

SELF-ESTEEM: ITS OVERALL EFFECT ON PROFESSIONAL SKEPTICISM

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DISSERTATION APPROVAL

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A Dissertation Submitted in Partial

Fulfillment of the Requirements

for the Degree of

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in the field of Business Administration

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SELF-ESTEEM: ITS OVERALL EFFECT ON PROFESSIONAL SKEPTICISM

DISSERTATION CHAIR: Dr. Ed O'Donnell

The performance evaluation process is both an important tool for accounting firms to assess the performance of employees and provides supervisors an opportunity to provide feedback to their subordinates. Supervisors, such as managers, will provide feedback to subordinates (senior auditors) numerous times throughout a fiscal year. Prior research has shown that performance evaluations are largely based on results of the subordinate based on task completion and budgeted hours. These types of performance evaluations have been linked to employee dissatisfaction and a decrease in overall job performance. Utilizing psychology based theories, an experimental task was conducted to investigate whether the manager's feedback orientation (positive/negative and tasks/goals) within a senior auditor's performance evaluation will increase an auditor's self-esteem and professional skepticism. Results show that positive and goal-oriented performance evaluations do increase an auditor's self-esteem and supportive performance evaluations increase an auditor's professional skepticism. These results provide valuable information to accounting firms to assist with their current restructuring of the performance evaluation process.

Keywords: self-esteem, self-determination, performance evaluation, professional skepticism

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TABLE OF CONTENTS

<u>CHAPTER</u>	<u>PAGE</u>
ABSTRACT.....	i
ACKNOWLEDGEMENTS.....	ii
LIST OF TABLES.....	iv
LIST OF FIGURES.....	v
CHAPTERS	
CHAPTER I – Introduction.....	1
CHAPTER II – Theoretical Background and Proposed Hypotheses.....	4
CHAPTER III – Experimental Design.....	16
CHAPTER IV – Measurement Tests.....	23
CHAPTER V – Statistical Results and Analysis.....	25
CHAPTER VI – Discussion and Conclusion.....	30
REFERENCES.....	42
APPENDICES	
APPENDIX A.....	48
VITA.....	57

LIST OF TABLES

<u>TABLE</u>	<u>PAGE</u>
Table 1.....	34
Table 2.....	34
Table 3.....	35
Table 4.....	35
Table 5.....	36
Table 6.....	36
Table 7.....	37
Table 8.....	37
Table 9.....	38
Table 10.....	38
Table 11.....	39
Table 12.....	40

LIST OF FIGURES

<u>FIGURE</u>	<u>PAGE</u>
Figure 1.....	41
Figure 2.....	41

CHAPTER I

INTRODUCTION

Professional skepticism is noted within accounting research as a key component of audit quality (IAASB 2012). Professional skepticism is a pivotal attribute of an auditor and required by AU Section 230. Professional skepticism necessitates a certain level of self-esteem (Hurt 2010) because it allows the auditor to have a high self-belief in their abilities and judgment rather than reliance on other individuals. As noted by Hookway (1990) self-esteem is needed to perform a successful inquiry, which is a necessary quality of an auditor. Self-esteem has been directly related to auditors' abilities to require further evidence, request additional explanations, and increase confidence in judgment decisions (Yankova 2015). Numerous actions have been taken by firms to gauge an auditor's level of professional skepticism: audit committee assessment, review and communications, partner evaluations, and information on quality controls (KPMG 2012). What firms have not yet considered is whether an auditor's level of self-esteem can gauge an auditor's level of professional skepticism. This study fills this void by investigating whether auditors with higher self-esteem will maintain higher levels of professional skepticism.

Prior research on the performance evaluation process within firms has been linked to self-esteem. Employers providing their employees with feedback during the evaluation process can directly affect the employee's self-esteem (Coopersmith 1967). An auditor's performance is largely based on completion of assigned tasks without the consideration of the auditor's level of self-esteem. The focus of the performance evaluation process is largely focused on results, as opposed to personality, behaviors, or competencies (Pulakos 2009). Performance feedback from managers has been found to increase an individual's self-esteem if it clarifies their goals. The

effort and performance level of individuals has also been linked to achievement of their goals. Currently, however, performance feedback provided to auditors does not place attention on employee's individual goals.

What has not been researched is how the structure of performance evaluations can affect an auditor's behavior and self-esteem, and thus their professional skepticism. This study investigates how feedback orientation through performance evaluations, whether positive or negative, and based on tasks or goals, affects an auditor's self-esteem and therefore their level of professional skepticism. The experiment was designed to determine if a participant's level of self-esteem can produce a change in the participant's judgment and choices. A between-subjects design was utilized with feedback (positive/negative) and discussion points (tasks/goals) manipulated, and provided by the manager in the form of a senior auditor performance evaluation. The participants for this experiment consisted of senior auditors from a Big 4 accounting firm. Participants were randomly assigned to one of four experimental conditions. Each participant read a hypothetical performance evaluation and completed the task of evaluating the collectability of a customer's account receivable balance.

The results show that a positive and goal-oriented performance evaluation do increase an auditor's self-esteem, and an auditor's self-esteem can marginally support an increase in an auditor's professional skepticism. These results show that the structure and feedback on a performance evaluation will affect an individual's level of self-esteem and have an effect on the auditor's professional skepticism.

This study can guide firms as to how to structure performance evaluations to increase employee performance and satisfaction. Wright (1980) notes that the performance evaluation system is often linked to a major cause of dissatisfaction by those who leave public accounting.

Most employees do not view the performance evaluation process as a critical or valued component of their jobs (Coens and Jenkins 2000). As noted within the study conducted by Pulakos (2009), less than one third of employees felt that the feedback provided from performance evaluations assisted them in improving their performance, and the performance evaluation process was often ranked among the lowest topics in employee satisfaction surveys. Due to these challenges, organizations have had to refocus their attention on their performance management systems (Buchner 2007).

Big four accounting firms have started to revamp their performance evaluation process by implementing new methodologies to increase the effectiveness and timeliness of performance feedback. These firms also have started to move toward evaluations that are based on developmental feedback rather than grouping employees by a rating system (The Consultant Lounge 2015). This suggests that the structure of performance evaluations and the well-being of employees is a current issue for these types of firms.

The remainder of the article is organized as follows: Chapter II provides the theoretical background and proposed hypotheses. Chapter III presents the experimental design. Chapter IV describes the measurement tests conducted on the data collected. Chapter V presents the results of the measured variables in this study. Chapter VI presents the conclusions drawn from the study.

CHAPTER II

THEORETICAL BACKGROUND AND PROPOSED HYPOTHESES

Self-Esteem

As early as 1943 psychologists were concerned with the needs of individuals and what motivates individuals. Abraham Maslow developed the hierarchy of needs, categorizing them as layers within a pyramid based on the basic types of human motivation and the order in which they should be met. The base of the pyramid represents a human's need for survival (i.e. air, food, and water) referred to as physiological needs (Maslow 1943). The second layer, which would motivate humans once the physiological needs are met, are referred to as safety needs. These needs include personal security, health, and well-being; but most importantly with regards to this research, job security, stability in income, and order and structure (Maslow 1943).

In the third layer, human beings have a need for interpersonal belonging (Maslow 1943). Feeling valued by others includes the belief that we are respected as individuals, valued for our contributions, and respected for our personal visions. Experiencing a sense of being valued is closely tied to levels of self-esteem, feelings of empowerment, and a sense of belonging (Baumeister and Leary 1995). A sense of being valued is also associated with the people with whom one interacts and the activities in which one is engaged (Wehmeyer et al. 2003). In the audit environment, auditors can fulfill the need for interpersonal belonging by obtaining the approval and acceptance of their peers and supervisors.

People who have fulfilled both their safety and belongingness needs, will be motivated to fulfill their esteem needs, which is level four in the hierarchy (Maslow 1943). Esteem needs are directly linked to an individual's achievement, confidence, strength, autonomy, professional status and their overall feeling of self-worth (Rosenberg 1965). Esteem needs are the overall

sense of worthiness and value that people place upon themselves, this is, their self-esteem (Baumeister and Boden 1998).

