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Ethical Exemplification and the AICPA Code of Professional Conduct: An Empirical Investigation of Auditor and Public Perceptions

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ABSTRACT. This research applies the impression management theory of exemplification in an accounting study by identifying and measuring differences in both auditor and public perceptions of exemplary behaviors. The auditors were divided into two groups, one of which reported self-perceptions (A-S) while the other group reported their perceptions of a typical auditor (A-O). There were two separate public groups, which gave their perceptions of a typical auditor and were divided based on their levels of accounting sophistication. The more sophisticated public group was comprised of bank loan officers (LO) while the less sophisticated public group consisted of investment club members (IC). Comparisons were made on 30 behaviors contained in the AICPA *Code of Professional Conduct*, which served as the basis for the research instrument. Profile analysis, a special form of MANOVA technique, was used to analyze the results. A-S perceptions were the highest of the four treatment levels and were significantly higher (i.e., more exemplary) than the perceptions of both the A-O and LO groups. The more sophisticated user group (LO) provided the lowest perceptions of the four treatment levels. For at least four of the six measures, the LO treatment group perceived the typical auditor to be less exemplary than both the IC and A-O treatments. There were no differences in perceptions between the A-O group and IC. Additional analysis revealed that auditors overrated the degree to which the public relied on financial statements. However, both public groups reported a reasonably high level of reliance on financial statements when making decisions.

KEY WORDS: accounting code of ethics, professional conduct, impression management, exemplification

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Introduction

The highly publicized financial disasters, congressional hearings, ongoing litigation, and allegations of misconduct of individuals associated with U.S. companies such as Enron, Arthur Andersen, WorldCom, HealthSouth, Adelphia, and Tyco have raised questions regarding the integrity and credibility of public accounting. But this phenomenon is in no way limited to the U.S. Recent overseas financial scandals have involved the Dutch grocer Ahold, the Italian dairy-products firm Parmalat and the newspaper company Hollinger International Inc. Unfortunately, in addition to impacting the respective management teams, these failures also reflected poorly on several large banks and prominent individuals. Media coverage aided tens of thousands of investors worldwide in closely following these developing situations. This heightened public awareness of the accounting profession's crisis, brought on by only a relatively small number of people, has led to decreased public confidence in the capital markets. Due to the actions of a few, the public's image of auditors has become tarnished.

This predicament is not new to the accounting profession. After a 4-year study concluding in 1978, the Cohen Commission, appointed by the AICPA, confirmed that an ''expectations gap'' exists in the U.S. between what auditors can provide and what the public expects from auditors. A second AICPA study, conducted by the Treadway Commission in 1987, emphasized that management and the board of directors have the primary task of detecting and deterring fraudulent reporting, while adding that the auditor's role is crucial, but secondary, in relation to fraud. Yet, generally the public believes that auditors are responsible for detecting all fraud. Auditors, in defense, historically have argued that those expectations are simply unrealistic and that their task is to provide reasonable assurance that the financial statements do not contain material misstatements. Nonetheless, the American public continues to expect the auditor's opinion to be a guarantee of financial stability.

In a seemingly continuing effort, the AICPA has employed a variety of strategies to address the concerns regarding their image. These strategies included an image enhancement campaign (DeRupo, 1995), an advertising blitz in major publications such as The Wall Street Journal, U.S.A. Today, and the New York Times, as well as escalated lobbying activities (Fogerty et al., 1991) all in an effort to improve the perception of the accounting profession (AICPA, 2002a, b). In fact, in 2000 alone, the AICPA, along with the Big Five accounting firms, spent \$12 million dollars in lobbying efforts (Center for Responsible Politics, 2002; Labaton, 2002).

In response to the expanded expectations both from the public and regulators, the role of the auditor in assessing the risk of material misstatement due to fraud was expanded in 1997 with the issuance of Statement on Auditing Standards (SAS) 82 (AICPA, 1997). SAS 82 required auditors to consider nearly 40 specific fraud risk factors including industry and management. One study has strongly suggested that this attempt to close the expectation gap actually had the opposite effect. Jakubowski et al. (2002) believe that SAS 82 may have created even higher expectations possibly due in part to a greater awareness on the part of the investing public of the risks of fraud. Regardless of historical reasons, the American public holds the auditing profession to a higher standard than the auditing guidance requirements. Indeed, one study found that investors have higher expectations than auditors have with regard to four main areas, ''disclosure, internal control, fraud, and illegal operations'' (McEnroe and Martens, 2001).

As a direct result of this widening expectation gap and audit failure, the profession once again attempted to narrow the expectations gap with the issuance of SAS 99 in 2002 (AICPA, 2002a, b). In short, this standard defines fraud, the attributes of fraud, as well as emphasizes the need for auditors to exercise professional skepticism when examining financial statements for material misstatements (Sharbaugh, 2004). In addition, the Sarbanes-Oxley Act of 2002 is designed to improve public confidence in financial reporting, corporate governance and the accounting profession.

Given the current climate of the audit arena, one could posit that SAS 99 might only make the expectations gap even larger since SAS 99 uses the language of *should* and not *must*. Throughout, auditors have held tightly to their original claim that the expectation is excessive. In a letter to the SEC in response to Public Company Accounting Oversight

Board (PCAOB) Proposed Standard No. 1, partners with Moore, Stephens, Hays LLP, state that the SEC is responsible "to advise the public and dispel their unrealistic, impractical and uneconomic faith in audits. There is abundant, clear and convincing evidence that the public is confused." (Moore, Stephens, Hays LLP, 2004).

From all appearances, this expectation gap will continue to be perpetuated into the future. William McDonough, the chairman of the PCAOB, stated that the accounting profession's lost luster can be restored if the members of the profession can prove they have earned the trust "by exceeding the expectations." McDonough further stated that this can be accomplished by living up "to the letter and spirit of the law" (McDonough, 2003). An obvious discrepancy continues to exist over the set of expectations that auditors must "meet and exceed." Therefore, the accounting profession will continue to be closely scrutinized.

Regardless of what lies ahead, it is important to recognize that public perceptions of auditors have a significant effect in the capital markets around the world. First, perceived auditor quality and the auditee's stock value have been shown to be positively related (Balvers et al., 1988). Second, public perceptions of the auditor affect the auditor's credibility, the audit firm's market share, and ultimately, revenues (Demery, 1997). The independent audit opinion provides the basis for much of the confidence in financial information used in capital markets decision-making (Allen and Ng, 2001). Thus, both the public and auditors have financial interests that are linked to the public's perception of how well auditors uphold certain expectations regarding performance of duties. These expectations regarding the auditor's performance, are embodied, in the U.S., in the AICPA's *Code of Professional Conduct*. A code of ethics for the accounting profession, however, is not at all unique to the U.S. On an international basis, the profession has a code of conduct (of some sort) in many countries around the world.[1]

A code of conduct (or ethics) is the most visible statement of a profession's recognition of its moral obligation to the public (Frankel, 1989). It has been argued that the accounting profession has made an overt attempt to fashion public perceptions through a variety of means including their code of ethics (Preston et al., 1995). The AICPA *Code of Professional Conduct* has been described as "part of an intensive 'public relations' effort...to restyle its image or correct its image problem" addressing differences "between its self-image and public-image" (Preston et al., 1995). In order to effectively address image perception differences that exist between auditors and their public, the public's perception of auditors as well as the profession's self-image must be determined. Therefore, an examination of the perceptions of specific elements within the *Code of Professional Conduct* can help to identify where differences exist between the perceptions of the public and the profession.

