

## Shared Financial Interest, Fairness, and Honesty in Budget Reporting: Experimental Study in Indonesia

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### ABSTRACT

This study uses two experiments to investigate the honesty of manager's budget reports when the financial benefit resulting from budgetary slack is shared by the manager and other non-reporting employees and when managers consider the fairness of budget participation. Drawing on moral disengagement theory, it is said that the shared financial interest in slack creation makes misreporting more self-justifiable to the manager and, therefore, leads to lower honesty. Consistent with prediction, the result of first experiment show that manager report less honestly when the benefit of slack is shared than when it is not shared, regardless of whether others are aware of the misreporting.

The second experiment investigates whether the fairness concern will affect the honesty of manager's budget reports in all condition as in first experiment. The result of second experiment confirming that fairness concern effects the honesty of manager's budget reports when the financial benefit resulting from budgetary slack is shared and when others are aware of the misreporting.

Results of this study have implications for research and practice of management accounting. This study identifies how the control system has positive and negative externalities, such as group-based incentive plans that widely used within the organization.

Keywords: shared financial interest, fairness, honesty, budget reporting

### 1. INTRODUCTION

Budget has an important role in the organization for planning, coordinating activities, allocate resources and provide the right incentives (Covaleski et al, 2003). Typically, lower-level managers have superior information about the condition of their sub-units or divisions, for example, information on costs and production capabilities. Associated with this asymmetric information, higher management in an organization often relies on sub-unit managers to communicate such information during the budgeting process. Such information is expedient for organizations to improve the efficiency of resource allocation decisions (Antle and Fellingham, 1990) and is useful for designing incentive-based performance budget (Shields and Shields, 1998).

Sub-unit managers often submit a budget that contains slack, i.e. deliberate underestimation of revenue and production capabilities and or overestimation of costs and resources required to complete the task that is budgeted (Dunk and Nouri, 1998).

This study investigated how shared financial interest of budgetary slack and fairness perceived affect honesty in budget reporting. Specifically, this study investigates how the distribution of benefits in budgetary slack between sub-unit manager with other employees and also how subunit manager's fairness perceived can influence honesty in subunit manager's budget reporting to headquarters. Terminology of budget reporting in this study is the budget submission by subunit managers to headquarter to fund the cost of the subunit, which in this budget proposal managers can create slack.

Budgetary slack can be obtained by filing a dishonest budget in two ways. First, the cost exceeds the value that should be made (overstated) with the purpose of the subunit managers accept excess resources (Merchant, 1985) and the benefit as a result of this excess resources can be consumed as a perquisite and or as leisure by subunit manager. Second, to make a lower subunit manager's target as performance measurement than it should (understated) and the benefit as a result of this lower target can lead to performance-based higher income or as leisure.

Variation in the organization's control system including incentive payments policy tend to affect the level of shared benefit on slack between the subunit managers with other staff in the subunit. For example, process of delegating the rights to decide may be vary between organizations which will affect the diversity of managers' ability to submit budget which includes slack that can be consumed as a perquisite. Many organization recently use group-based incentive payment plan. In the incentive payment plan, the amount of compensation is a function of the performance achieved by a group of employees (Hollensbe and Guthrie, 2000). The distinguishing feature of the incentive payment plan than others is that each group member has a portion of the benefits arising from the group achievement (Bohlander and Snell, 2007), meaning that when the subunit manager made a lower target (understate targets), the benefit of the lower target will be shared with employees in the subunit.

The purpose of this study is to investigate whether a shared financial interest in the creation of slack, another employee's awareness regarding misreporting, and fairness perceived affect manager's honesty in the budget reporting. This is important for researchers in the field of management control and also for practitioners because this research provides insights to understand when managers tend to include slack in their budgets, then it became a reference in improving the control system, for example the implementation of audit for the proposed budget. This study is also important

because it tries to identify when a control mechanism is useful in one domain, it could be a negative impact on different domains. Specifically, if a group-based incentive payment plan reduces the effectiveness of budgeting, then the impact should be really observed because it can alter the optimal design of the overall system management control. Furthermore, the management needs to weight the costs versus benefits of group-based incentive systems when designing the most effective management control.

