section, there are not much research on the market and marketing of audit in Iran. However, in recent years, research has been conducted on marketing though indirect. For example, there has been a negative view to increased competition of auditing firms that increased competition in the audit market is leading to reduced auditor independence (Chan and Wu, 2011). Furthermore, Hay and Knechel (2010) emphasized negative view to increased share of market of auditing firms. The results of the mentioned study also revealed that if the market share of a private auditing firm is reduced, the number of audit provisions is also reduced before opinion.

Chaney *et al.* (2003) claim that the supporters of marketing activities for direct audit believe that if auditors are allowed to attract potential clients in this manner, clients can also choose their auditors with more awareness. In audit market where marketing activities are banned for audit, auditors are only allowed to offer tender and carry out audit service only when the client desires. Potential positive effects of limitations governing advertising or activities to attract the client are determined directly on audit pricing, instead legislators or the market mechanisms should ensure that independence conditions are satisfactory, as actually no relationship is found between marketing and independence and it can occur in two ways:

1. increased review that leads to an increased possibility of error or fraud; and
2. increased fines in case of failure or negligence in the audit, which makes audit undesirable and expensive or the use of both approaches together.

Europe Commission (2010) in green paper published recently has examined various methods to increase the reliability of auditors and restore trust in financial market. The Commission mainly addresses increased auditor independence and reduced level of audit market concentration. Based on a model of circular market matching model raised by Salop, prohibition of the provision of non-audit services to enhance auditors' independence can have adverse secondary effects on the concentration of the audit market. In fact, the study model indicates that the incentives of the independence and the structure of the audit market are determined together because in the study model, market share is endogenous and even it is not evident that the prohibition of non-audit services actually encourages auditors to maintain their independence.

Gerakos and Syverson (2015) using estimates required for the demand for audit services of listed companies in America Stock, scrutinized possible outcomes for clients in two fields of compulsory rotation of audit firm, and audit firm is one of the four other large firms. The study results revealed that audit firm's mandatory rotation requirement could result in a relative balance in the audit market. Also, the audit market monopoly by large institutions is a serious threat to other institutions; however, they consider audit quality variable as a significant factor for explaining the relationship between the firm and the client.

Overall, the research on audit marketing shows that no obvious reason is found for reduced auditor independence when using audit marketing process.

2.3 Auditors' characteristics and performance

Action theory comprises a number of assumptions which offer an analytical method to explain human actions in specific situations. Some of these assumptions include goal, aim and end. In other words, one's action arises from his goals. Actors' characteristics affect their performance. Auditors considered in this study as actors also are no exception. Personality variables have implied and practical implications in accounting and auditing. Alissa *et al.* (2014) demonstrated that auditor's experience as one of the characteristics acquired may reduce the complexity of audit work. This signifies that the auditors facing

audit activities' problems based on their experience select lowest-cost solution. Also, auditors' effort had a direct and significant relationship with the performance of auditors.

Another important feature of auditors which may be related to the performance of auditors is entrepreneurship. An entrepreneur is a person with the Spirit of Capitalism, and capable of providing necessary sources to perform several related activities. Entrepreneur skills and attitudes had often existed in the nonprofit sector, but presently, due to new business approaches, they are the key of solving financial and non-financial problems in organizations. Entrepreneurship and audit activities over a long period led to social development of humanity. [Homocianu and Airinei \(2014\)](#) showed that the dynamics and responsibility of financial auditors in experienced and professional entrepreneurship can meet pressing need for fair presentation of financial reports and statements of each company in accordance with legal frameworks that benefits investors, creditors, government and people.

[Popescu et al. \(2015\)](#) revealed that for the study of entrepreneurship in a modern competitive economy, no profession is more suitable than financial audit profession. Financial audit means an entrepreneur. The fate is in their own hands. Due to the independence necessary for their work, ethical and professional codes require that he is not like a company employee for whom the audit is performed. The study results indicated that by increasing audit competitors, marketing to introduce auditors' abilities is based on the fact that by attracting entrepreneur auditors a proper share of the market is obtained.