The motivation for this study centers on the likelihood that impression management theory can provide insights into how the AICPA, through the *Code of Professional Conduct*, attempts to project a positive image to the public. Two drafters of the original AICPA Code state that the basis for developing the Code was that "...now, more than ever, the conduct of all CPAs must be *exemplary*" (Higgins and Olsen, 1972). Thus, the impression management strategy of exemplification is especially relevant to the study of the accounting profession because the AICPA holds CPAs to the standards of, among other things, integrity and trustworthiness. Additional research into the changing public perceptions of the accounting profession is needed (Collins and Schultz, 1995). Accordingly, the purpose of this study is to: (1) identify exemplification behaviors embedded in the AICPA *Code of Professional Conduct*, and (2) measure auditor and public perceptions of those behaviors.

Review of literature and code of ethics

Impression management theory

Impression management theory originated within the field of sociology.[2] Early research examined how individuals shape and reshape others' perceptions of them (Cooley, 1902; Mead, 1932). The study of interpersonal psychology shaped impression management theory, in part, by concluding that people generally desire to be seen by others as possessing positive characteristics (Allport, 1955; Rogers, 1959).

The impression management literature identifies various strategies that demonstrate how actors influence audience attributions (Arkin and Baumgardner, 1986; Baron, 1985; Elsbach and Sutton, 1992; Giacalone and Rosenfeld, 1986; Kipnis et al., 1980; Pandey, 1986; Ralston, 1985; Schneider, 1981). One mechanism for classifying these strategies was set forth by Jones and Pittman (1982). They introduced a taxonomy of self-presentation strategies based on the attributions the actors sought from their audience. People engage in tactics such as ingratiation, intimidation, self-promotion, supplication, and exemplification to appear to their audiences as likable, dangerous, competent, helpless and morally worthy, respectively. *Ingratiators* want to be liked and wish to arouse affection by doing favors for, or conforming to the opinions of, the audience they wish to impress. *Intimidators* seek to be feared and appear dangerous by issuing threats and expressing anger to their audience. *Self-promoters* want to be viewed as competent and gain the respect of their audience. They tend to align themselves with positive performances regardless of the significance of their role. They may also make grandiose claims about their accomplishments, which are not easily refutable. *Supplicants* may wish to appear helpless to the point where others feel obligated to assist them. They tend to downplay their abilities and plead ignorance or incompetence to receive assistance. *Exemplifiers* wish to be seen as people of integrity who are morally upright. They may also lead disciplined lives that others choose to emulate.

The importance of being perceived as morally worthy is especially important for auditors who strive to satisfy both the public and the client. An auditor attests to the accuracy of management assertions about the entity's financial condition. Shareholders, potential investors, and creditors (as well as other stakeholders) rely on the audited financial statements of an entity. Since auditors act as agents on behalf of their respective organizations and the accounting profession, an examination of the impression management literature should provide useful insights for professions such as accounting (Dutton and Dukerich, 1991; Mohamed et al., 1996). Specifically, the impression management strategy of "exemplification" appears to be particularly relevant for the accounting profession.

Exemplification, the strategy investigated in the present study, involves self-presentational behaviors designed to convey an image of integrity and trustworthiness. The exemplifier stresses his or her honesty, discipline, or charitable nature (Jones and Pittman, 1982). Interestingly, charismatic leaders have been shown to use exemplification by modeling desired behaviors for followers through their speech and actions (Bass, 1988; Conger, 1989). However, if exemplifiers say one thing but do another, they risk losing their credibility by being viewed as hypocritical, exploitive, or sanctimonious (Gilbert and Jones, 1986). To date, limited empirical research has focused on the exemplification behaviors identified by Jones and Pittman (1982). Indeed, the obvious need for further study and exploration of the motive to be morally worthy and the corresponding behavior of exemplification has been identified in prior literature (Gardner and Martinko, 1988).

The literature identifies possible motives to explain why organizational impression management tactics are employed. The need to create and maintain a favorable image is an important motive for employing organizational impression management. A favorable image is essential for the accounting profession, since auditors are extremely concerned with maintaining the public's trust. Trust provides the basis for dealing with uncertain and complex issues (Neu, 1991). As public users' knowledge is reduced, trust becomes a significantly more important element in the relationship. Auditors can create and sustain a level of trust by performing their duties "in a manner which will maintain the confidence of a discerning public" (Higgins and Olsen, 1972). The *Principles of the Code of Professional Conduct* establish the high moral and ethical standards that constitute the CPA's ideal public image. Therefore, the AICPA's desire to project a positive image to the public demonstrates the need for applying impression management theory to auditors.

It is important to note that a primary function of a code of ethics may be to manage impressions by influencing member behavior. Impressions can be effectively managed when accounting professionals adopt and internalize the principles of the code. In this way, accounting professionals' actions, and even their identity, exemplify the behaviors found in the principles of the code.[3] The main objective of this research is to compare auditor and public perceptions of specific exemplification strategies contained in the AICPA's *Principles of the Code of Professional Conduct*. The following section is designed to serve as a brief history of the *Code of Professional Conduct*.

Code of ethics

Frankel (1989) identifies the enhancement of reputation and public trust as one of the primary functions of a code of ethics. Auditors are extremely concerned with preserving their reputation for quality work. The auditor's reputation has been shown to serve as an ''endogenous mechanism that generates high audit effort and correspondingly high audit quality when the demand for an auditor's services depends on a reputation for supplying high-quality audit reports'' (Mayhew, 2001). The *Principles of the Code of Professional Conduct* establish the high moral and ethical standards that constitute the CPA's ideal public image. Over the years, the Code has been periodically adjusted to reflect society's changing norms and values since threats of extinction can stem from failure to perceive the changing environment or from failure to act on changes taking place (Higgins and Olson, 1972). The Principles section, comprised of the following six conceptual articles, establishes the philosophical basis that emphasizes the accounting profession's responsibility to the public, and the framework for the enforceable rules.

> *Article One – Responsibilities* In carrying out their responsibilities as professionals, members should exercise sensitive professional and moral judgments in all their activities.

CPAs are expected to exhibit high standards of professional, moral, and ethical judgment. Over the past several years, public accounting firms have incurred significant litigation costs related to alleged audit failures. In some instances, the press has suggested that auditors have been ''accomplices in a series of financial scandals'' (Fogarty et al., 1991). Auditors are expected to exemplify ethical behavior. Therefore, they must not only recognize ethical situations, but also behave accordingly.

> *Article Two – The Public Interest* Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate commitment to the profession.

Two of the drafters of the new Code in 1972 state that CPAs are ''to perform in a manner which will maintain the confidence of a discerning public'' (Higgins and Olsen, 1972). Society grants power and privilege to the accounting profession based on practitioners' ability and willingness to contribute to society's well-being within broader social values (Frankel, 1989). For example, auditors, in the performance of publicly held corporate audits, are granted a monopoly to practice based on their expertize and knowledge (Larson, 1977). Therefore, auditors are obligated to perform their duties for the public benefit in exchange for exclusive professional privilege.

> *Article Three – Integrity* To maintain and broaden public confidence, members should perform all professional responsibilities with the highest sense of integrity.