Self-determination theory and Maslow's hierarchy of needs are closely related with the exception that self-determination includes the influence of an individual's environment. Self-determination theory has stated that people have three innate psychological needs: competence, autonomy, and relatedness. The need for competence is that individuals can succeed at challenging tasks and are able to achieve desired outcomes (Skinner 1995; White 1959). The need for autonomy allows an individual to experience the feeling of choice by being the initiator of one's own actions (deCharms 1968; Deci 1975), and the need for relatedness allows individuals to establish a sense of mutual respect and reliance with others (B&L 1995; Harlow 1958). If the psychological needs of competence, relatedness, and autonomy are met, it produces health and well-being (Ryan & Deci 2000). Organizational environments allow people the opportunity to satisfy these innate psychological needs.

This concept of self-determination is a function of an individual's perceived competence, self-esteem and self-efficacy expectations (Deci and Ryan 1985). Individuals have an intrinsic need to be self-determining and competent and to master optimal challenges. If a person feels safe within their environment and their needs are met, the individual will expend their available energy for the development of competencies that support self-determination (i.e. fulfilling their esteem needs) (Wehmeyer et al. 2003). People with high self-esteem assert themselves, develop and work toward challenging goals and make their decisions with the highest level of self-determination.

Self-esteem extends to the organization, where self-esteem is formed around work and organizational experiences and reflects the perceived value that people have of themselves as

being important, competent, and capable as an organizational member (Mayer, Dale and Fox 2010, 66). Within the auditing context, self-esteem is defined as the overall attitude individuals have about themselves and the extent to which the individual respects himself, considers himself self-worthy and capable (Rosenberg 1965).

Four sources of self-esteem are: visible achievement of goals and objectives, evidence of increasing power, control, and influence over events significant to you, evidence of being valued and cared about by someone important to you, and acting in ways that fit your values and beliefs (Bradshaw 1981, 30). The level of self-esteem (a person's inherent value of themselves) that an individual possesses creates the basis for defining and achieving goals (Field and Hoffman 1994).

People with high self-esteem have been found to integrate all available information into their judgments (Msetfi et al., 2005). As noted by Hurtt (2010), auditors who are more skeptical will search for more persuasive evidence and suspend judgment until sufficient evidence is available. This inclination to extend the search for evidence could be particularly valuable for the quality of semi-structured judgments (Bonner 1994). Semi-structured means that auditors must adapt their knowledge or skills, which are a direct reflection of their self-esteem, along with their trained knowledge and skills from the audit firm (Schmidt and Bjork 1992). When auditors incorporate their self-esteem into their trained knowledge and skills, they will be less inclined to rely on standard audit procedures but rather consider alternative interpretations (Bonner 2008).

The attributes of individuals under the theory of self-determination are directly related to the attributes of an individual with high self-esteem. These attributes include an awareness of preferences, an appreciation that choices among preferences are possible, recognition of available decision-making opportunities, definition of the choice/decision at hand, establishment

of personal outcome standards, generation of alternative choices, evaluation of alternatives, and selection of the alternative that most closely meets the individual's goals (Janis and Mann 1977). These attributes are also noted within Hurtt's (2010) model of behavioral characteristics which exemplify professional skepticism. Therefore, individuals displaying attributes of self-determination also display high self-esteem, and therefore display attributes of professional skepticism.

Individuals with low self-esteem do not integrate all available information into their judgments (Msetfi et al. 2005). Low self-esteem individuals tend to rely more on cues from other people in their work environment and less on their own judgment to direct their work activities (Tharenou 1979). Boush et al. (1994) indicated that those who are low in self-esteem lack the confidence to rely on their judgments. Self-esteem gives an individual the ability to challenge others' judgment rather than simply accept what is presented. As a result, individuals with low self-esteem are likely to be in direct violation of behavioral characteristics of professional skepticism.

Pierce et al. (1989) find that self-esteem is related to both job satisfaction and job performance. When people feel that they are competent, need-satisfying and able, and exhibit such feelings through their behavior, their self-perceived competence concerning the task at hand is increased and so is their task performance (Korman 1968; Tannenbaum 1962). Skepticism entails a level of self-esteem necessary to take action to acquire sufficient evidence to assuage doubts or answer questions raised during the audit (Hurtt 2010, 155). As noted by (Linn et al. 1982), individuals should have a level of self-esteem that allows them to value their judgments as much or more than the judgments of others.

Performance Evaluations

Audit firms expect auditors to have the requisite conceptual knowledge, ability, and motivation to handle particular audit judgments at certain levels of general audit experience. A firm's training programs, hiring practices, and audit assignment structures are set up to mitigate some of the individual ability differences so the firm can rely on judgments of its auditors at a given level of experience (Davis 1996). Currently audit firms are not considering the individual differences in self-esteem, which play a direct role in how auditors handle these particular judgment decisions (Hurt 2010). Audit firms have the opportunity to account for these self-esteem differences through the use of performance evaluations within the firm.

The performance management process is a critical aspect of organizational effectiveness (Cardy and Leonard 2004). Performance management is comprised of: defining the dimensions of the job over which performance is to be rated, rating performance on the dimensions of the job over which performance is to be rated, combining the ratings into overall evaluations, and dispensing rewards based on the overall evaluations (Jiambalvo 1979, 437). Performance evaluations are used for promotion decisions and for providing developmental-oriented feedback to an organization employees (Kane and Lawler 1979). Performance evaluation deals with such things as the senior's knowledge of audit procedures, supervision of staff auditors, planning of audit work, technical knowledge, accounting knowledge, and cooperation with client personnel (Hunt 1995).

Performance evaluations at audit firms are typically conducted at the end of each audit engagement and the end of the operating fiscal year. Performance evaluations are completed by the audit managers although the managers are not involved in the day-to-day conduct of a specific audit. Rather, they review the conduct of the audit currently in progress (Jiambalvo

1979). This study focuses on performance evaluations conducted at the end of the audit engagement of senior auditors. It also focuses on evaluations where the senior auditor completes an assessment of their performance by rating themselves against a set of core values that the firm deems crucial for effective performance. These evaluations provide a clear depiction of an individual's self-esteem as self-esteem is based on the evaluations people place on the perceptions people have of themselves (Coopersmith 1967). At this point, the manager will complete his or her assessment of the senior auditor and either agree or disagree with the senior auditor's rating. The manager will provide justification supporting his or her assessment. The manager will review the evaluation form with the senior auditor, which will allow the manager to provide an explanation for the review given and any discrepancies between the ratings. A question to be asked within accounting firms is: "Are managers perceiving their employees' motivation when conducting performance evaluations and how do managers' perceptions of what motivates their subordinates influence their evaluations of employee performance" (DeVoe and Iyenga 2004)? This question is important because the more the senior auditor values a manager's behavior, the more the auditor is responsive to it.

The evaluations and feedback provided by managers can have a profound effect on the senior auditor's self-esteem, confidence, attitude, and behaviors (Ilgen, Fisher and Taylor 1979). The crucial point in the performance evaluation process, where the manager provides their feedback, can produce a change in the self-esteem of the senior auditor. Managerial support leads to greater satisfaction of the needs for competence, relatedness, and autonomy (traits of self-determination), promoting higher evaluations and well-being of the individual (Baard, Deci, & Ryan 2004; Ryan & Deci 2001; Gagné, Koestner, & Zuckerman 2000; Ilardi, Leone, Kasser, & Ryan 1993). For example, what is communicated by the manager to the senior auditor can

greatly affect how the senior auditor perceives the evaluation. Kinicki et al. (2004) find that an employee's responses to feedback is effected by individual differences in cognition which, in turn, predicts performance. As noted by Bandura (1997), positive feedback can enhance an employee's self-esteem while negative feedback can decrease a worker's self-esteem.

While it cannot be expected that all senior auditors will receive a positive evaluation or positive feedback, it should be expected that managers can provide feedback in a certain manner to maintain, produce, or enhance employee motivation. Organizations should provide an ego-enhancing atmosphere, as opposed to one that is debilitating (A. Korman 1970). Feedback should motivate employees and therefore should be delivered with the mindset of how it would affect an auditors' self-esteem, as research has shown that if employees receive feedback that results in a discrepancy between their current or desired evaluation of one's self, the employee may change their behavior (Campion & Lord, 1982; Carver & Scheier, 1981; Taylor, Fisher, & Ilgen, 1984; Campbell & Lee, 1988). Individuals with high self-esteem will perform effectively in order to maintain their positive self-image (A. Korman 1970), as performance is a function of an individual's self-esteem. What people think or believe about their capabilities directly explains how an individual will moderate his or her performance based on their beliefs (Bandura, 1994; 1997). An objective of management should be to foster a positive environment for self-determination and self-efficacy. A manager's feedback should be constructed in a manner to either increase or maintain the auditor's self-esteem. Based on the finding above, and to establish a relationship between feedback and self-esteem, I propose the following:

H1: Senior associates who receive positive performance feedback exhibit higher self-esteem than those who receive negative performance feedback.