This research conducted two experiments to aim the result. The first experiment investigated the behavior of managers in submitting the budget when the benefit of slack created shared with other employees. In this experiment, the participants act as division manager and assistant manager. Division manager prepared a report on the budget containing the demand for funds to finance the cost of division, while the role of assistant manager really passive. This study uses a hierarchical arrangement, where the manager has full authority to do the reporting of budget contains budget submitted to the head office and assistant manager has no authorization at all. It aims to reduce the confounding effects that may arise from a diffusion of responsibility (Darley and Latane, 1968; Mynatt and Sherman, 1975). Two factors are manipulated in this first experiment are: whether the benefits of budgetary slack shared to assistant (yes versus no) and whether assistants aware of any misreporting (yes versus no). Consistent with predictions, manager-participants submitted a budget with lower honesty when the benefits of slack shared to assistant than when the benefit of slack is not shared. However, according to the predictions, the assistant consciousness about whether the manager did misreporting or not, it does not affect honesty in submitting budget manager.

The second experiment investigated the behavior of managers in submitting the budget and benefit of slack created shared to other employees and when there is manager's fairness perceive. Experiments were performed similarly to the first experiment, then added participants who serves as manager of the head office which received the budget submission report and then provide some funds in accordance with that proposed by the manager of the subunit. This second experiment showed different results with the first experiment. Manager's honesty in submitting the budget was not influenced by share of benefits of budgetary slack when there is manager's fairness perceived. Moreover, contrary to the results of the first experiment, manager's honesty was influenced by other employee's awareness regarding misreporting when there is fairness perceived. Thus, when there is fairness perceived factor considered by the subunit manager in creating slack, the variables that influence the behavior of managers is other employee's awareness of misreporting, without considering whether the slack is shared with another employee or not.

Results of this study have implications for research and practice of management accounting. This study identifies how the control system has positive and negative externalities, such as group-based incentive plans that widely used within the organization (DeMatteo, Eby and Sundstrom, 1998; Fisher, Peffer and Sprinkle, 2003) is believed to have a positive impact on the results created by the organization (Hollensbe and Guthrie, 2000). However, one thing should be considered is if the group-based incentive plan decrease the effectiveness of budgeting due to the emergence of budgetary slack, these impacts should be incorporated into the cost-benefit analysis by management as part of their efforts to maximize the effectiveness of management control systems.

This research is the development of experimental studies conducted by Church, Hannan, and Kuang (2012). The contribution of this study is to fill a gap in the study that did not include fairness perceive in their experiments.

## **2. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT**

### **2.1. Honesty in Budget Reporting**

Several experimental studies have investigated the honesty of managers in budget reporting, such as Evans et al (2001), Hannan et al (2006), Krishnan, Marinich and Shields (2011), and Newman (2011). These studies investigated the honesty of managers in budget reporting without including shared interest factor in such misreporting. The subunit managers usually have superior information compared to headquarter about subunit production costs in their budget submission to headquarters, more over, subunit manager submit the budget that included of slack to the headquarter and they keep the benefit of the slack created. Research results of Evans et al (2001) suggest that managers often do not raise the budget submitted to the maximum possible extent, because the manager has a preference of honesty. Several studies have found factors that increase the honesty such as ethical concerns (Rankin et al, 2008); social stress to be honest (Hannan et al, 2006), preference to meet organizational goals (Newman, 2011), and psychological contract fulfillment (Khrishnan et al 2011).

### **2.2. Shared Financial Interest**

Bandura (1990, 1999, 2002) describes the moral disengagement theory is a theory which states that individuals using generally acceptable moral standards to self-regulate their environment, they usually refrain from acting against moral standards because such an act would cause psychological cost. In particular, the psychological self-regulatory mechanism will not run unless it is turned on, and the individual can turn it off by rationalizing their behavior as ego-defensive

(Aronso,1995,1999).