2.4 Corporate governance, audit market concentration and quality

In addition to the conflict of interests among providers and users of financial statements, separation of users from providers of financial statements, complexity of economic transactions and expected effect of financial statements on decision makers are demand factors for audit ([Ebaid, 2011](#); [Mahdavi and Daryaei, 2015](#)). The relationship between auditors, managers and shareholders can have an impact on audit quality, as the concentration in the audit market is also influenced by that relationship. While the audit quality is considered as one of the significant outcomes of corporate governance. It should be noted that audit quality is a concept that has various definitions for different people. DeAngelo presented two-dimensional definition of audit quality: First, false cases should be examined. Second, false cases should be reported. Audit quality also includes the increase of audit power to examine false cases in financial statements which are related to the independence of the audit ([Al-Ajmi, 2009](#)).

Audit market concentration is related to audit quality ([Bandyopadhyay et al., 2004](#)). This concentration implies that most of the audit work is done by limited firms. Concentration of suppliers is faced with oligopoly, "so-called Big Four firm" needs to consider the fact that the short term, mid-term and long-term firms are compelled to choose them ([Francis, 2011](#)). The structure of the audit market is a key factor of competition for audit firms. According to [Porter \(2008\)](#), the market concentration can be interpreted as a strategic competitive advantage.

But the important question is whether auditing firms' competition in the market results in the disturbance of auditor's independence. The answer to this question can be found in related research. Reduced independence has been analyzed at different levels: determining and selecting auditors, analyzing different people who are part of the audit committee or monitoring, the impact of corporate governance mechanism, the importance of the client in the profit structure of the audit firm, providing services other than auditing, mechanisms of sanctions and the competence of the auditor ([Rodriguez-Fernandez, 2016](#)). Thus, [Cohen et al. \(2011\)](#) when analyzing the functions of companies' management concluded that corporate institutions play a vital role in the selection, designation and evaluation of auditors, as well as those been hired to work in companies that already have their audits. Moreover from their perspective, the determination of those who are part of the audit

committee or monitoring is affected by the board of directors. Therefore, it was concluded that corporate governance mechanisms are important in determining the concept of independence and the means to achieve it (Karaibrahimoglu, 2013; Guo and Yeh, 2014).

About the role of corporate governance mechanism, Boo and Sharma (2008) show that "there is a negative association between audit committee independence and audit fees (factor affecting in auditing marketing), implying that auditors reduce their effort and thus audit fees in the presence of an independent audit committee because they perceive that such committees reduce control and financial reporting risks". This means that the structural functionalism has an important role in auditing processes.

2.5 Social theories and audit

Durkheim, trained in the school of Enlightenment, reacted to political revolution and social collapse of the time reacted, and his concern was the concept of the general will and social integration. Consequently, he conceptualized the community in terms of norms or social integration, i.e. frameworks of the relationship between individuals and the social structure via social facts. This is what we think about financial reporting objectives, and we see various social classes. The fact is that investors benefit more from their investment; and creditors do conservatism, and the role of auditors and audit firms to conceptualize the company performance is very crucial. Durkheim (1933), as the person whose works show intellectual origins of functionalism, believes that a process with high mechanical density moves aside and is replaced by the community builders in an organic way. An organic social organization is a more specialized one in which people follow different jobs, develop separate identities and have different point of view to the world compared to others. In this type of communities, people rely on individual and team performance rooted in job specialization and changed nature are connected with each other. This specialization is also applicable in the field of auditing. According to Durkheim, the concept of specialist auditors is justified and as a result marketing is also important for them.

Parsons analyzed the work of Durkheim and evaluated his writings through libertarian paradigm of action. The major objective of Parsons' theory is elaboration of a general theory concerning the community, a theory that is generally applicable in communities as a part of live systems. Parsons' functionalist theory regarding social organization was based on his view of humans as a decision maker on actor influenced by normative and situational factors. This is the same concept that auditors should accordingly comprehend their situation among other stakeholders. Economic community as the human body can survive long enough by coordination and coherence among its members. External factors that may affect the organization should be dealt with when they have impacts on the body. The first basic question concerning this is whether the audit process can play an effective role in economic community. However, numerous studies have answered it (Francis, 2011; Rodriguez-Fernandez, 2016).