Users of financial statements rely upon the services of auditors. This reliance necessitates integrity of conduct in the performance of professional duties. Integrity requires that public trust and service are not ''subordinated to personal gain and advantage'' (AICPA, 1991, Vol. 2). Auditors provide services to more than one party. As a result, the auditor is sometimes confronted with the difficult task of balancing several parties' interests. The best prescription for handling these moral dilemmas is for auditors to conduct themselves with integrity (Shaub, 1988). Since integrity is a necessary ingredient in creating and sustaining public trust, it is imperative that auditors are perceived as people of integrity.

> *Article Four – Objectivity and Independence* A member should maintain objectivity and be free from the conflict of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.

In this context, the term objectivity refers to an internal attribute, a state of mind, which is incapable of being observed or regulated (Kinney, 1999). Even so, objectivity imposes a duty to be intellectually honest, impartial, and free from the conflict of interest. In contrast, independence reflects an external manifestation; a condition that precludes auditors from involvement in relationships that may appear to impair objectivity in the attestation function. Independence is recognized as the essential attribute that protects the integrity of financial information upon which members of the public could rely. The elements of objectivity and independence (which lead to public trust) hold extreme importance in today's capital markets.

> *Article Five – Due Care* A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.

Two separately identified elements comprising due care are diligence and competence. Diligence implies prompt fulfillment of professional responsibilities, including adequate planning and supervision. Competence is attained through education and experience. In today's rapidly changing financial markets, CPAs must continually update their knowledge and skills to give the client the level of expertize that reflects exceptional competence. By practicing due care, auditors exemplify a necessary quality for maintaining the public's trust.

> *Article Six – Scope and Nature of Services* A member in public practice should observe the Principles of the Code of Professional Conduct in determining the scope and nature of services to be performed.

Assurance and consulting services provided to audit clients is a matter of great concern for regulators. Public users, on the other hand, are not believed to "share the scope-of-service concerns of regulators" (Kinney, 1999). Regardless of the degree of concern, service and public trust are not to be subordinated to personal gain and advantage. Members are to be free from conflicts of interest to meet the requirements of objectivity and independence. Services are to be provided competently and diligently to meet the requirement of due care.

In summary, the Articles of the *Principles of the Code of Professional Conduct* provide valuable insight into the ideal image of the accounting professional. These ideals include: (1) acting responsibly, (2) honoring the public trust, (3) acting with integrity, (4) maintaining independence, (5) exercising due care and (6) properly establishing limits to the scope and nature of services provided. These six Articles serve as the philosophical basis for defining exemplary behavior for auditors. Each of these six categories will be addressed later in the discussion of the development of the research instrument.

Summary of literature review and code of ethics

A review of both the impression management and accounting literature yields several conclusions. First, the need for additional research regarding specific exemplification behaviors has been identified in prior literature (Gardner and Martinko, 1988). Second, the professional environment provides a natural setting in which to explore exemplification behaviors. Third, professions have codes of conduct that establish performance and behavior guidelines for their members. These codes are designed, in part, to manage the public image of its members. For example, the AICPA *Code of Professional Conduct* establishes exemplary behaviors that its members are to uphold in the performance of their duties. Accordingly, an extremely important aspect of the code is to manage impressions by influencing accounting professionals to adopt and internalize the principles of the code. Fourth, the study of exemplification is especially relevant to the accounting profession since researchers have called for additional examination regarding the CPA's perceptions of ethical conduct, as well as the perceptions of their public (Collins and Schultz, 1995). Therefore, this study draws upon the terminology set forth in the AICPA's *Code of Professional Conduct* as exemplification strategies involved in investigating the perceptions of auditors and their public.

Research methods

Hypotheses

The following hypotheses were developed to address specific research questions regarding auditors, their public, and exemplification strategies. First, a comparison will be made between an auditor's self-perceptions and an auditor's perceptions of a typical auditor. The AICPA, profession, and regulators could gain valuable insight from knowing how well an auditor believes he or she upholds the ideals of the profession as well as knowing the extent to which an auditor perceives how well other auditors uphold the professional standard of conduct. One prior study suggests, "most individuals see themselves as better than others see them" because of "unrealistic, positive views of the self, exaggerated perceptions of personal control, and unrealistic optimism" (Taylor and Brown, 1988). Another study that examined business ethics found that most executives believe they would handle ethical dilemmas correctly while their peers were more likely to be involved in questionable conduct (Brenner and Molander, 1977). A more recent study states that individuals rate themselves "as better than average" and perceive "themselves more favorably than others" (Farwell and Wohlwend-Lloyd, 1998). Therefore, the literature regarding individual self-appraisal leads to an expectation that an auditor will consider himself or herself to be more exemplary than a typical auditor. The following hypothesis, stated in the alternate form, will be examined:

> *H1:* Auditors perceive their own levels of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than auditors perceive a typical auditor's behavior.

It is also important to investigate the public perception of auditor behavior because the public has a significant financial interest linked to auditor credibility. For purposes of this study, the auditor's public is comprised of creditors and shareholders. Previous research has suggested that an auditor's public is comprised of both informed and uninformed users. These two groups differ in the level of interaction with accounting professionals and the level of accounting sophistication. Creditors possess a greater knowledge of auditors and their work product which, consistent with impression management theory, restricts the degree to which auditors can effectively manage impressions (Neu, 1991). Naive investors, who lack accounting sophistication, are more likely to view auditors in a more positive light than creditors. Additionally, since less sophisticated users probably do not possess the necessary knowledge to refute unfounded claims, the knowledge asymmetry between auditors and the less sophisticated public provides greater opportunities for impression management strategies to occur (Leary and Kowalski, 1990). Therefore, a comparison will be made between the perceptions of a less sophisticated user group and a more sophisticated user group. The second hypothesis, stated in the alternate form, is as follows:

> *H2:* A less sophisticated auditor public will perceive auditor's levels of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than a more sophisticated auditor public.

The prevalent media coverage of certain audit failures, alleged auditor misconduct, and litigation outcomes suggest that the public may not perceive auditors as fulfilling their expectations. In addition, one study found that self-appraisals were higher when evaluating ambiguous characteristics than when evaluating unambiguous characteristics (Felson, 1981). The Code contains several behaviors that appear to be ambiguous such as integrity, objectivity, proficiency, and consistency. Therefore, the negative media coverage of certain auditing professionals and the seemingly ambiguous nature of some behaviors in the *Code of Professional Conduct* suggest that the auditor's public may not perceive auditors as exemplary as auditors view themselves or their associates. Hypotheses three and four address the auditor perceptions of the typical auditor in comparison to a more sophisticated auditor public and a less sophisticated auditor public. In the alternative form, these hypotheses assert:

H3: Auditors perceive a typical auditor's level of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than a more sophisticated auditor public.

H4: Auditors perceive a typical auditor's level of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than a less sophisticated auditor public.

In order to provide comparisons of all subject types, we also determine whether differences exist between auditors' self-perceptions and the perceptions of each of the auditor public groups. Hypotheses five and six, presented in the alternate form, will be explored:

H5: Auditors perceive their own levels of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than a more sophisticated auditor public.

H6: Auditors perceive their own levels of: (a) responsibility, (b) honoring the public trust, (c) integrity, (d) independence, (e) due care, and (f) determining the appropriate scope and nature of services as more exemplary than a less sophisticated auditor public.