Senior associates begin with certain beliefs and ideas concerning what he or she needs to do to achieve job goals, which regulate the employee's behavior as the employee attempts to attain these goals (Campbell and Lee 1988). Supervisors' feedback on the associate's behaviors has been found to have a favorable effect on subordinates if it clarifies their goals and paths to attain those goals. As noted by Higgins and Pittman (2008), attitudes, competencies, and goals assumed of an individual will influence how an individual will respond and act and therefore cause an individual to maintain desired abilities of themselves, i.e. their self-esteem. The link between the goals an individual sets for themselves and their level of self-esteem is explained by the goal-setting theory. The goal-setting theory states that individual's goals are the causes of behavior and performance will be maximized when they set specific goals and they understand what behaviors will lead to the goals and feel competent to do those behaviors (Locke and Latham 1990). Individuals who view themselves as highly capable and have a high level of self-esteem tend to embrace difficult goals and maintain a commitment to achieve them (Bandura 1994). These people have a high level of self-efficacy which determines the level of effort expended in pursuit of established goals, tasks, and challenges (Bandura & Locke, 2003; Buchner, 2007). Strong performance also requires a high level of self-efficacy, in addition to appropriate skills and abilities. A high level of self-efficacy is required for a high level of performance, therefore developing and strengthening self-esteem in employees is an important performance management objective (Buchner 2007; Silver, Mitchell and Gist 1995).

Linking an individual's level of self-efficacy with their behavior is explained through Deci & Ryan's (1985) self-determination theory. This theory states that people engage in behaviors that are goal-directed (Wehmeyer et al., 2003). Determination refers to the degree of persistence and intensity with which people work toward personal goals (Locke and Latham

1994). Those with high self-determination spend more time and effort towards reaching a goal while those with low self-determination spend less time and effort towards reaching a goal (Wehmeyer, et al., 2003). Individuals who possess qualities of self-determination and work in managerial supportive environments, are likely to exercise the highest levels of self-determination (Abery 1994). According to Bandura (1997), feedback indicating a discrepancy between goals and performance that indicates goal non-attainment and negative feedback will lead to a negative effect; positive feedback should lead to positive effect and the creation of new goals by the individual. Based on the finding above, and to establish a relationship between goal-oriented performance evaluations and self-esteem, I propose the following:

H2: Senior associates who receive goal-oriented performance evaluation exhibit higher self-esteem than those who receive a non-goal-oriented performance evaluation.

Professional Skepticism

Professional skepticism is defined by AU Section 230,

“An attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the profession of public accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence. Gathering and objectively evaluating audit evidence requires the auditor to consider the competency and sufficiency of the evidence. The auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest” (AICPA 1997).

Consistent with research conducted by Nelson (2009, 1), professional skepticism is “indicated by auditor judgment and decisions that reflect a heightened assessment of the risk that an assertion is incorrect, conditional on the information available to the auditor.” Rather than

relying on auditing standards, an auditor would need to obtain evidence and evaluate to confirm management's assertions and rule out alternative explanations (Quadackers, Groot and Wright 2014). An auditor who displays a greater level of skepticism would request more evidence to be convinced than an auditor who displays less (Hurtt, Liburd-Brown, Earley, & Krishnamoorthy 2013; Shaub and Lawrence 1996; Quadackers, Groot, Wright 2014). Nelson (2009) notes that professional skepticism is not only comprised of individual traits but constitute an important set of determinates of skeptical judgments and actions, along with incentives, knowledge, and audit experience and training. Nelson's (2009) model is recognized as the link between incentives and skeptical judgment and actions, and Hurtt (2010) described this as state professional skepticism. State skepticism differs from trait skepticism as trait skepticism is the inherent traits an individual is born with versus state skepticism that builds on these inherent traits based on the situation the individual is in.

Hurtt (2010) has broken down the professional skepticism of an auditor into six characteristics describing the behavior of an auditor operating with a high level of trait professional skepticism. The first three characteristics involve the information available to the auditor: the auditor's questioning mind, suspension of judgment, and search for knowledge. The AICPA (1997) defines a questioning mindset as an auditor displaying an ongoing questioning attitude to determine whether information and evidence obtained suggest a material misstatement. This characteristic is important to ensure that the auditor accepts nothing at face value but always searches for further evidence and performs further inquiries. This will provide the auditor with validation of the judgments he or she made during the audit. The second characteristic is that an auditor must withhold judgment until there is an appropriate level of evidence (Hurtt 2010). This allows an auditor to be fully confident with his or her decision while

conducting an audit. The third characteristic requires a thorough search for knowledge to be able to answer any relevant questions for the subject matter being analyzed. Hurtt's (2010) fourth characteristic, interpersonal understanding, detects the need for the auditor to consider the abilities, skills, and aptitudes of the organization's workforce when evaluating evidence (i.e. opportunities for fraud). The last two characteristics of professional skepticism are self-esteem and autonomy (measured with self-determination scale questions) of the auditor (Hurtt 2010). This study utilizes Hurtt's measures of questioning mind, suspension of judgment, and search for knowledge. The measure of interpersonal understanding will not be evaluated within this study due to the low risk nature of the task being utilized within this study, and no information is presented that would have the auditor consider any opportunities of fraud. The measure of self-esteem and autonomy will be measured in this study but with an established scale for purely measuring self-esteem and autonomy with a goal-based self-determination task.

Self-esteem is defined within this research study as an individual having belief in his or her own abilities. Self-esteem enables the auditor to resist persuasion of others and gives auditors the ability to challenge another's assumptions or conclusion (Hurtt 2010). Skepticism thus must have a certain level of self-esteem so that auditors will take the necessary action to acquire the necessary evidence and to answer questions raised during an audit (Hurtt 2010). The Hurtt scale incorporates aspects of self-esteem into the Professional Skepticism scale, but for this study, self-esteem was tested utilizing the Rosenberg (1965) scale. As this scale presents high measures of reliability in measuring an individual's level of self-esteem. Mautz and Sharaf (1961, 35) support the need for autonomy, stating that "an auditor must possess professional courage, not only to critically examine and perhaps discard the proposals of others but to submit his inventions to the same detached and searching evaluations." The level of autonomy an

auditor possess directly relates to an auditor's level of self-determination. Auditors must also have a high level of self-determination that allows them to withhold conclusions until the appropriate evidence has been gathered (Bunge 1991). If auditors do not have a high level of self-esteem, they will lack the self-confidence to rely on their beliefs and judgments and as a result rely on those made by others (Boush, Friestad and Rose 1994). Based on the finding above, and to establish a relationship between an auditor's self-esteem and their level of professional skepticism, I propose the following:

H3: Senior associates who receive a goal-oriented performance evaluation with positive feedback display a higher level of professional skepticism than those who receive a non-goal-oriented performance evaluation with negative feedback.

H4: Senior associates who display a higher (lower) level of self-esteem display an increased (decreased) level of professional skepticism.

CHAPTER III

EXPERIMENTAL DESIGN

This study examines whether performance evaluations that provide different types of feedback, whether positive or negative and based on goals or tasks, affects an auditor's self-esteem and therefore their professional skepticism. It utilizes a simulated accounts receivable collectability task after a senior auditor has received performance feedback from their manager to provide results on whether the type of feedback received affects the auditor's performance in the task.

Methodology

A 2 x 2 between participants experimental design was utilized with manipulation of feedback (positive/negative) and discussion points (tasks/goals) provided in the manager performance evaluation (see Figure 1). The dependent variable of self-esteem was measured by the participants' self-ratings on the Rosenberg's (1965) Self-Esteem scale (7-point scale), as well as measuring participants' responses on the Arc's Self-Determination scale (Wehmeyer, et al. 2003). The dependent variable of professional skepticism was measured by the participants' assessment of the quality of evidence (7-point scale) to determine the collectability of an accounts receivable balance and the participants' search for further evidence in their assessment of collectability (score assigned based on the items requested: 0 if no items were requested or items requested that were already given, 1 if one items was requested, 2 if two items were requested, etc.). The participants' self-ratings on components (search for knowledge, suspension of judgment, questioning mindset, and self-determining) of the Hurtt (2010) Professional Skepticism scale was measured to determine if it can be used as covariate within the model. The Hurtt (2010) Professional Skepticism scale is measured with a 6-point scale, this study modified

the scale to a 7-point scale to obtain a midpoint if participant's perception of their trait skepticism was neutral. This will determine the influence of trait skepticism that participants brought to the task from the extent to which the manipulations influenced the participants' state skepticism.