Bandura (1999) states that individuals not involved in the crime except in a condition where they justify the morality of their actions. One important technique that an individual use to self-justify their action is redefining or reinterpreting an act to be morally permissible. Individuals will make their actions as an act which represents the common interest, not the interests of their own. (Ashford and Anand, 2003).

In the context of this study, if the budgetary slack is only profitable for the manager, then misreporting in budgeting only have one effect, that is to serve the interests of its own which is morally negative act and cannot be justified. On the other hand, if the advantages of budgetary slack is shared with another employee then misreporting in budgeting have additional impact, that is to serve the interests of others. Helping others is considered positive and socially expected (Brief and Motowidlo, 1986), then a shared financial interest has the potential to mitigate or offset the negative effects of the pursuit of their own interests. Thus, moral disengagement is providing a tool for framing the decision to misreporting as one of the businesses that serve the public interest, so that reduced all nonethical-ness, which in turn reduces feelings of guilt (Bandura et al, 1996).

Based on the theoretical above, the first hypothesis in this study is:

H<sub>1</sub>: Honesty of budget reporting managers is lower when slack is shared with other employees than when slack is not shared.

### **2.3. Other Employee's Awareness of Misreporting**

Previous studies have claimed that an individual pay attention to other people's impression about them which will lead the individual behavior to conform to that impression even though there is no economic consequence (Hannan et al, 2006; Leary, 1995; Schlenker, 1980). In the budgeting, managers will pay attention on misreporting, if known by his staff, then its subordinate would have a negative impression of them. This study objective is also to see how if misreporting carried out by the manager is known by his subordinate, and the subordinate receive the benefit of misreporting. When the benefit of misreporting is not shared with other employees, managers will be aware that other employee will see that the misreporting represents his selfish and opportunist. Such action is deemed violated honesty and has negative impression of their subordinates (Alexander and Knight, 1971). Because manager pays attention to what other peoples think about him, then the manager wishes to maximize his interests that will be affected by the need to give a positive impression, so the manager will report budget more honest when other people know the manager's misreporting.

In line with the results of research (Marks and Miller, 1987; Ross et al, 1977),

when the benefit of misreporting shared with other employees, awareness of other employees regarding misreporting will not affect too much on the behavior of the manager, because managers felt that other employees would excuse misreporting action he did, regarding to the benefits of such action also enjoyed by other employees. Managers will argue that by including the slack in the proposed budget, then he can be accepted by other employees. Thus, other employee's awareness regarding manager's misreporting tend to affect honesty in budget reporting when the benefit of slack shared with other employees.

Based on the above discussion, the second hypothesis to be examined in this study are:

- H<sub>2a</sub>: If the benefit of slack is not shared with other employees, honesty of manager in budget reporting is higher when other employees know about slack creation.
- H<sub>2b</sub>: If the benefit of slack is shared with other employee, manager's honesty is not affected by other employee's awareness regarding the behavior of managers in slack creation.

#### 2.4. *Fairness Perceived*

Organizational justice (fairness) theory states that there are two forms of fairness are distributive fairness and procedural fairness (Lau and Tan, 2005). Variables on the importance of process understanding by which the budget participation affects job satisfaction and organizational commitment is procedural fairness. Theory of distributive fairness emphasized that involvement related to the allocation of decision-making, individuals will pay attention and at the same time is also affected by a fair result. That is, as long as the outcome is fair (equitable), then the individual will be satisfied (Lissak et al, 1983; Alexander and Ruderman, 1987). While the theory of procedural fairness emphasizes that during the procedure and process is fair, then people will be satisfied. Maiga and Jacobs (2007) notes that procedural and distributive fairness affect the trust of subordinates to superiors and then trust significantly affect the budget goal commitment, and budget goal commitment affect reduced the propensity of managers to create budgetary slack.