Subjects

Auditor sample

Since the passage of The Securities Act of 1933 (U. S. Senate, 1933), Congress has granted the accounting profession exclusive rights to audit the financial statements of SEC registrants. Due to this exclusive privilege, public opinion is of extreme importance to auditors. For purposes of this study, the auditor sample was comprised of audit specialists of U.S. CPA firms. The auditor sample was randomly divided into two groups. One group was asked to respond to the instrument based on how well they perceived themselves upholding the behaviors specified in the Code. The other group was asked to respond based on their perceptions of a typical auditor upholding the behaviors specified in the Code.

Public sample

The second sample group was comprised of the public. The preamble of the Principles section states that the ''public interest'' is made up of the ''community of people and institutions the profession serves.'' The Financial Accounting Standards Board (FASB) specifically identifies users of financial information. In *Statement of Financial Accounting Concepts* #1, paragraph 34 states:

> Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.

The FASB uses the terms 'investors' and 'creditors' broadly and they ''include not only those who contemplate having a claim to enterprise resources but also to those who advise or represent them'' (FASB, 1986). Fogarty et al. (1991) suggest that ''investors and creditors serve as very salient external constituencies'' since they rely on the auditor's work product when making choices. Therefore, for purposes of this study, the auditor's public was comprised of two groups: (1) shareholders of publicly held companies who serve as proxies for both present and potential investors, and (2) bank loan officers (LO) who serve as proxies for creditors.

Development of the research instrument

As previously discussed, specific exemplification strategies of CPAs are described in the AICPA *Code of Professional Conduct*. The high ideals expressed in the Principles section of the Code serve as a basis for developing the behaviors comprising the exemplification construct for this study. The six Articles in the Code which will serve as subscales reflecting CPA exemplification behaviors include: (1) acting responsibly, (2) honoring the public trust, (3) acting with integrity, (4) maintaining independence, (5) exercising due care, and (6) properly determining the nature and scope of services provided.

The data collection instrument developed and administered in this study is the CPA's Characteristic Questionnaire (CPACQ). The CPACQ contains 30 items designed to measure perceptions regarding each of the six traits described in the *Principles of the AICPA Code of Professional Conduct*. The instructions stress that this instrument pertains to the auditors' performance of professional duties. All instruments (Auditors and Public) contain the same list of 30 items. To reduce the possibility of halo effects, one item from each of the six identified categories is stated in the negative form (such as may not act responsibly). That is, certain items are worded negatively to determine if the subjects are answering each item separately.

In the present study, the sample was comprised of four groups. Each respondent in the first auditor sample group was instructed to rate, on an eight-point numerical scale, the extent to which *they as an individual* engage in each behavior. Likewise, each respondent in the second auditor sample group rated the extent to which they perceive that *the typical auditor* engages in each behavior. Each respondent in the two public sample groups assessed the same behaviors, rating on the eight-point, numerical scale the extent to which they perceive that the typical auditor engages in each behavior. Scale anchors range from 0, which indicates that the CPA does ''NOT AT ALL'' engage in this behavior, to 7, which indicates that the CPA engages in this behavior ''ALL THE TIME.'' Table I illustrates the language of the Code and the corresponding behavioral indicators included in Part One of the research instrument.[4]

Reliability of the research instrument

The CPACQ is a multidimensional scale designed to measure six phenomena of the exemplification construct. The validity of the research instrument was investigated in two ways. First, rationale equivalence reliability measures the way the six behaviors in the instrument relate to each of the other behaviors, as well as to the total test. The internal consistency of the items contained in the research instrument can be computed using Cronbach's alpha. The analysis was performed on each of the six dependent variables as well as for all 30 subscale items contained in the study. The results of the analysis are presented in Table II. The internal consistency is very high for the 30 items overall (Cronbach's alpha = 0.9412) and is also in the acceptable range of greater than 0.70 for five of the six dependent variables. Cronbach's alpha for Due Care was not above 0.70, a general guideline for internal consistency of the construct. The alpha of 0.6038 for Due Care is in the ''questionable range,'' as indicated by George and Mallery (2003), and may potentially impact the results.[5]

The validity of the research instrument was also examined through confirmatory factor analysis. Specifically, we conducted six separate factor analyses (one for each of the six dependent variables constructed from the *Articles of the Principles of the AICPA code*). The rationale for using six factor analyses was that specific behaviors were selected from the code related to each of the six articles/constructs. In particular, rather than speculating that certain characteristics should be related to a particular construct, we used behaviors that the code identified as pertaining to a specific article/construct. Four of these six factor analyses resulted in all items loading on a single factor. Two factors were identified for constructs related to both article three (integrity) and article five (due care). In each of these cases, however, four behaviors loaded on one factor with only a single behavior loading on a separate factor. Therefore, in general, the evidence from the internal consistency measures and factor analyses suggest that the behaviors in the research instrument map into the constructs from the AICPA code.

Survey of auditors

A list of 1217 auditors from the Mid-South region was compiled by the researcher. A random number generator program selected 600 of the auditors to receive the research instrument. The 600 auditors selected were then randomly assigned to one of two groups, made up of 300 auditors per group. The first auditor group received the packet shown in Appendix A. They were asked to complete the instrument based on their self-perceptions (that is,

TABLE I

Language of the code and behavioral indicators

Language of the code	Behavior in research instrument
Acting responsibly	
1. "exercise sensitive professional judgments"	Exercises professional judgments
2. "exercise ...moral judgments"	Exercises moral judgments
3. "...have responsibilities to all those who use services"	*May not act responsibly*
4. "maintain the public's confidence"	Maintains the public's confidence
5. "responsibility to cooperate with each other"	Cooperates with other auditors
Public trust	
1. "honors the public trust"	Trustworthy
2. "genuine interest in serving the public"	Genuinely interested in public service
3. "expected to provide quality services"	*May not provide quality services*
4. "demonstrate ...dedication to professional excellence"	Dedicated to excellence
5. "Serve the public interest"	Serves the public interest
Integrity	
1. "client confidentiality"	Maintains client confidentiality
2. "observe... technical standards"	Adheres to technical standards
3. "observe... ethical standards"	Adheres to ethical standards
4. "circumvention of those standards constitutes subordination of judgment"	*Sometimes circumvents standards*
5. "perform...with the highest sense of integrity"	Acts with integrity
Objectivity and independence	
1. "maintain objectivity "	Objective
2. "be free from conflict of interest"	Free from conflict of interests
3. "obligation to be impartial"	*May not be impartial*
4. "obligation to be... intellectually honest"	Intellectually honest
5. "independence precludes relationships that may... impair objectivity"	Independent in thought
Due care (competence and diligence)	
1. "perform...to best of a member's ability"	Performs to best of their ability
2. "a mastery of the common body of knowledge"	Proficient (Demonstrates Mastery)
3. "a mastery of the common body of knowledge"	Knowledgeable
4. "responsibility to render services promptly"	Renders prompt service
5. "responsibility to render services ... carefully"	*May not exercise due care*
Nature and scope of services	
1. "consistent with acceptable professional behavior"	Exhibits consistent professional behavior
2. "ensure that services are...adequately supervised"	Adequately supervises services
3. "observes the *Principles of the Code of Professional Conduct*"	Adheres to the code of conduct
4. "that services are competently delivered"	Delivers competent services
5. "assess ...whether an activity is consistent with their role as professionals"	*May not exhibit proper conduct*

how well they believe they uphold the Code). The second auditor group received the packet shown in Appendix B. They were asked to complete the instrument based on their perceptions of how well a *typical auditor* upholds the Code. The packet, received by all respondents in the study, included: (1) an introductory cover letter that explains the general purpose of the study, (2) instructions for completing the instrument, (3) the actual instrument, and (4) a self-addressed stamped envelope.