Sample

Senior associates employed within the auditing sector at the Big 4 accounting firms are required to complete performance evaluations at the completion of each engagement. These evaluations are reviewed by either the manager or partner on the engagement, who then provides feedback to the senior. Therefore to make this research generalizable to the audit field, a purposive sample of senior auditors at a Big 4 training seminar was selected as participants in this study.

Participants obtained for this study were 109 auditors from a Big 4 accounting firm. One participant was deleted for failure to complete the task in its entirety. The 108 participants had an average of 35.1 months of experience as an auditor and an average age of 26. Of the 108 participants, 100 completed the gender demographic question resulting in 46% male and 54% females who completed the study. Of the 108 participants, 105 completed the position demographic; 94 of the participants were senior associates, 10 were associates, and one was on a rotation. The participants also answered questions to be tested as a control variable. Of the 108 participants, 64% held leadership positions at the firm, 99% had positive prior evaluations (104 participants), and 70% had prior experience with the accounts receivable task (106 participants).

Experimental Task

The participants read general instructions regarding how to complete the task. Performance evaluations were manipulated into four conditions. Two conditions contained goal-

oriented feedback from the engagement manager and feedback was either positive or negative. Two conditions contained task-oriented feedback from the engagement manager and feedback was either positive or negative. The experiment was performed using a between subjects design. One group was given a performance evaluation that was developed to increase a participant's self-esteem (goal-oriented), where a second group was given a performance evaluation that was developed to decrease a participant's self-esteem (task-oriented). After the participants had reviewed the performance evaluations, they completed a modified self-esteem scale developed by Rosenberg (1965) and the ARC's Self-Determination scale (Wehmeyer, et al. 2003).

The participants were then informed that they were working on the same engagement in which they received the performance evaluation. This is realistic within the auditing field as auditors can receive multiple performance evaluations while working on the same job or under the supervision of the same manager. The second part of the task was adapted from an accounts receivable collectability review task developed by Turner (2001). This type of task allows the auditor to concentrate on key factors and assumptions made by management and examine the degree to which the client's assertions direct auditor's search strategies (Turner 2001). This task directly tested the three characteristics of professional skepticism in regards to information available to the auditor. The participants were provided with customer balances and a list of evidence (financial statements, credit ratings, customer file, subsequent cash collections, customer correspondence, attorney correspondence, and special events) to determine if the balances should be identified as accounts with uncollectible balances. This was determined by assessing the quality of each item of evidence on a scale from low to high quality. Once items were assessed, the participants provided a justification regarding the evidence selected and if further evidence or inquiry was needed. This directly tested the participant's questioning mind,

suspension of judgment, and search for knowledge over that information. As previously noted, auditors operating with a high level of professional skepticism do not accept evidence at face value but will search for further evidence and perform further inquiries to obtain justification and proof over judgments made within the audit. Therefore this task was appropriate to test the auditor's professional skepticism.

Participants were then asked to complete the scale questions within the Hurtt (2010) Professional Skepticism scale, but only those items which specifically relate to the behavioral characteristics of questioning mind, suspension of judgment, and search for knowledge. As noted above, the task utilized tested only these areas of professional skepticism, therefore participants were questioned only on their perceptions of these characteristics. Also as previously noted the remaining areas of trait professional skepticism were tested through the self-esteem and self-determination analysis.

Independent Variables

Feedback (positive/negative) provided by the engagement manager: This manipulation was completed through wording in the manager feedback that pertains to the senior's performance evaluation. Positive feedback that is in a behavioral and/or emotional context has the greatest impact on an individual (Jacobs, et al. 1973). These manipulations consisted of behavioral feedback on how the participant behaved and emotional feedback on the feelings that the manager had in response to the participant behavior. Approximately half of the participants received manager feedback that was worded positively in the behavioral and emotional context. In reality, of course seniors within an accounting firm will not all receive positive feedback on their performance evaluations. Therefore to generalize this experiment to the audit field the remaining half of the participants received negative feedback from their manager. Negative

feedback in a behavioral context has been shown to have a larger impact on individuals than in an emotional context (Jacobs, et al. 1973); therefore the feedback was worded largely in this context. Refer to the instrument in the appendix for the exact wording used in the manipulation.

Discussion Points (tasks/goals) provided by the engagement manager: This manipulation was completed by having the manager provide feedback on task-specific details or goal-specific details. Approximately half of the participants received feedback discussing tasks the senior completed while working on the engagement, while the remaining half received feedback discussing whether the senior met the goals set before the engagement field work. Refer to the instrument in the appendix for the exact wording used in the manipulation.

Dependent Variables

Self-Esteem: Once participants read the feedback received from the engagement manager regarding their performance, they were asked to evaluate themselves on Rosenberg's Self-Esteem scale. Three questions have been adapted from the scale but were measured on a 7-point scale (1=low self-esteem; 4=moderate self-esteem; 7=high self-esteem) for purposes of this experiment. Participants were also asked to complete the "goal setting and task performance" exercise from the ARC's Self-Determination scale (Wehmeyer, et al. 2003) to measure the participant's level of self-determined behavior. This scale is comprised of participants stating whether they will set a goal for the upcoming audit, and the steps they will take to achieve this goal. Following the scale developed by Wehmeyer, et al. (2003), participants were provided with the opportunity to list up to 4 steps. Scores are assigned to the participant based on the selection of a planned goal and steps they will need to take to meet that goal (0 points=low self-determined behavior; 2 points=moderate self-determined behavior; 3 points=high self-

determined behavior). These measures were used to determine the level of self-esteem for each participant before completing the substantive task.

State Professional Skepticism: Participants then reviewed information regarding the collectability of an accounts receivable balance and assessed the quality of evidence which can be requested from the client. Evidence was assessed on a 7-point scale from Low Quality to High Quality. Participants who assess pertinent information to determine collectability of an account as high quality were evaluated as individuals with high professional skepticism; participants who assess pertinent information as low quality were evaluated as individuals with low professional skepticism.

Per Big 4 accounts receivable testing guidance, the following steps are required to test the valuation assertion of an accounts receivable aging report. First, obtain the management's report and verify its mathematical accuracy and agree on balances to the sub ledger. Second, select items for testing and vouch for individual amounts to supporting relevant documentation such as invoices and shipping documents. Third, determine whether items have been properly classified by evaluating correspondence with customers, inquires with management, and subsequent cash collections and credit notes issued. Based on this testing guidance, the customer file, subsequent cash collections, and customer correspondence were classified as high professional skepticism and all other items were assessed as low professional skepticism. The sum of the participant's total quality assessment of the seven scale items was used to test state professional skepticism. This variable can be generalized across all accounting firms, as auditors with a high level of professional skepticism would select the evidence items noted within their firm guidance. Once the evidence had been assessed, participants provided their final opinion on the collectability of the account, a rationale for their decision, and request for more evidence if needed. Professional

skepticism was evaluated as high for those individuals who request further evidence to make their collectability assessment and low for those who do not request further evidence to make their collectability assessment. A score was assigned per participant based on the number of items requested. This variable was used to test state professional skepticism. After measuring these variables separately, a composite variable was calculated by obtaining an average quality score plus the collectability assessment score to measure total state professional skepticism.

Covariate

Trait Professional Skepticism: Participants were asked to evaluate themselves on Hurtt's (2010) Professional Skepticism scale. These questions were adapted from the scale but were measured on a 7-point scale (1=low self-esteem; 4=moderate self-esteem; 7=high self-esteem) for purposes of this experiment. This variable was used to determine if trait professional skepticism can be treated as a covariate within the model. Controlling for an individual's trait skepticism can determine if their state skepticism was effected by the structure of the performance evaluations, i.e. their self-esteem.