But more important than the previous question is whether marketing as an external factor of the audit system and a part of the economic system will result in the diversion of audit objectives. Of course, this issue will be scrutinized in this study.

Following the work of Parsons, Giddens (1987) talked about structure and social systems. He believed that the community is produced and reproduced through human actions. Therefore, the concept considers individuals superior to the community. This concept leads us to the issue that social phenomena arising from mutual relationships between people are changed over time. Structure theory of Giddens is trying to establish a relationship between two contradictory approaches in social theory. First, usually via approaches such as functionalism, with an emphasis on structural aspects of course, regardless of the role of agents. The second approach, for example, is ethnic methodology, action research, emphasis on the role of people with reduction of structural roles. In structure theory, agents' measures are examined within structural framework and at the same time the measures

caused structures. It should be noted that each measure is developed through structures. Of course, different structures due to multiple measures can also result in the duality of structure. This duality ensures continuity of social activities in every time and place. Giddens' contribution was to establish the relationship between the structure and agency. He defined the structure as a set of roles and sources by agents in line with the performance (Bierstaker *et al.*, 2001).

According to Giddens, a structure includes three aspects of signification, domination and legitimacy. Auditors in the social structure based on their function as validating the financial statements are seeking their share of the benefits of this accreditation and often reveal sharing in their audit fees. Fees can be the decisive factor for auditors to carry out their function in the social structure which is limited to a set of stakeholders. Agents discussed in Giddens' theory in companies are managers (clients) who emphasize domination and legitimacy. Auditors, who confirm legitimacy and authority of the client on the basis of fair comment, also claim legitimate interests. This can be observed in marketing activities, which may also affect some aspects of their professional duties (Broberg *et al.*, 2013). A map which is referred to as modalities could help explain how to maintain legitimacy and dominance of managers according to Giddens theory and auditors' interests. Nevertheless, according to Giddens, there is no specific border for functions in accordance with the structure. Therefore, on the basis of time and place, the presence or absence of some of the rules can be justified. This implies that audit marketing authorization in a particular country is not required in other countries. Thus, the present study seeks to explain the attitude of Iranian auditors to audit marketing regarding the structures of corporate governance.

Generally, in this literature review, we have pointed out several issues that are related to the balance between marketing and auditing. To further investigate these issues by means of an explorative questionnaire, we aim to address the research question:

RQ1. How do auditors balance auditing and marketing activities?

Given the theoretical and empirical evidence, our hypotheses regarding balance time are specified as follows:

- H1.* Auditor's view on the importance of marketing is related to the balance between audit time and marketing activities.
- H2.* There is a significant difference between the attitude of entrepreneur and non-entrepreneur auditors to marketing activities in the balance between audit time and marketing activities.
- H3.* Balanced attitude of auditors toward audit time and marketing activities is related to their attitude toward the importance of corporate governance mechanisms.

3. Research method

Data were collected via a survey, from which a measure of auditor's view on the importance of marketing was identified and regressed against balance between audit time and marketing activities. Furthermore, a measure of balanced attitude of auditors toward the time of the audit and marketing activities was identified and regressed against attitude toward the importance of corporate governance mechanisms. Consistent with much previous research (Broberg *et al.*, 2013), our survey questionnaire was mailed to IACPA based on available samples. A total of 324 questionnaires were sent to IACPA. From this distribution, 257 (79 per cent) responses were received. This response rate is satisfactory when compared with rates achieved by previous studies. In the present study, questionnaires received after a reminder was sent were considered as late respondents, and subsequently functioned as a proxy for non-respondents. No significant differences were found when comparing the independent and control variables between early and late respondents, hence indicating no non-response bias. Statistical testing was conducted to

determine whether there were significant differences between the responses of early and late respondents. The *t*-test results showed no significant difference between early (198 respondents) and late (59 respondents) in respect of measures of the variables of the study. Of the 257 respondents, there were 31 females (12 per cent) and 226 males (88 per cent). The average age of the respondents was 45, ranging from 25 to 73 years, and the average number of years as approved or authorized by auditor was 15, with a minimum of 5 and a maximum of 30 years. Information on the background of respondents and research variables descriptive statistics are presented in Tables I and II.