If the sub-unit managers consider the fairness perceived in making budget submission, it could be expected to affect their honesty, both in conditions when the benefit of slack is shared with other employees or not, or in the condition of the other employees know misreporting carried out by the manager or not. Based on the above literature, the third hypotheses examined in this study are:

- H<sub>3a</sub>: Manager's behavior in budget reporting in the condition benefit of slack is shared is different between the existence and the absence of fairness perceived

- H<sub>3b</sub>: Manager's behavior in budget reporting in the condition benefit of slack is not shared is different between the existence and the absence of fairness perceived
- H<sub>3c</sub>: Manager's behavior in budget reporting in the condition benefit of slack is shared and other employee know about misreporting is different between the existence and the absence of fairness perceived
- H<sub>3d</sub>: Manager's behavior in budget reporting in the condition benefit of slack is shared and other employee know about misreporting is different between the existence and the absence of fairness perceived
- H<sub>3e</sub>: Manager's behavior in budget reporting in the condition benefit of slack is shared and other employee do not know about misreporting is different between the existence and the absence of fairness perceived
- H<sub>3f</sub>: Manager's behavior in budget reporting in the condition benefit of slack is unshared and other employee do not know about misreporting, is different between the existence and the absence of fairness perceived

### 3. RESEARCH METHOD

This study conducted two experiments to test the hypothesis. The first experiment is to investigate division manager's honesty in budget reporting affected by a shared financial interest and awareness of other employees regarding misreporting. While the second experiment is to investigate division manager's honesty in budget reporting affected by a shared financial interest, awareness of other employees regarding misreporting, and fairness perceived.

The first experimental design is a 2 x 2 between-participant. While the second experiment is a 2x2x2 within participant. This experimental setting used budget reporting as "trust contract" in Evans et al (2001). The advantages of this type of contract it can allow researchers to investigate the influence of behavioral factors when participants have a strong economic incentive to act opportunistically (Church et al, 2012).

To facilitate the understanding of the relevance of experiments conducted with the hypothesis to be tested, can be seen in the matrix presented in Table 1 below.

**Table 1. Matrix of Experiment and Hypothesis**

Experiment	Experiment Design	Hypothesis
Experiment 1	2x2 <i>between participant</i>	H <sub>1</sub> , H <sub>2a</sub> , H <sub>2b</sub>
Experiment 2	2x2x2 <i>within participant</i>	H <sub>3a</sub> , H <sub>3b</sub> , H <sub>3c</sub> , H <sub>3d</sub> , H <sub>3e</sub> , H <sub>3f</sub>

### 3.1. Experiment Setting and Design

Participants in this experiment were 32 students of Master of Accounting and 32 undergraduate students. Manager - participants and Assistant Manager - participants were divided into four (4) groups with the same number. The division of this group is done randomly, by drawing code and the identification number of each participant.

Experimental tools used are:

1. Code and the identity numbers of participants
2. Pre-test questionnaires to test the extent to which participants' understanding about their role in this experiment and understanding of budget reporting.
3. Cost Sheet, containing the actual value cost (filled by the experimenters) and the value of budget cost must be filled by managers-participants then submitted to the head quarter. The difference between the proposed cost budget and the actual cost is the budgetary slack.
4. The paper contains a scenario that was read to the participants in each group / class.

A scenario read to the participants at the beginning of the experiment is assuming conditions that occur in a company, especially a division of the company. The division is assumed to consist only of a division manager and assistant. Managers submit budget reports to the head office to ask for some funds for production costs of these divisions. Managers ascertain the actual production costs before submitting the budget report to headquarters. Headquarters only know the distribution of the cost of production and will give an amount of the budget requested by the division manager that will not exceed the budget set, between Money 4000 up to Money 6000. If there is a difference between the budget given by the head quarter and its actual cost, then slack belongs to the division and the head office does not know the amount of the actual cost of production activities, so they do not know if there is a slack.

After randomly divided into some groups, the participants are placed in classrooms. Each group consists of 8 participant to be manager and 8 participant to be assistant manager. In each class, scenario and an explanation of their role as participants are shared and read by the experimenter and a detailed explanation regarding their income as managers and assistant managers as well as an explanation of the budgetary slack.