CHAPTER IV

MEASUREMENT TESTS

In part one of the experiment, the independent variable that was manipulated within this study was the administered performance evaluation. Utilizing results from the Rosenberg (1965) Self-Esteem scale and ARC's Self-Determination scale (Wehmeyer et al., 2003) data was analyzed using a 2 x 2 between subjects ANOVA to determine if there is a significant difference between the means of the performance evaluation manipulations in determining the level of self-esteem. The reliability of the Rosenberg (1965) Self-Esteem scale had a Cronbach's alpha of .66. In part two of the experiment, the dependent variable of professional skepticism was measured by analyzing the total score of the quality assessment of evidence evaluated (Cronbach's alpha of .60), further search for evidence, and the total score of individual's perceptions from the Hurtt (2010) Professional Skepticism scale (Cronbach's alpha of .87). The Cronbach's alpha benchmark value for internal consistency of the scale items is 0.7 (Cronbach 1951), all scales meet this benchmark with the exception of the quality assessment scale (see limitations noted within the conclusion). Data was analyzed using a 2 x 2 between subjects ANOVA to determine if there is a significant difference between the means of the performance evaluation manipulations in determining the level of professional skepticism. A regression analysis was also conducted to determine if the independent variable, the self-esteem score (derived from the Rosenberg (1965) scale) produced a fluctuation in the individual's level of professional skepticism, the dependent variable.

Manipulation Checks

Two manipulations within this experiment required manipulation checks to validate the results obtained from this study. The first question asked participants to describe the level of

task-specific detail within the performance evaluation provided by the manager and the second asked if the manager feedback was positive or negative. Both questions were answered on a 7-point scale. These questions were to ensure that manipulations were successful within the performance evaluation provided to the participant. Both questions appearing at the end of the instrument were administered in a separate stage from the prior portions of the instrument to ensure that participants did not alter their responses to the dependent measures. An independent t-test indicated that the averages per group for each manipulation differed significantly. The mean goal-oriented score was 4.6 and the mean task-oriented score was 3.2 for the task-specific manipulation check question ($t = -4.77, p < 0.01$). The mean positive score was 5.5 and the mean negative score was 2.6 for the manager feedback manipulation check question ($t = -8.72, p < 0.01$)

CHAPTER V

STATISTICAL RESULTS AND ANALYSIS

A two-way between-subjects ANOVA was conducted to explore the impact of a performance evaluation which is positive or negative and goal-oriented or task-oriented on a senior auditor's self-esteem, as measured by the Rosenberg Self-Esteem scale (1965). Senior auditors were divided into four groups at random (Group 1: positive and goal-oriented; Group 2: positive and task-oriented; Group 3: negative and goal-oriented; Group 4: negative and task-oriented). Control variables included within the ANOVA are GENDER, if the auditor noted that they were male or female, LEADERSHIP, if the auditor held a leadership position with the current employer, and PRIOR_POS_EVAL, if the auditor has received positive performance evaluations throughout their tenure at the firm. Gender was included as a control variable due to results noted within prior results of the differing levels of self-esteem between males and females (Kling, et al. 1999). Leadership positions and past positive performance evaluations were included as a control variable as these characteristics may have an effect on an individual's self-esteem. These variables help control for any unexpected variance in the level of self-esteem. Table 2 provides descriptive statistics for the dependent variable in the four experimental conditions.

H1 predicts that auditors will indicate higher self-esteem ratings when receiving positive performance evaluations than negative performance evaluations. Table 1 shows the mean self-esteem score in the positive condition was 14.74 and the mean self-esteem score in the negative condition is 10.92. The direction of the difference is consistent with H1. An ANOVA was conducted to test whether the difference is significant. There was a statistically significant main

effect for positive/negative, $F(1, 89) = 30.35, p < 0.01$ (see Table 2 for ANOVA results). These results provide support for H1.

H2 predicts that auditors will indicate higher self-esteem ratings when receiving goal-oriented performance evaluations than task-oriented performance evaluations. Table 1 shows the mean self-esteem score for in the goal-oriented condition was 13.78 and the mean self-esteem score in the task-oriented condition is 12.17. The direction of the difference is consistent with H2. An ANOVA was conducted to test whether the difference is significant. There was a statistically significant main effect for goal/task, $F(1, 89) = 6.95, p = .01$ (see Table 2 for ANOVA results). These results provide support for H2.

[See Table 1 and 2]

Further analysis was conducted to determine if the supportive/non-supportive condition and the goal/task condition had a significant effect on a senior auditor's level of self-determination. Table 3 shows the mean self-determination score for all four conditions. The direction of the difference for the positive performance evaluation is consistent with prediction within H1 and H2. An ANOVA was conducted to test whether the difference is significant (see Table 4) and the results showed that there was a statistically significant effect between an auditor's level of self-determination and the type of performance evaluation received ($F(1, 104) = 2.71, p = .05$). A chi-square test was performed to determine if the participants in the goal condition were more likely to set a goal within the self-determination task. There was not a significant relationship between the goal condition and participants having a higher level of self-determination, $X^2(1, N = 108) = .98, p = .32$. Further analysis of the participant's responses showed interesting findings throughout the experiment. A majority of the participants that received a performance evaluation that was negative stated their goal within the self-

determination task was to improve their work performance and communication with their manager. As noted by Jussim, Yen, and Aiello (1995), individuals with low self-esteem are more willing to accept responsibility for the negative feedback. This sheds light on the importance an auditor places on their perception and work quality. Individuals use the feedback and rating received in their evaluation to set goals, establish areas for skill development, change behavior, and improve their performance (London and Smither 1995), opening the door for future studies of professional skepticism.

[See Table 3 and 4]

H3 predicts that senior auditors who receive a goal-oriented performance evaluation with positive feedback display an increased level of professional skepticism than those who receive a non-goal-oriented performance evaluation with negative feedback. Table 5 shows the mean professional skepticism score for the quality of evidence; table 7 shows the mean score for the individual's perceptions of their level of professional skepticism, and table 9 shows the mean professional skepticism score for the search for further evidence. First, an ANOVA was conducted to test whether the difference is significant between the four conditions and the dependent variable. Professional skepticism is comprised of two separate measures: the quality of evidence (sum of scale items) and the search for further evidence (score based on items requested). These two measures were tested separately and also as one composite variable. Two ANOVAs were conducted, each with the positive/negative feedback and goal/task feedback as the independent variable and professional skepticism as the dependent variable. There was not a statistically significant main effect between the positive/negative condition and the dependent variable – quality of evidence, $F(1, 99) = .11, p = .37$. There was not a statistically significant main effect between the goal/task condition, $F(1, 99) = .03, p = .44$, as well as the interaction, F

(1, 99) = .66, $p = .21$ (see Table 6 for ANOVA results). There was not a statistically significant main effect between the positive/negative condition and the dependent variable – the search of evidence, $F(1, 104) = 1.24$, $p = .13$, as well as the main effect between the goal/task condition, $F(1, 104) = .83$, $p = .18$, and the interaction, $F(1, 104) = .09$, $p = .38$ (see Table 10 for ANOVA results).

[See Table 5 – 10]

To determine if an auditor's trait professional skepticism (PS_SCORE) can be used as a covariate within the study an ANOVA was conducted to determine if the interaction was significant between the positive/negative condition and the goal/task condition when measuring the dependent variable – trait professional skepticism. There was not a statistically significant interaction, $F(1, 104) = .24$, $p = .31$, therefore, trait skepticism was used as a covariate within the model (see Table 8 for ANOVA results).

An ANOVA was conducted to determine if there was a statistically significant main effect between both conditions and the dependent variable – total state professional skepticism (composite variable), while controlling for an individual's trait skepticism. There was a statistically significant main effect between the positive/negative condition and the dependent variable, $F(1, 99) = 2.52$, $p = .06$ (at the $p < 0.1$ level). There was not a statistically significant main effect between the goal/task condition, $F(1, 99) = .55$, $p = .23$ (see Table 11 for ANOVA results). Prior experience with accounts receivable task, and the time the auditor has been employed with the company were also controlled for as they may have an effect on the participant's level of state professional skepticism. Therefore, H3 was partially supported.