Table I Information on the background of respondents

Description	No.	(%)
<i>Gender</i>		
Male	222	88.39
Female	35	13.61
Total	257	100
<i>Education</i>		
BS	169	65.75
Graduate	88	34.25
Total	257	100
<i>Field</i>		
Accounting	149	57.97
Management	64	24.90
Economics	33	12.85
Other	11	04.28
Total	257	100
<i>Age</i>		
25-35	35	13.63
35-45	104	40.46
45-55	81	31.52
>55	37	14.39
Total	257	100
<i>Experience</i>		
1-5	22	08.56
5-10	39	15.17
10-15	83	32.29
>15	113	43.98
Total	257	100
<i>Expertise</i>		
Industry-specialist auditors	165	64.20
Other	92	35.80
Total	257	100

Table II Research variables descriptive statistic

Variables	No. of respondents	Range	Minimum	Maximum	Average	SD
BT	257	1.5	1.5	2.5	0.4981	0.50097
SPECIALITY	257	2.25	1	3.25	0.5992	0.49101
ATTITUDEM	257	4.78	2.78	6	5.1254	0.4579
IMPORTANTM	257	4.5	1	5.5	5.1254	0.4579
ATTITUDEA	257	5.24	1.24	6	4.9521	1.5212
IMPORTANTA	257	4.20	5.7	1.5	6.2513	2.0917
EX	257	1	0	1	0.5642	0.4968
GEN	257	1	0	1	0.8800	0.3394
ENTREPRENEURSHIP	257	1	0	1	0.3261	0.8985
EDU	257	1	0	1	0.5097	0.5086

In the construction of the survey questions, we consulted instruments successfully used in previous studies, by keeping with the recommendations concerning research methodology found in Bryman and Bell (2007). The questionnaire was designed to obtain the perceptions of IACPA and comprised six sections. The first section included four background (demographic) questions: gender, experience, education and specialty. These items were all used as control variables. Gender was measured as male or female and used as a dummy variable in the analyses. Experience as approved or authorized auditor was measured on a continuous scale. Education was measured as a dummy variable and coded 1 if graduate and 0 otherwise. The fourth control variable, specialty was measured as a dummy variable and was coded 1 if the auditors were specialist and 0 otherwise. The remainder of the questionnaire is asking the auditors about their perceived importance, attitude and time spent on marketing and auditing activities, attitude toward corporate governance and measurement of entrepreneurship. The respondents marked their opinion on a seven-point Likert scale ranging from "Strongly disagree" (1) to "Strongly agree" (7) for each activities listed in the appendix, which were derived from previous literature as well as the explorative interview. Descriptive statistics concerning questions are presented in Tables III-V.

Table III How much time on average do you as a professional auditor spend on the following activities?

Activity	Component	Start	1	2	3	4	5	6	7	End
Bureau activities	Auditing	No time at all	35.85	12.32	12.23	14.41	23.02	00.00	00.17	A lot of time
Administration	Auditing	No time at all	45.00	25.26	14.25	07.23	03.00	05.00	0.26	A lot of time
Education and further training within auditing	Auditing	No time at all	30.00	28.14	15.00	07.23	04.45	07.00	08.18	A lot of time
Explain to clients that auditing is important	Marketing	No time at all	25.16	28.16	18.23	08.00	05.00	06.12	09.33	A lot of time
Look for prospective clients	Marketing	No time at all	59.00	20.00	14.00	05.00	00.00	02.00	00.00	A lot of time
Audit accounting information	Auditing	No time at all	30.15	20.00	15.56	16.00	08.23	02.00	08.06	A lot of time
Attend seminars with clients and prospective client	Marketing	No time at all	42.25	19.25	15.55	07.47	05.00	05.00	05.48	A lot of time
Arrange seminars with clients and prospective clients	Marketing	No time at all	39.55	20.00	15.12	06.47	13.55	00.00	05.31	A lot of time
Learn about marketing	Marketing	No time at all	20.22	20.00	14.16	17.47	10.55	08.42	09.18	A lot of time
Follow-up of new regulations and conducts	Auditing	No time at all	39.45	19.55	12.16	19.56	06.55	02.42	0.31	A lot of time

Table IV How do you evaluate the importance of corporate governance mechanisms?