Care was taken to ensure that subjects knew their specific task by carefully wording the cover letter and highlighting the task in the instructions on the research instrument.

Survey of public

Shareholders of public entities and bank LO served as proxies for the auditor public. Prior research suggests that auditor publics can be partitioned into two groups (Neu, 1991). Specifically, the two groups differ in terms of accounting sophistication, namely training in accounting. Due to this difference, the public group allowed for additional analysis based on the user's perceived sophistication level. Neu (1991) identifies "minority shareholders" as less sophisticated than "members of the financial community." Therefore, for purposes of this study, shareholders, as described below, represent a less sophisticated auditor public group, while members of the financial community, as described below, represent a more sophisticated auditor public group.

Shareholders

A composite list of investment groups was located from the Internet. A cluster sampling procedure was used to obtain the necessary sample. First, investment clubs from the Mid-South region of the U.S. were randomly selected from a compiled list obtained from the Internet and NAIC listings. Next, 300 members from the selected investment clubs were randomly selected to receive the research instrument packet. The research project was explained in the cover letter. Each participant received a letter stressing the need for their involvement in the process, as well as the importance of non-collaborative responses. The instrument packets, shown in Appendix C, include the same contents as the auditor groups as described in a previous section.

TABLE II

Internal consistency matrix for the dependent variables (n = 319)

Dependent variable	Cronbach's alpha	Standardized item alpha
Acting responsibly	0.7048	0.7108
Public trust	0.7507	0.7524
Integrity	0.7887	0.7925
Objective/independent	0.8094	0.8143
Due care	0.6038	0.6129
Nature/scope of services	0.7164	0.7198
Overall (30 items)	0.9412	0.9420

Members of the financial community

One particular segment of the financial community, experienced bank LO, rely on accounting information when making financial decisions. Numerous accounting decision-making studies have employed bank LO as subjects (Abdel-Khalik, 1973; Chalos, 1985; Libby, 1975; Stocks and Harrell, 1995). The researchers solicited the cooperation of various officers from banks located in the Mid-South region of the U. S. to obtain a list of LO employed throughout those banks. Individual names were randomly selected from the list of 628 LO. In total, 300 bank LO received a mailing packet, as shown in Appendix D.

Data analysis

Variables

The measures of the dependent variables were obtained from the responses to the items on Part One of the research instrument. The six dependent variables are summarized in Table IIIA. In addition, six hypotheses were examined across each of the dependent variables. A synopsis of these hypotheses is provided in Table IIIB.

Response rates

A total of 300 instruments were mailed to each of the four treatment groups, for a grand total of 1200. Of the 1200 instruments, 357 were returned, representing a 30% response rate. Of the instruments returned, 38 were incomplete and rendered unusable because key data necessary for statistical analysis were missing. Based on the 319 properly completed instruments, a usable response rate of 27% was obtained.

TABLE III

(A) Summary of dependent variables and (B) perceptions compared in the research hypotheses

(A) Summary of dependent variables	
Dependent variable 1	Act responsibly
Dependent variable 2	Honor the public trust
Dependent variable 3	Integrity
Dependent variable 4	Objective and independent
Dependent variable 5	Exercise due care
Dependent variable 6	Nature and scope of services
(B) Perceptions compared in the research hypotheses	
H1	Auditor-self versus Auditor-typical
H2	Public-less sophisticated versus Public-more sophisticated
H3	Auditor-typical versus Public-more sophisticated
H4	Auditor-typical versus Public-less sophisticated
H5	Auditor-self versus Public-more sophisticated
H6	Auditor-self versus Public-less sophisticated

Public-less sophisticated is proxied by a sample of IC.
Public-more sophisticated is proxied by a sample of Bank LO.

Table IV displays the number of responses by treatment groups. As presented in this table, a relatively equal number of instruments were returned by each of these independent groups. Of the 319 usable instruments, there are 84 (26.3%) responses by IC, 80 (25.1%) responses by LO, 76 (23.8%) responses by the auditor-other treatment, and 79 (24.8%) responses by the auditor-self subjects.

Demographic characteristics of subjects

Selected demographic characteristics were reported by the respondents and are summarized in Table V. These characteristics include the respondent's gender, age, and education level.[6] Of the 319 usable responses, 211 (66%) were male and 108 (34%) were female. In total, 32% of the IC were female while only 26% of the bank LO were female. In total, 44% of the auditor-other subjects were female compared to 34% in the auditor-self subject group.[7]

The auditor-self group had the youngest mean age (30.57) followed by auditor-other (31.54). The "public" sample had much higher mean ages with LO at 40.20 and IC with 41.12. One obvious explanation is the fact that public accounting firms have an extremely high turnover rate and must

TABLE IV

Response rates by treatment groups

	Treatment groups				
	IC	LO	A-O	A-S	Total
Instruments sent	300	300	300	300	1200
Instruments returned	95	92	83	87	357
Incomplete instruments	< 11 >	< 12 >	< 7 >	< 8 >	< 38 >
Total usable responses	84	80	76	79	319
Percent returned usable	28%	27%	25%	26%	27%
Group % of total	26.3%	25.1%	23.8%	24.8%	100%

IC = Investment Club; LO = Loan Officer; A-O = Auditor "Other"; A-S = Auditor "Self".

TABLE V

Gender, age, and education level of respondents by treatment groups

	Treatment groups				
	IC	LO	A-O	A-S	Total
Gender					
Male	57	59	43	52	211 (66%)
Female	27	21	33	27	108 (34%)
Totals	84	80	76	79	310 (100%)
Age					
Mean age	41.12	40.20	31.54	30.57	35.99
Standard Deviation	11.12	8.67	4.75	4.88	9.23
Education					
High school	28	6	0	1	35
Bachelor	30	36	37	40	143
Some grad	18	27	26	26	97
Master's/+	6	10	13	11	40
Not reported	2	1	0	1	4
Totals	84	80	76	79	319

IC = Investment Club; LO = Loan Officer; A-O = Auditor "Other"; A-S = Auditor "Self".

continually hire recent college graduates to fill their ranks with young professionals.

The education level of the auditors and LO was, in general, similar. The IC had lower education levels. For example, fewer investment club respondents had pursued graduate studies while a much higher number of respondents had only completed a high school degree. Intuitively, this finding is plausible since LO and public auditors are professionals and, therefore, are more likely than not to have at least obtained a college degree. Such is not necessarily the case for the subjects in the investment club treatment group.

Dependent variables by independent variables of interest

The six dependent variables were each comprised of five distinct subgroup characteristics on the research instrument. Four of the five subgroup characteristics were stated in positive terms while the other subgroup characteristic from each dependent variable was stated in the negative form to prevent the potential for halo effect bias on the part of the respondent. Since the ratings are based on a zero to seven Likert-type scale, the inverse of the negatively stated item would reflect a similar response to that item had that item been stated in the positive form. For example, a rating of 2 for the negatively stated item "May not exercise due care" is considered to be identical to a rating of 5 for that same item if stated in positive terms such as "Exercises due care." The ANOVA technique, which tested for significant difference between the positively and negatively stated items revealed that no significant differences were found between the inverse of the negative item rating and the average positive item rating for each of the six categories. For ease of presentation, all negatively stated items have been converted (using the inverse approach described above) to a positive rating.