[See Table 11]

H4 predicts that senior auditors who display a higher (lower) level of self-esteem will display an increased (decreased) level of professional skepticism. A regression analysis was conducted to determine if the continuous variable, the total score of self-esteem, from the Rosenberg (1965) Self-Esteem scale can predict the variance in the continuous variable, the level of an individual's professional skepticism. A multiple regression analysis was performed where the self-esteem score was entered as an independent variable and PS_SCORE, EMPLOYMENT LENGTH, and PRIOR_EXPERIENCE were entered as control variables. Preliminary analysis was conducted to ensure no violation of the assumptions of normality, linearity, multicollinearity, and homoscedasticity. The regressions results (see Table 12) show that the adjusted R² is .023 noting that the model explains 2.3% of the variance in professional skepticism. Self-esteem did not have significant contribution ($p = .17$) to explain the variance in the prediction of the dependent variable, professional skepticism (see Table 12). Therefore, H4 was not supported. This finding is largely due to the type of task utilized. As noted by Das and Teng (2004) and Quadackers, Groot, and Wright (2014), it is likely that auditors' judgements and decisions will be strongly dependent on skeptical settings in higher-risk situations. By utilizing a low-risk task that auditors have high familiarity with could have been a limitation that resulted with non-significant findings.

[See Table 12]

CHAPTER VI

DISCUSSION AND CONCLUSION

A high level of professional skepticism is necessary for any auditor to perform their responsibilities. Prior research has shown the important link between auditors having a high level of self-esteem to maintain a high level of professional skepticism. This study investigates whether performance evaluations which are positive and/or goal-oriented result in an increase in an auditor's self-esteem and therefore an increase in an auditor's level of professional skepticism. As predicted, auditor's self-esteem does increase for performance evaluations that are positive or goal-oriented rather than performance evaluations that are negative or task-oriented. Results also provide partial support that this increase of self-esteem results in an increase of the auditor's professional skepticism. It is clear from prior research that performance evaluations play a pivotal role in the organizational environment and research continues to expand in this area. Performance evaluations are more than just an execution of specific tasks but important implications for understanding the well-being of employees and their job performance (Arvey and Murphy 1998). These results imply that accounting firms can restructure their performance evaluations and manager feedback to support the well-being of the employee and their self-esteem.

Implications

The amount of disagreement between an auditor's self-assessment and their supervisors' feedback has led researchers and accounting firms to rethink the structure and process of performance evaluations (Steel and Ovalle 1984). Results show that fluctuations in self-esteem may be based on the type of evaluation that a manager provides to a subordinate, and literature has shown the need for a high-level of self-esteem for an auditor to be highly skeptical.

Professional skepticism remains a fundamental attribute of an auditor, yet auditors continue to face criticism for failing to display the sufficient level of skepticism (PCAOB 2011). Therefore, accounting firms should implement these types of performance evaluations to maintain or increase the level of professional skepticism of their employees. These firms may be able to promote self-esteem by using goal-based performance evaluations. Big 4 accounting firms and financial firms have recently started restructuring their performance evaluations process to have a further emphasis on goal-setting due to the positive results on employees' well-being.

Limitations

The first limitation is the sample size and the pool of participants. The required sample size for this type of study was 120 participants and only 108 participants were obtained. Although this may be a limitation, it is also a strength of this study. These participants have a high level of experience with this type of performance evaluation process and the accounts receivable task throughout their staff and senior career. Therefore the results obtained can display an accurate depiction of what may occur within the field.

The second limitation within this study is the internal consistency of the quality assessment scale developed to measure state professional skepticism. The Cronbach's alpha was .60 and thus fell below the benchmark value of .70. This is the first time this scale was utilized to measure state professional skepticism and will need to be tested further to determine if scale items need to be removed or added to improve the reliability of the scale.

The third limitation as mentioned previously is due to the selection of a low-risk task versus a high-risk task. The task the auditors completed was to assess the collectability of an account within an accounts receivable aging schedule. This type of task tends to be low risk and therefore could have resulted in a lower level of skeptical behavior of the auditors. Research has

shown that auditors' judgments and decisions display the highest level of skepticism in high-risk situations (Das & Teng 2004; Quadackers, et al. 2014).

Another limitation within this study is the institutionalized training that auditors receive over this common task. A majority of the auditors had prior experience with this task and therefore may not search for further evidence or increase their skeptical behavior when their training has taught them to look only for particular types of evidence to test this type of assertion. Therefore, their training did not allow them to utilize their skeptical thinking as a more judgmental task may have.

A final limitation of this study does not measure the participants' level of self-esteem before participating in the experiment. This limitation could result in obtaining an assessment of the individual's actual level of self-esteem, rather than their level of self-esteem due to the feedback that they received from the manager.

Future Research

A future study would involve changing the task from an accounts receivable collectability task to a high-risk task in which auditors have little prior experience. This study could potentially produce larger variations of professional skepticism as auditors would not rely on institutionalized training and auditors could display heightened judgments.

A second study would involve the results found from the self-determination task. A majority of participants who received negative feedback noted that their "goal" would be to increase communication with their manager and improve their performance. These results could further support the use of goal-oriented performance evaluations and its effects on auditors' professional skepticism even when negative feedback must be given.

Lastly, future studies can determine what other effects goal-oriented performance evaluations can have on auditors besides increasing their self-esteem and would these evaluations effect all levels within the firm rather than just senior auditors.

LIST OF TABLES

Table 1
Descriptive Statistics for Self-Esteem in Experimental Conditions
(n = 108)

Performance Eval. Conditions	Supportive Conditions		Row Totals
	Non-Supportive	Supportive	
Task Oriented	Mean = 10.41 Std. Dev. = 3.71	Mean = 13.96 Std. Dev. = 3.18	Mean = 12.17 Std. Dev. = 3.77
Goal Oriented	Mean = 11.72 Std. Dev. = 3.78	Mean = 16.25 Std. Dev. = 2.69	Mean = 13.78 Std. Dev. = 4.00
Column Totals	Mean = 10.92 Std. Dev. = 3.74	Mean = 14.74 Std. Dev. = 3.23	

The dependent variable is the senior auditor's self-esteem score. Mean values are reported for descriptive purposes only.

Table 2
ANOVA Results
(n = 96)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	340.80	1	340.80	30.35	0.00
<i>GOAL</i>	78.05	1	78.05	6.95	0.01
<i>SUPPORTIVE*GOAL</i>	5.57	1	5.57	0.50	0.24
<i>GENDER</i>	37.93	1	37.93	3.38	0.03
<i>LEADERSHIP</i>	0.853	1	0.853	0.08	0.39
<i>PRIOR_POS_EVAL</i>	7.16	1	7.16	0.64	0.21
<i>Error</i>	999.31	89	11.23		

The dependent variable is senior auditors' self-esteem score. *SUPPORTIVE* is manipulated between subjects as positive and negative feedback within the performance evaluation. *GOAL* is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation. The following dichotomous control variables are included within the ANOVA to control for variances within self-esteem: *GENDER* (male or female), *LEADERSHIP* (holding leaderships positions at the current employer), and *PRIOR_POS_EVAL* (receiving prior positive evaluations from employer).

Table 3
Descriptive Statistics for Self-Determination in Experimental Conditions
(n = 108)

Performance Eval. Conditions	Supportive Conditions		Row Totals
	Non-Supportive	Supportive	
Task Oriented	Mean = 1.92 Std. Dev. = 1.38	Mean = 2.55 Std. Dev. = 1.06	Mean = 2.26 Std. Dev. = 1.25
Goal Oriented	Mean = 2.52 Std. Dev. = 1.05	Mean = 2.41 Std. Dev. = 1.15	Mean = 2.46 Std. Dev. = 1.09
Column Totals	Mean = 2.22 Std. Dev. = 1.25	Mean = 2.48 Std. Dev. = 1.10	

The dependent variable is the senior auditor's self-determination score. Mean values are reported for descriptive purposes only.

Table 4
ANOVA Results
(n = 108)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	1.85	1	1.85	1.37	0.12
<i>GOAL</i>	1.43	1	1.43	1.06	0.15
<i>SUPPORTIVE*GOAL</i>	3.66	1	3.66	2.71	0.05
<i>Error</i>	140.29	104	1.35		

The dependent variable is senior auditors' self-determination score. SUPPORTIVE is manipulated between subjects as positive and negative feedback within the performance evaluation. GOAL is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation.