Activity	Start	1	2	3	4	5	6	7	End
Strengthening the role of non obliged managers in board of directors	Not at all important	04.12	04.12	06.15	09.46	19.45	21.45	35.25	Very important
Strengthening supportive rules of stakeholders' interests	Not at all important	08.12	04.88	04.16	10.13	18.15	20.16	34.04	Very important
Preference of quality of auditing to its fees in practical procedures	Not at all important	03.05	03.12	05.13	11.25	18.15	19.25	39.06	Very important
Expanding role and responsibilities of auditing committees	Not at all important	04.12	03.12	03.15	05.46	15.24	20.45	48.46	Very important
Expanding role and responsibilities of internal auditors	Not at all important	05.46	03.13	03.46	08.56	19.23	24.45	35.71	Very important
Defining social role of auditing for clients	Not at all important	03.12	05.12	04.16	10.13	19.50	19.44	38.53	Very important
Defining the effect of mechanisms of corporate governance on auditing reports for clients	Not at all important	04.23	05.15	05.13	08.46	21.23	20.22	35.58	Very important
Duality of CEO and chairman of the board	Not at all important	02.12	04.00	03.46	05.56	16.21	25.13	42.35	Very important
Training managers in terms of corporate governance mechanisms	Not at all important	43.52	25.13	16.21	05.56	03.46	04.00	02.12	Very important

Table V Evaluating entrepreneurial skills of respondents

Activity	Range	Score
Usually, I try to accept the responsibility in team work	1-7	5.23
I am able to materialize my ideas	1-7	6.50
I am so tolerant	1-7	6.14
I believe I can influence over results	1-7	4.75
I am praised because of my ability in fast analysis of complicated situations	1-7	4.67
I'd rather work with an incompatible but proficient person than a friendlier and less efficient person	1-7	6.15
I can fire employees who are not profitable	1-7	5.14
I want to leave safe jobs with high payment to start my own business	1-7	5.79
I incline myself towards laborious tasks	1-7	6.12
I can work for long hours	1-7	6.25
I need to be best in whatever I do	1-7	6.50
I do not disappoint easily	1-7	4.25
I prefer develop in challenges and hardships	1-7	4.75
I am tired of doing repeated tasks	1-7	3.75
I don't like to be ordered for some duties	1-7	6.10
Comparing to other, I have more proficiency in performing tasks	1-7	5.25
I have the ability of managing some works	1-7	6.14
I enjoy performing complex works and have this ability	1-7	5.14
In the case of inefficiency in one action, I can change the procedure	1-7	6.12
In my colleagues' opinions, I am a creative person in solving problems	1-7	3.50

3.1 Model

Consistent with previous research (Broberg *et al.*, 2013), we estimate the following binary probit regression model equation in order to examine the association between Auditor's view on the importance of marketing and balance between audit time and marketing activities. In addition, we examine the association between balanced auditors' attitude, the time of the audit and marketing activities and attitude toward the importance of corporate governance mechanisms.

$$BT_i = \alpha_i + \beta_1 \text{IMPORTANTM}_i + \beta_2 \text{IMPORTANTA}_i + \beta_3 \text{SPECIALITY}_i + \beta_4 \text{ENTERPRENEURSHIP}_i + \beta_5 \text{EX}_i + \beta_6 \text{GEN}_i + \beta_7 \text{EDU}_i + \mu_i \quad (1)$$

$$BT_i = \alpha_i + \beta_1 \text{ATTITUDEM}_i + \beta_2 \text{ATTITUDEA}_i + \beta_3 \text{SPECIALITY}_i + \beta_4 \text{EX}_i + \beta_5 \text{GEN}_i + \beta_6 \text{EDU}_i + \mu_i \quad (2)$$

$$CG_i = \alpha_i + \beta_1 BT_i + \beta_2 \text{SPECIALITY}_i + \beta_3 \text{ENTERPRENEURSHIP}_i + \beta_4 \text{EX}_i + \beta_5 \text{GEN}_i + \beta_6 \text{EDU}_i + \mu_i \quad (3)$$

where:

BT: This was created by subtracting the average scores for all auditing activities from the average scores for all marketing activities. We use a dummy variable coded one if the balance time was higher than average scores and zero otherwise.