### 3.2. Experiment 1: *Shared Financial Interest, Other Employee's Awareness of Misreporting, and Manager's Honesty in Budget Reporting*



The participants are explained by the experiments that carried out as much as five budget reporting period consists of the number of estimated actual costs vary in each period. Actual cost for each manager - participants in each period and its value is the same in each group.

Participants were divided into groups:

1. “No-sharing-Unknown” condition in which the benefit of slack is not shared to the assistant manager and the assistant manager did not know that the manager submitted the slack in the proposed budget.
2. “No-sharing-Known” conditions where benefit of slack is not shared with assistant manager and assistant managers know that managers submitted the slack in the proposed budget.
3. “Sharing-Unknown” condition in which the benefit of slack is shared to the assistant manager and the assistant manager did not know that the manager submitted the slack in the proposed budget.
4. “Sharing-Known” condition where the benefit of slack is shared to the assistant manager and assistant managers know that managers submitted the slack in the proposed budget.

After the instruction read, participants filled out a pre-test to convince the experimenter that participants fully understand the experiments that will be performed. During the experiment, in each classroom, manager-participant and assistant managers-participants sit separately. After 5 periods completed, the cost is based on the identification sheet case conditions. Then, participants filled out a questionnaire post-experiment, and then distributed their bonus. Then participant-division manager filled the cost sheet. In condition Unknown, managers write the identification code respectively for each period, and submitted budgeted cost that will be delivered to the headquarters at the bottom of the sheet cost, then the experimenter take the cost sheet. In Known conditions, managers write the identification code respectively for each period, and submitted budgeted cost that will be delivered to the headquarters at the bottom of the sheet cost, and experimenter share it to assistant manager, then assistant manager reviewing costs sheet they receive by writing the identification code and write them on a sheet of cost.

### **3.3. Experiment 2: Shared Financial Interest, Other Employee’s Awareness of Misreporting, Fairness Perceived, and Manager’s Honesty in Budget Reporting**

In the second experiment, all the steps are performed similarly to the first experiment to four conditions: No sharing-Unknown, No sharing-Known, Unknown Sharing-and-Known Sharing. However, to incorporate factors of fairness perceived

that can affect the manager's honesty in budget reporting, then experimenter raised the figure of head office manager.

Participants who serves as headquarter manager receive the cost sheet presented by the division manager then approve the budget in accordance within the budgeted cost in the cost sheet. The role of the headquarter managers who appear in the second experiment stimulates the factor of fairness perceived that is expected to affect division manager 's honesty in the budget reporting process.

## 4. RESULT

### 4.1. Descriptive Statistics

This research used two measures to assess the honesty of managers in budget reporting. The first measure is the "slack" calculated by budgeted cost minus the actual cost. The second measure is "honesty" calculated by  $1 - \frac{(\text{budgeted cost} - \text{actual cost})}{(6000 - \text{actual cost})}$ . Values obtained will range from zero to one and represents whether managers behave honestly versus behave for personal interests. If the manager behaves honest exactly with the budget submitted then the value obtained is one. If managers maximize their personal interests by proposing a budget of a maximum value ie 6000 Money, then the value obtained is zero. Descriptive Statistics can be seen in table 2 appendix. Highest slack and lowest honesty is in a condition of Sharing-Unknown, where lowest slack and highest honesty is the condition No Sharing- Unknown.

### 4.2. Test of Hypothesis 1

To examine the first hypothesis, the researcher conducted two sets of two-way ANOVA. The dependent variable is Slack and Honesty for 5 periods. Appendix Table 3 shows the results of ANOVA test for the first experiment.

The first hypothesis predicts honesty of managers that they will report lower budget in which slack shared with other employees than slack is not shared. The first hypothesis testing results can be seen in Table 3. Panel A and B show there is a significant influence on the sharing to the honesty. Specifically, managers-participants were significantly ( $p = 0:09$ ) to create more slack in which the benefit of slack is shared to the assistant manager (322.5125) than the benefit of slack is not shared to the assistant manager (194.8125). So even with measurement using the "honesty", honesty of managers-participants were significantly ( $p = 0.004$ ) lower when the benefit of slack shared to the assistant manager (0.6691) compared to in which the benefit of slack is not shared to the assistant manager (0.8015).