As shown in Table VI, the overall categorical means for each treatment group are IC (28.38), LO (27.40), A-O (28.28), and A-S (29.68). Therefore, the categorical means from highest to lowest are A-S, IC, A-O, and LO. Consistent with prior research, self-perceptions were rated higher than others' perceptions. In addition, for each of the six dependent variable totals, A-S had the highest categorical mean, and the LO group had the lowest categorical mean. As far as individual dependent variables, it is

TABLE VI

Means of dependent variables and subscale measures by treatment levels (all questions answered on a 0–7 scale)

Behavior	Treatment levels				
	IC	LO	A-O	A-S	Mean totals
Professional judgment	5.77	6.00	6.01	6.32	6.02
Moral judgment	5.67	5.36	5.42	5.73	5.55
Act responsible	5.45	5.34	5.62	5.63	5.51
Public confidence	5.67	5.55	5.76	6.15	5.77
Cooperates	*5.42*	*5.39*	*5.83*	*5.96*	*5.64*
Totals (act responsibly)	28.02	27.60	28.71	29.80	28.51
Standard deviation	(3.042)	(2.786)	(2.766)	(2.339)	(2.861)
Trustworthy	5.74	5.35	5.80	6.03	5.72
Interest in public service	5.15	5.00	5.05	5.67	5.22
Quality service	5.92	5.53	5.36	5.90	5.68
Serve public interest	5.42	5.42	5.64	5.86	5.59
Excellence	*5.71*	*5.46*	*5.91*	*6.13*	*5.80*
Totals (public trust)	27.94	26.76	27.76	29.59	28.01
Standard deviation	(2.947)	(3.163)	(3.128)	(2.743)	(3.152)
Client confidentiality	5.77	5.16	5.67	5.90	5.63
Technical standards	5.92	5.80	6.07	6.20	6.00
Ethical standards	5.52	5.09	5.29	5.59	5.38
Ethical behavior	5.62	5.48	5.62	5.80	5.63
Integrity	*5.87*	*5.55*	*5.61*	*6.00*	*5.76*
Totals (integrity)	28.79	27.03	28.28	29.52	28.40
Standard Deviation	(2.946)	(2.695)	(3.198)	(3.254)	(3.148)
Objective	5.75	5.70	5.64	5.91	5.75
Free from conflict of interest	5.06	5.04	5.45	5.68	5.30
Impartial	5.36	5.38	5.21	5.82	5.44
Honest	6.04	5.55	5.76	6.08	5.86
Independent	*5.30*	*5.05*	*5.32*	*5.61*	*5.32*
Totals (objective/independent)	27.54	26.69	27.45	29.14	27.70
Standard deviation	(2.881)	(3.181)	(3.527)	(3.181)	(3.300)
Ability	6.15	5.65	6.29	6.39	6.12
Proficiency	6.10	5.68	5.74	6.05	5.89
Knowledge	6.39	5.96	6.20	6.33	6.22
Prompt	5.51	5.39	5.60	6.01	5.63
Due care	*5.83*	*5.58*	*5.43*	*5.67*	*5.63*
Total (due care)	29.68	28.35	29.28	30.43	29.44
Standard deviation	(3.991)	(2.306)	(2.646)	(2.263)	(2.992)
Consistent	5.67	5.63	5.68	5.90	5.72
Supervision	5.54	5.51	5.51	5.87	5.61
Adhere to code	5.80	5.56	5.82	6.11	5.82
Competent services	5.93	5.91	5.79	5.94	5.89
Proper conduct	*5.38*	*5.35*	*5.38*	*5.75*	*5.46*
Total (nature/scope)	28.30	27.95	28.21	29.50	28.50
Standard deviation	(2.973)	(2.662)	(2.768)	(2.406)	(2.772)
Categorical means	28.38	27.40	28.28	29.68	28.28

interesting to note that DV5 (Due Care) resulted in the highest overall mean (29.44) while DV4 (Objective/Independent) had the lowest overall mean (27.70). This same pattern of responses for the dependent variables (i.e., DV5 the highest mean and DV4 the lowest mean) holds consistently across each of the four treatment groups.

Tests for significance of demographic variables

In an effort to determine whether the demographic characteristics affected the dependent measures, a series of MANOVA procedures were used. MANOVA was used because of the assumed correlation among the dependent variables. The respondents' ratings on the research instrument characteristics serve as the dependent variables in each of the MANOVAs. Treatment group was included as the independent variable in each procedure. For each MANOVA, one of the demographic measures was also added as an independent variable. Thus, separate procedures for GENDER, AGE, and EDLEVEL were performed. The results of these analyses indicated that GENDER and EDLEVEL were not significant predictors of the dependent measures. However, AGE ($F = 4.801$, Prob $> F = 0.015$) was a significant predictor of at least one of the six dependent measures. Therefore, AGE was included as a covariate in the statistical analyses for each dependent variable.

Hypothesis testing

The data analysis method employed is profile analysis, a special form of MANOVA. Profile analysis contrasts commensurate (use of the same scaling technique) multiple dependent measures obtained for two or more levels of an independent variable. This analysis assesses whether subscale profiles differ between groups. The independent variable is the treatment group and the dependent variables are the perceptions on each subscale item. Profile analysis provides tests of the main effects of group membership and subscales as well as their interaction (Tabachnick and Fidell, 1989).

The primary issue addressed by profile analysis is the test of parallelism. This test assesses whether the groups have profiles that move in the same direction on subscale measures (i.e., do the groups have the same pattern of responses on the behaviors and traits listed in the instrument). Tests of parallelism are essentially tests for interaction. The second issue addressed by profile analysis is a measure of differences to determine if one group scores higher on the collective measures than the other groups. In addition to the multivariate tests, general linear model (GLM) pairwise comparisons were performed to test for differences between profile means for each group across each of the six dependent variables.

Six hypotheses were tested in this study using the profile analysis form of MANOVA. The main issue addressed by profile analysis is whether or not the group responses differ on the repeated measures. In the present study, the overall test of parallelism (which included 30 dependent variables) indicated that the GROUP variable possesses significant multivariate relationships (Wilks' Lambda significant $F = 4.018$, $p < 0.001$). Therefore, at least one group's responses differed from at least one other group's responses. The presence of this significant difference between groups eliminated the need for the second profile analysis test for flatness, which measures the similarity of responses between groups (Johnson and Wichern, 1988). Additionally, profile analysis addresses the issue of whether or not one group, on average, reports significantly higher responses on the set of measures.[8] The A-S group consistently reported the highest response scores while the LO group consistently reported the lowest response scores.

The primary objective of the study was to determine the effect of GROUP on each dependent variable. Appropriate between-subject multiple comparisons were performed to examine the relationship between two given treatment groups in the specific research hypotheses in order to provide greater detail about the relationships of the independent variables to each dependent variable. These between-subject tests are described in the following subsections.