CG: This was created by questionnaire. We use a dummy variable coded one if the CG was higher than average scores and zero otherwise.

ATTITUDEM: Auditor's attitude toward marketing, used as an independent variable, was operationalized as an index of the average scores for all the marketing activities in the attitude section of the questionnaire. The scores were added for each of the respondents, and the sum was divided by the total number of activities.

ATTITUDEA: Auditor's attitude toward auditing, used as an independent variable, was operationalized as an index of the average scores for all the auditing activities in the attitude section of the questionnaire. The scores were added for each of the respondents, and the sum was divided by the total number of activities.

IMPORTANTA: Auditor's view on the importance of auditing, used as an independent variable, was operationalized as an index of the average scores for all the auditing activities in the important section of the questionnaire. The scores were added for each of the respondents, and the sum was divided by the total number of activities.

IMPORTANTM: Auditor's view on the importance of marketing, used as an independent variable, was operationalized as an index of the average scores for all the marketing activities in the important section of the questionnaire. The scores were added for each of the respondents, and the sum was divided by the total number of activities.

SPECIALITY: Speciality was measured as a dummy variable and was coded 1 if auditors were specialist and 0 otherwise.

ENTREPRENEURSHIP: The entrepreneurship was constructed based on 22 questions relating to different entrepreneurship practices.

EX: It was created by questionnaire. We use a dummy variable coded one if the balance time was higher than average scores and zero otherwise.

GEN: We classified respondents into male or female and we coded female as 0 and male as 1.

EDU: We classified respondents into BA or upper and we coded BA as 0 and upper as 1.

4. Results

4.1 The results of H1 test

To test *H1*, the MODEL(1) was used. The results of *H1* test in Table VI (Panel A) revealed that this hypothesis has not been confirmed. According to Giddens structure, auditors in social structure based on their function as validating the financial statements are seeking their share of the benefits of this accreditation and often reveal sharing in their audit fees. Fees can be the decisive factor for auditors to perform their function in the social structure which is limited to a set of stakeholders. Therefore, it is expected that the auditors believe in the issue of time balance and consider it important. It can be addressed from two aspects. First, whether this importance finally increase their fees. Second whether based on stakeholders theory this leads to the increase of audit quality and audit fees. What the hypothesis test results have indicated was Iranian auditors' answer to both fundamental

Table VI Binary probit regression results

Variables	Coefficients	Standard error	Z-statistics	Prob
Panel A:				
$BT_i = \alpha_i + \beta_1 \text{IMPORTANTM}_i + \beta_2 \text{IMPORTANTA}_i + \beta_3 \text{SPECIALITY}_i + \beta_4 \text{ENTREPRENEURSHIP}_i + \beta_5 \text{EX}_i + \beta_6 \text{GEN}_i + \beta_7 \text{EDU}_i + \mu_i$				
IMPORTANTM	0.089515	0.089938	1.053886	0.2919
IMPORTANTA	-0.023243	0.124756	-0.186308	0.8522
SPECIALITY	-0.079924	0.160502	-0.497962	0.6185
ENTREPRENEURSHIP	-0.217936	0.122217	-1.783187	0.0746
EX	0.149700	0.163284	0.916805	0.3592
GEN	0.277254	0.235265	1.178472	0.02386
EDU	0.133897	0.162143	0.825798	0.4089
Panel B:				
$BT_i = \alpha_i + \beta_1 \text{BT}_i + \beta_2 \text{SPECIALITY}_i + \beta_3 \text{ENTREPRENEURSHIP}_i + \beta_4 \text{EX}_i + \beta_5 \text{GEN}_i + \beta_6 \text{EDU}_i + \mu_i$				
BT	-0.171797	0.162802	-1.05525	0.2913
SPECIALITY	0.050118	0.16138	0.310559	0.7561
ENTREPRENEURSHIP	0.18289	0.048786	3.74885	0.0002
EX	-0.209107	0.162194	-1.28941	0.1973
GEN	-0.106564	0.235374	-0.452743	0.6507
EDU	-0.498867	0.159199	-3.133606	0.0017