In summary, this first experimental results support the hypothesis 1, ie honesty of manager in budget reporting is lower when benefit of slack is shared to other

employees than when the benefit of slack is not shared.

### 4.3. Test of Hypothesis 2

The second hypothesis predicts: (a) If the benefit of slack is not shared with other employees, manager's honesty in budget reporting is higher in which the other employees know the behavior of managers in the budget report than they do not know, and (b) If the benefit of slack shared to another employee, manager's honesty is not affected by another employee awareness regarding the behavior of managers in the budget report. The second hypothesis test results are shown in Table 4 appendix. Awareness of other employees regarding misreporting does not affect manager's honesty in the budget report ( $p = 0.200$  for the slack, and  $p = 0.225$  for honesty). These results do not support the hypothesis (2a). The interaction between knowledge and sharing and significant ( $p = 0.000$ ) affect the slack and honesty. This does not support the hypothesis (2b).

In summary, the results of the first experiment did not support the second hypothesis, both hypotheses (2a) and hypotheses (2b). It can be interpreted roughly that managers-participants do not care about the impression of his subordinate about their honesty, and tend to be indifferent to the perception regarding their honesty. It is necessary to explore in next research, whether because it is influenced by cultural factors or other factors.

### 4.4. Test of Hypotheses 3

The third hypothesis basically predicted that the existence of variable of fairness perceived, then there will be a difference for division manager's honesty in the budget reporting for each condition (no sharing-unknown, no sharing-known, sharing-unknown, sharing-known). To test the third hypothesis, the researcher conducted two sets of two-way ANOVA resulting from second experiment. The researcher then testing the significance of the difference between the results of two-way ANOVA from the first and second experiments, by conducting paired sample t-test (paired sample t test). The dependent variable in these tests is Slack and Honesty for 5 periods. Table 4 shows the results of ANOVA test for the second experiment.

Two way ANOVA test results from the second experiment showed that honesty manager is not affected by the distribution of profits slack by the assistant manager. This is indicated by p value on sharing in panel A of 0407, and the p value on sharing in panel B of 0604. Another employee's awareness about the misreporting conducted by managers affect manager honesty in reporting on the budget for second experiment ( $p = 0.007$  for the slack and  $p = 0.036$  for honesty), as well as the interaction between another employee awareness regarding misreporting with profit sharing slack,

showing results significant effect on the honesty of managers in budget reporting ( $p = 0.005$  for the slack and  $p = 0.004$  for honesty). Results from paired sample t test to examine differences in the results of first and second experiments can be seen in Table 5.

The significant difference between the results of the first and second experiment is in sharing conditions ( $p = 0.038$  for the slack and  $p = 0.013$  for honesty). These results support the hypothesis (3a) that the fairness perceived led to differences in the behavior of managers in budget reporting when benefit of slack was shared to other employees compared with the absence of fairness perceived. Slack created by managers-participants is lower when the fairness perceived in conditions slack benefit are shared with other employees (234.8) compared with when the absence of fairness perceived (322.15). Similar results occurred on manager's honesty in budget reporting as honesty is higher when the fairness perceived exist in the condition of benefit of slack is shared with another employee (0.7704) compared to the absence of fairness perceived (0.6691).

Another significant difference between the experimental results of the first and second experiment was in sharing-known condition ( $p = 0.002$  for the slack and  $p = 0.003$  for honesty). These results support the hypothesis (3d) that the fairness concern led to differences in the behavior of managers in budget reporting in a condition of slack benefit is shared with another employee and other employees know about behavior of managers in the budget reporting compared to the absence of fairness perceived. Slack created is lower when the fairness perceived exist in sharing-known condition (104.27) compared to when the absence of fairness perceived (201.76). Honesty is higher when fairness perceived exist in sharing-known condition (0.8828) compared to the absence of fairness perceived (0.7802).

