

The Relationship between Accountant Characteristics and Accuracy of Financial Reports

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Abstract: The accounting profession performs a role in giving reasonable assurance to the users' of financial statements, the reliability and credibility of firms' financial statements. If there is lack of effective and credible audit function has resulted to fraud in many organizations, misappropriation and embezzlement of funds by accountants. This study is guided by the fundamental assumptions of accountant characteristics in achieving value and credibility in the financial reporting process. The research is necessitated by the objectives of determining the relationship between the gender of accountant and financial report; establishing the correlation between gender of an accountant impacts on financial reports; determine whether professional qualification impacts financial report; determine whether academic qualifications of an accountant impacts on financial report; and establish link between the experience of an accountant and financial report. Secondary data were the audit reports that were collected from the companies audited by the audit firm. The results confirmed the existence of a positive and significant relationship between accuracy of financial report and accountant characteristics. However, the results showed that there was no significance of gender of an accountant and accuracy of financial report. Therefore, increase of accountant academic qualification, experience of accountant and accounting professional certification leads to increase accuracy financial reporting.

Keywords: Auditor's report, Qualified opinion, Unqualified opinion, Accuracy.

1. INTRODUCTION

External financial statement users, including current and potential investors, creditors and others need reliable financial information on which to base their resource allocation decisions. Internal financial statement users such as management, audit committees and board of directors have an interest in quality audits, for example; to help reduce the cost of capital (Miettinen, 2011).

The financial reporting effectiveness in terms of the relation to characteristics of accountants' .The fundamental qualitative characteristics (gender, professional certification, academic qualification, and experience) can be an inference in determining the accuracy of financial reporting information .The qualitative characteristics can improve decision usefulness when the fundamental qualitative characteristics are established that is understandability, comparability, verifiability and timeliness.

1.1 Objectives of the study:

1. To determine the relationship between the gender of the accountant and accuracy of financial report
2. To determine the relationship of accounting professional certification and accuracy of financial report
3. To determine the relationship between academic qualifications of an accountant accuracy of financial report
4. To determine the relationship between the experience of an accountant and accuracy of financial report

2. LITERATURE REVIEW

2.1 Gender:

(Deepak & Al-Umran, 2011) Study shows that female accounting students outperform male students in overall test assessment. Although the study suggests an evidence of male dominance in enrolment proportion, but female students were dominant in performance. This evidence does suggest that females are not intellectually dwarf and are likely to encourage more female enrolling on courses that have over time enjoyed masculine dominance.

2.2 Professional certification:

(DeZoort, 2001) Explores various advantages that academically qualified members may possess their over unqualified colleagues. First, academic qualification enhances the judgment power of the audit members. Academic qualified audit members possess relevant technical knowledge due to prior training, performance, review and feedback (Harrison, 2002).

2.3 Academic certification:

Financial reporting abilities grow more extensive as one moves to increasingly higher levels of academic achievement. Continuing education ensures that accountant routinely undergo training to continuously maintain and enhance their professional capabilities. A commitment to life-long learning should be encouraged (Cohen, 2004).

2.4 Experience:

(Kaplan, Arel, & O'Donnell, 2008) noted that experience suppose to influence accountants judgments about information provided by management when it is in consistent with management's self-interest, in the other hand if such information from management is not consistent with management's self-interest then will view that information with less suspicion.

2.5 The agency theory:

(Michael, Meckling, & Jensen, 1976)define an agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. The authors notice that if both parties are utility maximizers (opportunistic behavior); a good reason exists to believe that the agent will not always act in the best interests of the principal. According to (Michael, Meckling, & Jensen, 1976) divergence exists between the agent's decisions and those decisions which would maximize the welfare of the principal. Within this principal-agent relationship, owners have an interest in maximizing the value of their shares, whereas managers are more interested in 'private consumption of firm resources' and firm growth.

3. RESEARCH METHODOLOGY

3.1 Research design:

The study adopted a descriptive research design. According to (Mugenda, 2003), descriptive research is a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in the study. A descriptive study determines and reports the way things are. The choice of the descriptive study design is based on the fact that the research is vested on the interested that the state of affairs already existing in the field and no variable is manipulated.

3.2 Data collection instruments:

The study used the primary data and secondary. Primary data was collected from auditors in the firm and accountants from the audited firms by use of questionnaires. According to (Dawson, 2002), there are three basic types of questionnaires; closed ended, open-ended or a combination of both. Closed-ended questionnaires are used to generate statistics in quantitative research. Open-ended questionnaires are used in qualitative research, although some researchers will quantify the answers during the analysis stage. Whereas closed-ended questionnaires might be used to find out how many people are under a certain option in the research question, open-ended questionnaires might be used to find out what people think about a research question.

The respondents were the accountants from the firm since they have a better understanding of accountant characteristics as well as its relation to effective financial reports. Emails and drop and pick method was used to deliver the questionnaires. The secondary data was collected from the audit firm.

3.3 Model specification:

To assess the determinants of accuracy of financial reports, the dependent variable is a simple dichotomous variable (Y), which is a dummy equal to 1 if the audit report is qualified and zero if otherwise. This situation does not allow for employment of classical regression like OLS without estimation and interpretation problems (Maddalla, 1983). Therefore a binary quantitative response model was constructed to handle this leading to the choice of probit procedures that relies on normal distribution assumptions. This binary variable is assumed to be a proxy for a true underlying continuous normal distribution.