Table 5
Descriptive statistics for the dependent variable state professional skepticism measuring the quality of evidence

Dependent Variable	Mean score (<i>n</i>)	Standard deviation	Range
<i>Customer File of Grace Inc. and LHB Group</i>	4.64 (<i>n</i> = 105)	1.60	6.0
<i>Annual Financial Statements of Grace Inc.</i>	5.04 (<i>n</i> = 107)	1.52	6.0
<i>Credit Rating of Grace Inc.</i>	5.71 (<i>n</i> = 107)	1.20	5.0
<i>Subsequent Cash Collections</i>	6.48 (<i>n</i> = 106)	0.75	3.0
<i>Customer Correspondences</i>	4.83 (<i>n</i> = 107)	1.58	6.0
<i>Attorney Correspondence</i>	5.14 (<i>n</i> = 106)	1.28	6.0
<i>News Report</i>	4.08 (<i>n</i> = 106)	1.56	6.0

Table 6
ANOVA Results
(*n* = 103)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	3.00	1	3.00	0.11	0.37
<i>GOAL</i>	0.71	1	0.71	0.03	0.44
<i>SUPPORTIVE*GOAL</i>	18.59	1	18.59	0.66	0.21
<i>Error</i>	2790.71	99	28.19		

The dependent variable is senior auditors' professional skepticism score derived the assessment of the quality of evidence. SUPPORTIVE is manipulated between subjects as positive and negative feedback within the performance evaluation. GOAL is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation.

Table 7
Descriptive statistics for the dependent variable measuring trait skeptical judgments and decisions

Dependent Variable	Mean score (n)	Standard deviation	Range
<i>I think that learning is exciting</i>	5.74 (n = 108)	1.27	7.0
<i>I relish learning</i>	5.04 (n = 108)	1.70	7.0
<i>I take my time when making decisions</i>	5.49 (n = 108)	1.39	7.0
<i>I don't like to decide until I've looked at all of the readily available information</i>	5.49 (n = 108)	1.46	7.0
<i>I dislike having to make decisions quickly</i>	5.13 (n = 108)	1.55	7.0
<i>My friends tell me that I often question things that I see or hear</i>	4.97 (n = 108)	1.47	7.0
<i>I frequently question things that I see or hear</i>	5.14 (n = 108)	1.32	7.0
<i>I tend to immediately accept what other people tell me</i>	4.98 (n = 108)	1.46	7.0
<i>I often accept other people's explanations without further thought</i>	5.10 (n = 108)	1.34	7.0
<i>I usually accept things I see, read, or hear at face value</i>	4.82 (n = 108)	1.51	7.0

Table 8
ANOVA Results
(n = 108)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	371.72	1	371.72	3.82	0.03
<i>GOAL</i>	17.27	1	17.27	0.18	0.34
<i>SUPPORTIVE*GOAL</i>	22.83	1	22.83	0.24	0.31
<i>Error</i>	10122.87	104	97.34		

The dependent variable is senior auditors' professional skepticism score derived from the Hurtt Scale. SUPPORTIVE is manipulated between subjects as positive and negative feedback within the performance evaluation. GOAL is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation.

Table 9

Descriptive statistics for the dependent variable state professional skepticism measuring the search for evidence

Dependent Variable	Mean score (<i>n</i>)	Standard deviation	Range
<i>Describe any further evidence that you would like to have seen before reaching a conclusion</i>	3.72 (<i>n</i> = 108)	3.00	6.0

Table 10
ANOVA Results
(*n* = 108)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	1.31	1	1.31	1.24	0.13
<i>GOAL</i>	0.88	1	0.88	0.83	0.18
<i>SUPPORTIVE*GOAL</i>	0.10	1	0.10	0.09	0.38
<i>Error</i>	109.63	104	1.05		

The dependent variable is senior auditors' professional skepticism based on the search for evidence. *SUPPORTIVE* is manipulated between subjects as positive and negative feedback within the performance evaluation. *GOAL* is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation.

Table 11
ANOVA Results
(n = 99)

Variable	SS	df	MS	F-statistic	p-value
<i>SUPPORTIVE</i>	4.88	1	4.88	2.52	0.06
<i>GOAL</i>	1.06	1	1.06	0.55	0.23
<i>PS_SCORE_AVG</i>	0.61	1	0.61	0.32	0.29
<i>PRIOR_EXPERIENCE</i>	0.13	1	0.13	0.07	0.40
<i>EMPLOYMENT_LENGTH</i>	0.10	1	0.10	0.05	0.41
<i>Error</i>	178.011	92	1.94		

The dependent variable is senior auditors' level of state professional skepticism. *SUPPORTIVE* is manipulated between subjects as positive and negative feedback within the performance evaluation. *GOAL* is manipulated between subjects as goal-oriented and task-oriented feedback within the performance evaluation. The covariate of *PS_SCORE* (the average level of an auditor's trait professional skepticism) was included within the model as it was not a significant DV (see Table 8). The following dichotomous control variables are included within the ANOVA to control for variances within self-esteem: *PRIOR_EXPERIENCE* (having prior experience with an accounts receivable collectability task) and *EMPLOYMENT_LENGTH* (the number of months an auditor is with the firm can affect an auditor's level of experience).

Table 12
Test of Hypothesis H4: Regression Results

<i>MODEL: StateProfSkep = $\beta_0 + \beta_1$Self-Esteem + β_2PS_Score+ β_3Employment_Length + β_4Prior_Experience + ϵ</i>				
Variable	Coefficients	S.E.	T-statistics	p-value
<i>INTERCEPT</i>	38.45	3.76	10.22	0.00
<i>SELF-ESTEEM</i>	0.14	0.15	0.97	0.17
Control Variables				
<i>PS_SCORE</i>	-0.61	0.57	-1.08	0.14
<i>EMPLOYMENT_LENGTH</i>	0.01	0.04	0.17	0.43
<i>PRIOR_EXPERIENCE</i>	-0.63	1.26	-0.50	0.31
DV definition = auditor's level of state professional skepticism IV definition = self-esteem score derived from Rosenberg Scale (3 items) PS_SCORE_AVG = auditor's level of trait professional skepticism EMPLOYMENT_LENGTH = the number of months an auditor is with the firm PRIOR_EXPERIENCE = participant has experience with an A/R aging substantive task				

LIST OF FIGURES

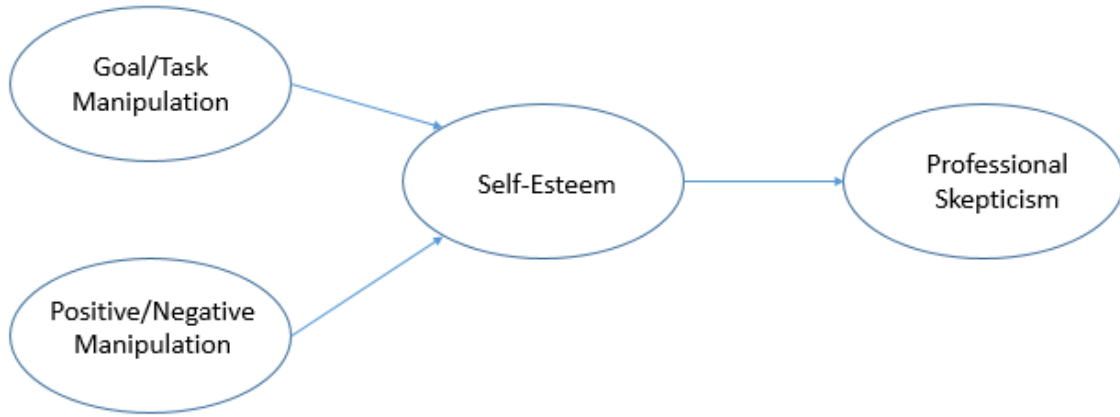


FIGURE 1

2 x 2 Between Subjects Design

	Goal based performance	Task based performance
Positive Feedback	Condition 1: 30 participants	Condition 2: 30 participants
Negative Feedback	Condition 3: 30 participants	Condition 4: 30 participants

FIGURE 2

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APPENDICES

APPENDIX A

Experiment

Instructions:

During the exercise you will review manager feedback in response to a performance evaluation for work performed during a hypothetical interim audit engagement, and then evaluate and document your conclusions about substantive audit evidence during the year-end audit. You will respond to questions about the feedback you reviewed, the substantive task you performed, and a few general questions about yourself.

Note that the materials provided to you may differ from materials provided to other participants. Please do not discuss this exercise with other participants in the room. Also, note that the time it takes you to complete this exercise will likely be different from participants who received different materials.