questions. In addition, the results showed that entrepreneurship had a negative and significant relationship, at 90 per cent level, with time balance of marketing and auditing activities. One of the characteristics of entrepreneurs is that they do not limit themselves to space and time specific. In other words, entrepreneurs try to reach the maximum efficiency by removing the limitations and efficiently using the resources (Popescu *et al.*, 2015). This may in some cases disagree with the needs of the customer or organization that entrepreneurs remove it by using creativity and innovation. Therefore, entrepreneur auditors in the face of the client think about entrepreneurial and creative solutions entrepreneurial to achieve the organization objectives before thinking about time balance between auditing and marketing activities. This reaffirms the concept of entrepreneurial marketing, “a behavior performed by individuals or organizations in order to create and promote ideas so that new ideas are deployed to market and value”. As in practice, the process of entrepreneurial marketing in auditing firms may also have a special position.

4.2 The results of H2 test

To test *H2*, the MODEL(2) was used. The results of *H2* test in Table VII revealed that this hypothesis has not been confirmed. The sample was divided into two samples of entrepreneur and non-entrepreneur auditors on the basis of Biech (2007).

Given that in the comparison of two samples' coefficients such as Fisher (1921), there was a need to determine Z-statistic, in the present study to compare the relationship between dependent and independent variables in a community with other independent community statistic Z was used as follows:

Information of entrepreneur auditors is as follows:

$$r'_1 = (0.5)\log_e \left| \frac{1 + r_1}{1 - r_1} \right| = (0.5)\log_e \left| \frac{1 + \sqrt{0.050}}{1 - \sqrt{0.050}} \right| = 0.0987$$

Information of non-entrepreneur auditors is as follows:

$$r'_2 = (0.5)\log_e \left| \frac{1 + r_2}{1 - r_2} \right| = (0.5)\log_e \left| \frac{1 + \sqrt{0.052}}{1 - \sqrt{0.052}} \right| = 0.1008$$

Therefore:

$$z = \frac{r'_1 - r'_2}{\sqrt{\frac{1}{n_1 - 3} + \frac{1}{n_2 - 3}}} = \frac{0.0987 - 0.1008}{\sqrt{\frac{1}{113 - 3} + \frac{1}{144 - 3}}} = -0.016$$

Thus, by considering statistic Z that it is equal to -0.016 , *H2* could not be verified. This signifies that the time balance between auditing and marketing activities for all auditors is of equal importance in terms of the attitude. Of course, a positive and significant

Table VII Binary probit regression results

Process	Chi-square	df	Significance
<i>Panel A: Entrepreneurship auditors sample</i>			
Step	7.456	1	0.006
Block	7.456	1	0.006
Model	7.456	1	0.006
Model summary	Cox and Snell R Square 0.050	Nagelkerke R Square 0.067	no 121
<i>Panel B: Non-entrepreneurship auditors sample</i>			
Step	7.574	1	0.006
Block	7.574	1	0.006
Model	7.574	1	0.006
Model summary	Cox and Snell R Square 0.052	Nagelkerke R Square 0.069	no 136

relationship between the attitude and auditing activities in entrepreneur auditors toward others with time balance shows that entrepreneurial characteristic of auditors affects the attitude to audit activities, thereby strengthening the relationship between this attitude and time balance between audit and marketing activities which is not seen in other auditors.