The probit procedure assumes there is an unobservable probability of underlying response variable y^* , and that this variable can be determined by the regression relationship:

$y^* = \beta X_i + \mu_i$, where X_i is the vector of explanatory (independent variables), β is the vector of parameters and μ_i is the error term subject to the usual statistical assumptions. Thus what is observable in lieu of the underlying response variable is the dummy variable defined by $y=1$ if $y^*>0$, $y=0$ otherwise, which leads to the probit equation: $\text{Prob}(Y=1) = F(\beta X)$, where F is the cumulative distribution for μ_i .

The explanatory variables were gender, professional certification, academic qualification and experience. The main hypothesis was that all these factors have a relation with accuracy of financial reports.

4. RESEARCH FINDINGS

4.1 Gender of respondents:

From the total questionnaires issued. The following table shows a summary of the gender of the respondents.

Table 1 gender of respondents

From the table we find that 63.8% of the populations of 105 respondents were male and 36.2% represents female respondents in the sample.

4.2 Professional certification:

From the questionnaires that were issued. From the sample the following table shows a summary of the respondents and shows the professional qualifications they have attained.

Table 2 Accounting professional certificate attained

The table shows that 38.1% of the sample population attained a CPA certification. 28.6% of the sample population has an ACCA certification. Also 23.8% of the sample represents respondents who have attained ATC certification. The remaining 9.5% of the population have attained CFA certification.

4.3 Academic qualification:

From the questionnaires that were issued. From the sample the following table shows a summary of the academic qualifications attained by the respondents.

Table 3 Academic qualifications attained

The table shows 33.3% of the sample represents respondents who have an experience of 2 years and below. 28.6% of the sample population represents respondents with a 2-5 year working experience as an accountant. The respondents with a 5 year and above working experience as accountant are 38.1 % of the sample population.

4.4 Experience:

From the questionnaires that were issued. The following table shows a summary of the respondents' experience as accountants.

Table 4 Experience as an accountant

The table shows 33.3% of the sample represents respondents who have an experience of 2 years and below. 28.6% of the sample population represents respondents with a 2-5 year working experience as an accountant. The respondents with a 5 year and above working experience as accountant are 38.1 % of the sample population.

4.5 Model:

A probit regression equation was estimated for the relationship of accountant characteristics in producing accurate financial reports. It took the form of:

$y^* = \beta X_i + \mu_i$, where X_i was the vector of explanatory (independent variables) which included the gender, academic qualification, accounting professional certification and experience. The y^* is the (dependent variable) that is to check the probability that either there was accuracy in reports that is either if the reports were qualified or unqualified. β were the vector of parameters and μ_i was the error term subject to the usual statistical, assumptions.

Table 5 Model analysis

The results indicate that accounting professional certification, academic certification and experience have a positive and significant effect (at 5% significant level) on accuracy of financial report; while the gender of an accountant seem to have no effect on accuracy of financial reporting because the results. The goal of the research was to address the relationship between accountant characteristics and accuracy of financial reports.

5. SUMMARY AND CONCLUSION

The findings indicate that majority of the firms involved in the survey had received an unqualified report. The Heckman two-step binary logistic model to control for audit reports issued. The firms who had experienced and professional certification had been issued with an unqualified report. The objectives were set for accountants in the firms involved in the survey.

The results confirmed the existence of a positive and significant relationship between accuracy of financial report and accountant characteristics. Increase of accountant academic qualification, experience of accountant and accounting professional certification leads to increase accuracy financial reporting. Accountant should have higher academic certification, and a necessary work experience will effect on accuracy of financial report, and strong knowledge and familiarity with the regulations, instructions and standers which relating to the accounting. Training and developing the skills of the accountant, and to know the development technical way to prepare accurate financial reports, and trying to get accounting professional certificate that will enable the accountant to improve accuracy of financial reports.

The accountants in big firms tend to hold an undergraduate degree and almost half hold a master's degree. While a majority of the directors hold a CPA designation, or other accounting professional certifications. An accountant with higher years of experience in the field tends to produce accurate financial reports.

Unlike other studies this study finds accountants have no significant gender differences in their ability of preparation of financial reports. There are, however, significant gender-based differences among male and female accountants in organizations. Those differences include experience and ethics even with these differences, male and female accountants are very much alike they perform comparable work.

The results of this study suggest differences in education and experience in accountant may determine the accuracy of financial reports. Individuals with academic qualification tend to be more vested in ethics and tend to be proficient with accounting systems. Higher education qualification embraces individual to more ethical approach in work evaluate accountant aspects with relation to financial statement effectiveness.

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APPENDIX – A

List Of Tables:

Table 1: Gender

	Frequency	Percent
Male	67	63.8
Female	38	36.2
Total	105	100.0

Table 2: Professional certification

	Frequency	Percent
CPA	40	38.1
ACCA	30	28.6
ATC	25	23.8
CFA	10	9.5
Total	105	100.0

Table 3: Academic qualification

	Frequency	Percent
Certificate	30	28.6
Diploma	15	14.3
Degree	31	29.5
postgraduate	29	27.6
Total	105	100.0

Table 4: Experience

	Frequency	Percent
2 years and below	35	33.3
2-5 years	30	28.6
5 years and above	40	38.1
Total	105	100.0

Table 5: Model

	B	df	Sig.
Gender	-.060	1	.618
Professional certification	.421	1	.041
Academic certification	.314	1	.007
Experience	.481	1	.036