In conclusion, fairness perceived affect the honesty of managers in the budget reporting in which the benefit of slack is shared to other employees and other employees aware of any misreporting conducted by the division manager.

## 5. CONCLUSION AND LIMITATION

### 5.1. Conclusion

Results from two experiments for examining the effect of shared financial interest, another employee awareness regarding misreporting, fairness perceived to manager's honesty in the budget reporting are:

1. Manager's honesty in budget reporting is lower in which benefit of slack is shared with other employees than the benefit of slack is not shared.

2. The fairness perceived led to differences in the behavior of managers in which the benefit of slack is shared to other employees compared to the absence of fairness perceived.
3. The existence of fairness perceived led to differences in the behavior of managers in which the benefit of slack is shared to another employee and other employees know about the behavior of managers in the budget report compared the absence of fairness perceived.

## 5.2. Limitation

This study has some limitations including experiments conducted do not include elements of culture, habits, and other factors that affect a person's honesty. Future research should include factors that affect the honesty of, for example, selecting participants of different cultures or different countries.

## APPENDIX

**Table 2. Slack and Honesty Mean of Experiment 1**

	<b>Unknown</b>	<b>Known</b>
<b>Sharing</b>	<i>Slack</i> = 443.25, Honesty = 0.558, N= 40	<i>Slack</i> = 201.775 Honesty = 0.7802 N= 40
<b>No-Sharing</b>	<i>Slack</i> = 136.60 Honesty = 0.8569 N= 40	<i>Slack</i> = 253.0250 Honesty = 0.7461 N = 40

**Table 3**

## ANOVA test for Experiment 1

	Type III Sum of Squares	Df	Mean Square	F	Sig.
Panel A: Dependent Variable : <i>SLACK</i>					
Sharing	652291.600	1	652291.600	6.904	.009
Knowledge	156375.025	1	156375.025	1.655	.200
Sharing *	1280924.100	1	1280924.100	13.557	.000
Knowledge					
Error	1.474E7	156	94486.443		
Total	2.753E7	160			
Corrected Total	1.683E7	159			
Panel B: Dependent Variable: HONESTY					
Sharing	.701	1	.701	8.355	.004
Knowledge	.124	1	.124	1.481	.225
Sharing*Knowledg e	1.109	1	1.109	13.211	.000
Error	13.097	156	.084		
Total	101.541	160			
Corrected Total	15.032	159			

Table 4. Two Way ANOVA Test for Experiment 2

	Type III Sum of Squares	Df	Mean Square	F	Sig.
<b>Panel A: Dependent Variable: SLACK</b>					
Sharing_F	60528.400	1	60528.400	.690	.407
Knowledge_F	653313.600	1	653313.600	7.447	.007
Sharing_F *	710222.500	1	710222.500	8.095	.005
Knowledge_F					
Error	1.369E7	156	87730.820		
Total	2.253E7	160			
Corrected Total	1.511E7	159			
<b>Panel B: Dependent Variable: HONESTY</b>					
Sharing_F	.021	1	.021	.271	.604
Knowledge_F	.352	1	.352	4.453	.036
Sharing_F*Knowledge_F	.686	1	.686	8.663	.004
Error	12.348	156	.079		
Total	111.238	160			
Corrected Total	13.407	159			

Table 5. Paired Sample t Test for Experiment 1 and Experiment 2

Paired Sample	Honesty	p value
Sharing	<i>Slack</i>	0.038*
Sharing	Honesty	0.013*
No Sharing	<i>Slack</i>	0.980
No Sharing	Honesty	0.851
Sharing Unknown	<i>Slack</i>	0.327
Sharing Unknown	Honesty	0.181
Sharing Known	<i>Slack</i>	0.002*
Sharing Known	Honesty	0.003*
No Sharing Unknown	<i>Slack</i>	0.346
No Sharing Unknown	Honesty	0.351
No Sharing Known	<i>Slack</i>	0.411
No Sharing Known	Honesty	0.685

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