4.3 The results of H3 test

To test *H3*, the MODEL(3) was used. The results of *H3* test in Table VI (Panel B) showed that entrepreneurship had a significant positive correlation relationship, at 99 per cent level, with the attitude to corporate governance. In addition, training had a negative and significant relationship, at 99 per cent level, with the attitude to corporate governance. Entrepreneur auditors consider corporate governance environment suitable for the prosperity and creativity of auditing firms' workforce. Consequently, entrepreneur auditors are very effective on the implementation and development of corporate governance mechanisms. Audit firms by hiring entrepreneur auditors or training entrepreneurship can improve the mechanisms of corporate governance implementation in the client company, as beliefs and attitudes to a particular subject are the first step towards its practical implementation but what is notable in this study is negative and significant relationship between training and attitude to corporate governance. What is obvious is positive relationship of training with every issue, but the attitude to corporate governance mechanisms might be similar to the objectives of the company formed in the corporate environment. Auditors who have higher education levels are less willing to accept corporate governance because they have formed certain conditions and assumptions on the attitude toward corporate governance, which may not necessarily be consistent with the interests of their client.

5. Discussion and conclusion

The way financial auditing has been regulated in recent years has presented us with some questions; an example of one of such question is: Will the competition for independent auditing services weaken the professional skill of auditing and its realistic approach? Numerous scholars believe that government deregulation on advertisement and demands has caused the recent wave of auditing failures (Imhoff, 2003; Palepu and Healy, 2003; Wyatt, 2004). Nevertheless, the market for auditing services has witnessed various changes during the past decades, for instance a very significant change in that field is the issue of marketing for providing credit services. Entering new markets, improvement of research and expansion, acquiring new technologies, economic savings via scale, globalization, the need for experts in industry as a result of the clients' activities becoming more complex and maintaining or increasing the market share have played a vital role in auditing companies entering the marketing field (Broberg *et al.*, 2013).

The main question is that should the shareholders in a company (clients) follow rules and regulations in choosing the auditor for their company or should they themselves be selected by the auditor? Should the auditors be allowed to advertise their skills and capabilities? The results obtained from the hypothesis test demonstrate that the audit fee can be a decisive factor in the status of auditors to carry out their function in the social structure which is limited to the stakeholders. The balance time between auditing and marketing is of the same importance to all auditors. Moreover, entrepreneur auditors find the current corporate governance good for the prosperity and creativity of the forces within auditing firms. As a result, entrepreneur auditors are very effective in corporate governance mechanisms.

Marketing has enormous effects in the similarity between consumer needs and the production features or services provided by the seller by affecting pricing and advertisement. Buyers and sellers are in contact with each other in the financial

structure through marketing. According to the theory of social action presented by Parsons, auditors should be able to arrive at a balance between their needs and that of others. In this regard, auditors' personal traits, and even their sexuality, could affect their performance.

Based on Parsons' theory of social action, defining a good relationship between auditors and clients becomes very crucial. This was possible by studying the attitude of auditors toward professional activity. Testing the theory of social action on Iranian auditors revealed that the attitudes, and consequently the actions, of Iranian auditors do not contradict the presumptions in the theory of social action. Finally, auditing is a part of life and growth of a society that feels the need for a progressive and dynamic economy. A society that has left behind the age of sole proprietorship has passed through the age of geographical limitations and is struggling in a global village that everyone in it is helping its survival. This is the issue that believes that different historical periods each have a starting point, course of events and recognizable consequences; said historical periods can be compared with each other, even though they have different definable layers (Giddens, 1987).

Social contracts which form societies somehow play the role of self-imposed mind-controllers. Developed to bring and sustain harmony in societies, these roles, therefore, might be well taken advantage of to improve or retard a society. Concepts such as punishment and reward are invaluable devices in making a society more efficient. As part of society, auditors, by understanding the concepts of punishment and reward, attempt to keep a balance between their interests and those of the societies in which they live. A social contract which is a powerful and sophisticated device in controlling individual behaviors can be broken into analyzable, observable and more basic behavioral effects. Accepted expertise and strength are among the most extreme effects of these behaviors, to name but a few. Apparently, these elements are some of the most powerful social effects controlling and regulating individuals on the choices they can make. According to social theories, auditors, as part of the human society, are after the holistic elevation of society. As such, using the said theories, one can predict, direct and control a great number of auditors' behaviors which are incompatible with the professional obligations of auditors.

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Corresponding author

Abbas Ali Daryaei can be contacted at: a.a.daryaei@soc.ikiu.ac.ir

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