Throughout this exercise you are to assume the role of an audit senior in charge of the annual audit of LHB Group. First, read the performance evaluation that you submitted for interim hours worked on the engagement. Next, review feedback from the manager in response to your performance evaluation. After reviewing this information, you will answer some questions about yourself. Then, using the provided instructions, you will complete the substantive task for the year-end audit and answer some demographic questions.

We recognize that you would normally require more information or evidence to make the types of decisions you will make during this exercise. However, for the purposes of this study we ask that you respond based on the limited evidence provided.

Background:

You are currently the senior in-charge for the audit of LHB Group. LHB Group is a retail client that you have worked on for the past two years. You just completed interim work in preparation for year-end and you were required to submit a performance evaluation since you incurred more than 80 hours. You are currently on site and have started working on the year-end audit. While on site you received an email notification that the manager reviewed your evaluation and provided her assessment. Below is your performance evaluation:

Engagement Review for Employee A**Function: Audit****Job Level: Senior****Client Code: 00112233****Client Name: LHB Group****Responsibilities on Engagement:****(Completed by the Reviewee)**

This evaluation pertains to the interim hours incurred for the audit of LHB Group. During this audit period I set the following goals for myself to complete. My goals during interim test work were to increase client perception of the value brought by the engagement team, improve work papers to facilitate engagement efficiency for subsequent years, and master relevant technical accounting pertaining to the retail industry. I felt that I was successful in meeting these goals due to feedback received from the client, the work paper product produced, and the training completed within this industry.

During this time I completed the following tasks. I conducted walkthroughs of key process areas and completed supporting control work within these areas. I was able to complete substantive work as of 9/30/15 to lessen substantive work during the year-end audit. Lastly, I reviewed all test work completed by the staff. Within these areas I needed little help from engagement management and had minimal review comments.

Engagement Reviewer:**(Completed by the Reviewer)****Scenario 1 (Goal Based/Positive Feedback)**

Your self-assessment noted that during these interim hours your goals were to increase client perception of the value brought by the engagement team, improve work papers to facilitate engagement efficiency for subsequent years, and master relevant technical accounting pertaining to the retail industry. Throughout my review of your performance during interim, I was pleased with your dedication to meet these goals. You were attentive when the client requested your time

and through discussions and meetings you presented the goals of the audit well. My review of the work papers that were developed for the subsequent audit allowed me to see the improvements that were made that will assist the audit in the future.

Scenario 2 (Task Based/Positive Feedback)

Your self-assessment noted that during these interim hours you completed control test work, walkthroughs of process areas, testing accounts balances as of 9/30/15, and reviewed the staff's work papers. Throughout my review of your performance during interim, I was pleased with your completion of these tasks. You were attentive during walkthrough meetings with the client to document and complete control test work over the key process areas. Based on my review of the work papers, the samples selected and test work completed as of 9/30/15 to assist in the year-end audit seemed appropriate. Lastly, the work papers completed by the staff did not present any issues.

Scenario 3 (Goal Based/Negative Feedback)

Your self-assessment noted that during these interim hours your goals were to increase client perception of the value brought by the engagement team, improve work papers to facilitate engagement efficiency for subsequent years, and master relevant technical accounting pertaining to the retail industry. Throughout my review of your performance during interim, you had a lack of dedication to meet these goals. You were inattentive when the client requested your time and through discussions and meetings you did not present the goals of the audit well. My review of the work papers that were developed for the subsequent audit did not show any improvements that could be made to assist the audit in the future.

Scenario 4 (Task Based/Negative Feedback)

Your self-assessment noted that during these interim hours you completed control test work, walkthroughs of process areas, testing accounts balances as of 9/30/15, and reviewed the staff's work papers. Throughout my review of your performance during interim, I was not pleased with your completion of these tasks. You were inattentive during walkthrough meetings with the client to document and complete control test work over the key process areas. Based on my review of the work papers, the samples selected and test work completed as of 9/30/15 to assist in the year-end audit seemed inappropriate. Lastly, the work papers completed by the staff did not present any issues.

Based on the performance evaluation you have received from your manager, we would like to gather some information before continuing with the remainder of the task.

The following statements are intended to assess an individual's feelings. Please circle the response that indicates how you generally feel. There are no right or wrong answers. Please do not spend too much time on any one statement.

Self-Esteem (not included in administered experiment)

	Strongly Disagree						Strongly Agree
I feel that nothing, or almost nothing can change the opinion I currently hold of myself	1	2	3	4	5	6	7
Criticism or scolding does not hurt me terribly	1	2	3	4	5	6	7
On the whole, I am satisfied with myself	1	2	3	4	5	6	7

Self-Determination (not included in administered experiment)

The next three questions ask about your personal goals for the future on this engagement. These goals will not be required to be completed through the firm's formal goal setting process, but rather are to assist you with your future performance. Again, there are no right or wrong answers. For each question, indicate if you have made plans for that goal or not and, if so, indicate what those plans are and how you plan to meet them.

During the year-end audit I want to set the following goal:

- I have not set a goal yet
- I want to _____

List four things you could do to meet this goal:

- 1) _____
- 2) _____
- 3) _____
- 4) _____

After reviewing your performance evaluation you received an email from your manager regarding your responsibilities on the year-end audit. Along with your senior responsibilities, the manager has requested that you complete the test work within the substantive area of Accounts Receivable. The following pages contain questions regarding your test work in this area.

You have received the A/R Aging report from the client along with the client's policy for assessing allowance for doubtful accounts.

A/R Aging Report						
LHB Group						
Customer	Current	1-30	31-60	61-90	> 90	TOTAL
Avery Group	5,467.92	0.00	0.00	0.00	0.00	5,467.92
Addison LLC	0.00	0.00	675.00	0.00	0.00	675.00
Bruce & Co.	0.00	575.00	0.00	3,210.55	6,592.66	10,378.21
Eddison	13.78	0.00	0.00	0.00	67.33	81.11
Future Investments	7,521.00	375.00	0.00	0.00	0.00	7,896.00
Helen Company	1,256.35	70.00	0.00	0.00	15.00	1,341.35
Price Ltd.	65.00	0.00	0.00	50.00	0.00	115.00
Rush Products	0.00	0.00	0.00	1,769.55	354.89	2,124.44
Taylor Industries	0.00	0.00	2,750.00	0.00	0.00	2,750.00
TOTAL	14,324.05	1,020.00	3,425.00	5,030.10	7,029.88	30,829.03

Based on the A/R Aging Report above you have inquired with the A/R Manager regarding the balance of Bruce & Co.

The A/R Manager has informed you that Bruce & Co has been purchased by Grace Inc. Grace Inc. has accepted full responsibility for all obligations of Bruce & Co. Grace Inc. maintained good cash flows and working capital for the past year. Furthermore, it maintains an excellent credit standing. The A/R Manager believes that they will not have any problem collecting this receivable.

Below is a list of evidence items that are potentially related to the collectability of the Bruce & Co. account balance and may be available to request from the A/R Manager. Please rate the quality (importance of the evidence), as it relates to the collectability of the Bruce & Co balance, of each evidence item by circling one number on the scale below each item.

Customer File of Grace Inc. and LHB Group.

1	2	3	4	5	6	7
Low Quality						High Quality

Annual Financial Statements of Grace Inc.

1	2	3	4	5	6	7
Low Quality						High Quality

Credit Rating of Grace Inc.

1	2	3	4	5	6	7
Low Quality						High Quality

Subsequent Cash Collections

1	2	3	4	5	6	7
Low Quality						High Quality

Customer Correspondences

1	2	3	4	5	6	7
Low Quality						High Quality

Describe any further evidence that you would like to have seen before reaching a conclusion.

--

Please respond to the following questions:

Below are statements that people use to describe themselves. Please circle the response that indicates how you generally feel. There are no right or wrong answers. Please do not spend too much time on any one statement.

	Strongly Disagree			Neutral			Strongly Agree
I think that learning is exciting	1	2	3	4	5	6	7
I relish learning	1	2	3	4	5	6	7
I take my time when making decisions	1	2	3	4	5	6	7
I don't like to decide until I've looked at all of the readily available information	1	2	3	4	5	6	7
I dislike having to make decisions quickly	1	2	3	4	5	6	7
My friends tell me that I often question things that I see or hear	1	2	3	4	5	6	7
I frequently question things that I see or hear	1	2	3	4	5	6	7

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