Hypothesis one

The first hypothesis to be tested in the study examines auditors' self-perceptions as compared to auditors' perceptions of a typical auditor, across the subscale behavioral characteristics. The MANOVA results indicate that the main effect of GROUP (Wilk's Significant $F = 2.909$, $p < 0.010$) has significant explanatory power in relation to the dependent variables while AGE (Wilk's Significant $F = 1.956$, $p < 0.076$) did not explain a significant portion of variance in the dependent variables. A GLM between-subjects test was then conducted to determine if the A-S GROUP differed from the A-O GROUP across the six dependent variables.[9]

The results of the GLM tests, DV1 – Acting Responsibly ($F = 7.359$, $p < 0.007$), DV2-Public Trust ($F = 15.446$, $p < 0.001$), DV3 – Integrity ($F = 5.827$, $p < 0.017$), DV4 – Objective and Independent ($F = 9.866$, $p < 0.002$), DV5 – Due Care ($F = 8.912$, $p < 0.003$), and DV6 – Nature and Scope of Services ($F = 10.876$, $p < 0.001$), indicate that auditors' self-perceptions were significantly higher than auditors' perceptions of a typical auditor on all six scale measures. Therefore, strong support for hypothesis one was found. A summary of these results for H1 is presented in Table VII.

Hypothesis two

The second hypothesis to be tested in the study investigates whether a less sophisticated auditor public (IC) perceives a typical auditor's behavior as more exemplary than a more sophisticated auditor public (LO). The MANOVA results indicate that GROUP (Wilk's Significant $F = 3.964$, $p < 0.001$) has significant explanatory power while AGE (Wilk's Significant $F = 1.238$, $p < 0.290$) did not possess significant predictive power of the dependent variables for these two treatment groups. A GLM between-subjects test was conducted between IC subjects and LO subjects to determine if these two groups differed in their responses.

TABLE VII

Summary of between-group contrasts examining H1–H6 across dependent variables

	H1	H2	H3	H4[1]	H5	H6[a]
	A-S versus A-O	IC versus LO	A-O versus LO	A-O versus IC	A-S versus LO	A-S versus IC
Dependent variable						
DV1	A-S	ns	A-O	ns	A-S	A-S
Act responsibly	***		**		***	*
DV2	A-S	IC	A-O	ns	A-S	A-S
Honor the public trust	***	**	*		***	*
DV3	A-S	IC	A-O	ns	A-S	ns
Integrity	***	***	**		***	
DV4	A-S	IC	ns	ns	A-S	A-S
Objective and independent	***	*			***	*
DV5	A-S	IC	A-O	ns	A-S	ns
Exercise due care	***	**	**		***	
DV6	A-S	ns	ns	ns	A-S	ns
Nature and scope of services	***				***	

where as previously IC = Investment Club; LO = Loan Officer; A-O = Auditor "Other"; and A-S = Auditor "Self"; ns in the column for a hypothesis indicates no significant differences exist between the treatment groups being compared; an entry for a treatment group (e.g., A-S, A-O, IC, or LO) in the column for a hypothesis indicates that it is significantly greater than its comparison at either the 0.01 level (***), 0.05 level (**) or 0.10 level (*).

[a]For H4 and H6 only, the demographic variable AGE was positive and significant.

The results for H2, as summarized in Table VII, indicate that the investment club members' perceptions of how well a typical auditor fulfills exemplary professional behavior are higher than those of LO for DV2 – Public Trust ($F = 6.100$, $p < 0.015$), DV3 – Integrity ($F = 15.831$, $p < 0.001$) and DV5 – Due Care ($F = 6.687$, $p < 0.011$). DV4 – Objective and Independent ($F = 3.201$, $p < 0.075$) appears to suggest that the two auditor public groups also differ but to a lesser degree. In contrast, DV1 – Acting Responsibly and DV6 – Nature and Scope of Services were not found to be significantly different between the two auditor public groups. As a result, some evidence exists to support hypothesis two.

Hypothesis three

The third hypothesis to be tested in the study examines auditors (A-O) versus a more sophisticated auditor public (LO). Each group is providing perceptions of a typical auditor. The MANOVA results indicate that the main effect of GROUP (Wilk's Significant $F = 3.622$, $p < 0.002$) has significant explanatory power in relation to the dependent variables. AGE (Wilk's Significant $F = 0.331$, $p < 0.920$) did not possess predictive ability. A GLM between-subjects test was conducted between A-O and LO to determine if differences exist between the responses of these two groups.

The results indicate that, for some measures, auditors' perceptions of a typical auditor are significantly higher than loan officers' perceptions of how well a typical auditor fulfills exemplary professional behavior. Specifically, support was found for DV1 – Act Responsibly ($F = 5.136$, $p < 0.025$), DV3 – Integrity ($F = 6.543$, $p < 0.012$), and DV5 – Due Care ($F = 5.425$, $p < .021$), while limited support might be found for DV2 – Public Trust ($F = 3.346$, $p < 0.069$). Support was not found for DV4 – Objective and Independent ($F = 1.910$, $p < 0.169$) or DV6 – Nature and Scope of Services ($F = .237$, $p < 0.627$). Based on the results summarized in Table VII, hypothesis three was supported for some of the dependent variables.

Hypothesis four

The fourth hypothesis to be tested in the study investigates whether auditors perceive a typical auditor's level of behavioral characteristics as more exemplary than a less sophisticated auditor public perceives a typical auditor's behavior. The MANOVA results indicate that the main effect of GROUP (Wilk's Significant $F = 1.519$, $p < 0.175$) does not possess significant explanatory power. AGE, however, (Wilk's Significant $F = 2.675$, $p < 0.017$) explains a significant portion of the variance in the dependent variables.

The results indicate a positive relationship between an investment club member's age and auditor ratings. In general, older IC perceived a typical auditor as more exemplary than younger IC. In all, the MANOVA results indicate that there is no difference between A-O and IC perceptions of how well a typical auditor fulfills exemplary professional behavior. Therefore, hypothesis four is not supported.

TABLE VIII

Perceptions of reliance on audited financial statements: numbers of respondents by treatment groups

	Treatment groups				
	IC	LO	A-O	A-S	Total
1: Very low	0	0	0	0	0
2: Low	4	4	3	0	11
3: Moderate	14	15	2	8	39
4: High	42	44	47	46	179
5: Very high	24	17	24	25	90
Totals	84	80	76	79	319
Mean reliance	4.02	3.93	4.21	4.25	4.09

Hypothesis five

The fifth hypothesis to be tested in the study analyzes auditors' self-perceptions as compared to loan officers' perceptions of a typical auditor. The MANOVA results indicate that GROUP (Wilk's Significant $F = 4.478$, $p < 0.001$) has significant explanatory power in relation to the dependent variables. AGE (Wilk's Significant $F = .481$, Sig. 0.822) did not explain a significant portion of the dependent variables for these two treatment groups.

The GLM between-subjects test results indicate that auditors' perceptions of their own levels of fulfilling exemplary professional behavior are significantly higher (at the 0.01 level) than loan officers' perceptions of how well a typical auditor fulfills exemplary professional behavior across all six dependent variable categories (see Table VII). The six dependent variables, DV1 – Acting Responsibly ($F = 16.477$, $p < 0.001$), DV2 – Public Trust ($F = 18.810$, $p < 0.001$), DV3 – Integrity ($F = 13.095$, Sig. $p < 0.001$), DV4 – Objective and Independent ($F = 13.095$, $p < 0.001$), DV5 – Due Care ($F = 16.638$, $p < 0.001$), and DV6 – Nature and Scope of Services ($F = 7.155$, $p < 0.008$) provide strong support for hypothesis five.

Hypothesis six

The sixth hypothesis examines auditor self-perceptions versus investment club perceptions of a typical auditor. The MANOVA results indicate that the main effect of GROUP (Wilk's Significant $F = 1.159$, $p < 0.331$) did not possess significant explanatory power in relation to the dependent variables at the 0.05 level. AGE (Wilk's Significant $F = 3.228$, $p < 0.005$) was positive and did possess predictive value for the dependent variables. As a result of the MANOVA, the perceptions of A-S subjects did not differ from the perceptions of IC subjects at conventional levels. As seen in Table VII, A-S perceptions are marginally higher than those of IC members (at the 0.10 level) for three of the dependent variables.

Additional analysis

Respondents' reliance on audited financial statements

As part of the research instrument, respondents were asked to indicate the extent to which they relied upon audited financial statements. The investment club and loan officer treatment groups reported to what extent they relied on audited financial statements, while the two auditor groups reported to what extent they perceived users relied on audited financial statements. The responses were based on a one (very low reliance) to five (very high reliance) scale.

As presented in Table VIII, the grand mean was 4.09, indicating that overall, subjects perceived a high reliance on audited financial statements. The auditor groups rated reliance the highest. The auditor self-treatment mean was 4.25 while the auditor typical group mean was 4.21. The loan officer respondents rated reliance the lowest (mean of 3.93) followed by IC with a 4.02 mean.

An ANOVA test was performed using the reliance rating as the dependent variable and group as the independent variable. The results revealed that the group variable was significant, indicating that differences exist between groups ($F = 3.102$, $p < 0.027$). A between-group analysis of contrasts resulted in significant differences between bank LO and each of the auditor groups. No differences were found between IC and the auditor groups. In summary, this analysis suggests that auditors tend to overrate the public's (i.e., bank loan officer) reliance on their work product.

Summary and conclusions

Overview

The AICPA *Code of Professional Conduct* establishes exemplary conduct standards for accounting professionals. Codes of conduct have been suggested to serve, in part, as an impression management vehicle that attempts to persuade the public that its members are worthy of their trust. This study identifies specific exemplification behaviors and characteristics contained in the AICPA code of conduct.

A quasi-experimental between-subjects study was conducted using two groups of auditors and two auditor public groups. The primary objectives of the study were to (1) identify exemplification behaviors in the AICPA *Code of Professional Conduct*, and (2) measure auditor and public perceptions of exemplary behaviors. From the resulting analyses, perception similarities (as well as differences) are identified, which provide useful insight to the accounting profession.

The six dependent variables were the combined ratings of five subscale attributes drawn directly from the terminology contained in the *Code of Professional Conduct*. The independent variable was determined by group membership. A total of four groups were used in this study. Two groups were auditors, one of which answered the questionnaire based on self-perceptions, that is, how well they believed that they personally upheld the specific behaviors of the Code. The second auditor group answered the questionnaire based on how well they believed a typical auditor upheld the behaviors of the Code. The third and fourth groups were comprised of the auditor public. One group represented a less sophisticated auditor public proxied by IC while the other represented a more sophisticated auditor public consisting of bank LO.

Generally, auditors and their public differ on how well auditors exemplify professional conduct. The independent variable, GROUP, was significant in explaining the variation in many of the dependent variables. Substantial support was found for H1. A-S perceptions of exemplary conduct were found to be significantly higher than A-O perceptions of a typical auditor across all six dependent variables. This finding is consistent with Farwell and Wohlwend-Loyd (1998) who state that individuals perceive themselves in a more favorable light than others perceive them.

Hypothesis two was supported on several of the measures, which suggests that a less sophisticated auditor public (IC) perceive auditors to be more exemplary than a more sophisticated auditor public (LO). This finding, in part, substantiates Neu's (1991) premise that an auditor's public is comprised of two distinct groups, primarily differentiated based on accounting sophistication.

In testing hypothesis three, which examines the differences between auditors' perceptions and LO' perceptions of a typical auditor, some support was indicated from the analysis. DV1 – Acting Responsibly, DV3 – Integrity, and DV5 – Exercises Due Care were all shown to be significantly different between these two groups. One dependent variable, DV2 – Honor the Public Trust yielded marginal differences. DV4 – Objectivity and Independence provides some interesting insight into an extremely important auditing issue, that of auditor independence. Contrary to much of the prior accounting literature concerning independence, the findings of this study suggest that the perceptions of an informed auditor public and auditor perceptions of a typical auditor do not differ on objectivity and independence.

The results of hypothesis four revealed that no differences were found between perceptions of IC and auditors reflecting on a typical auditor. Thus, these two groups tended to respond similarly on all six dependent variables. Consistent with much of the impression management literature, this finding also supports the commonly accepted idea that a less informed audience is more easily persuaded to make positive attributions regarding actors. Indeed, less sophisticated users rated a typical auditor higher than auditors rated a typical auditor on five of the six dependent variables.

The results of hypothesis five show that auditor self-perceptions on all six of the dependent variables were reported at significantly higher levels than LO. Consistent with the findings for hypothesis one, strong support was found for self-perceptions being higher than perceptions of a sophisticated public user group.

In contrast to hypotheses one and five, the results of testing hypothesis six indicate that IC' perceptions do not differ from auditors' self-perceptions. Given that these two groups did not differ in perceptions could be an indicator that the *Code of Professional Conduct* has perhaps been a vehicle by which exemplification behaviors have influenced public impressions. Specifically, as professionals adopt and internalize the principles of the code, it follows that who they are and how they behave exemplify the code principles. This exemplary behavior exhibited by auditors, therefore, influences impressions of stakeholders such as IC.

Significance of findings

The research findings provide important insight for the auditing profession. It is interesting, but not surprising, that auditors rate their own behavior as more exemplary than other auditors (H1) and more exemplary than the ratings of the more sophisticated (H5) and less sophisticated (H6) financial public. These findings support prior research (Farwell and Wohlwend-Lloyd, 1998; Neu, 1991). Our finding that the less sophisticated financial public rates the exemplary behavior of auditors higher than the more sophisticated public (H2) is also interesting, and also supports prior literature and theory (Leary and Kowalski, 1990).

However, of most interest, are the results of H3 and H4. These two hypotheses compare the audit profession's impressions of a typical auditor with the impressions of the two groups who represent the financial public. These results indicate that the less sophisticated financial public views the exemplary behavior of a typical auditor no differently than the audit profession views this behavior (H4). This finding provides some assurance to the audit profession of the credibility and reputation of auditors. However, the results of H3 may provide some cause for alarm within the audit profession. These results indicate that the sophisticated user of financial statements is more skeptical of the exemplary behavior demonstrated by the typical auditor when compared to the expectations of the audit profession. In this comparison, the audit profession rated the typical auditor's exemplary behavior significantly higher than the sophisticated financial public on three of the six subscales. On a fourth subscale, the difference was marginally significant and directionally consistent. The remaining two subscales did not reflect statistically significant differences, but were also directionally consistent with all other subscales.

Collectively, these comparisons suggest that the sophisticated financial public, proxied by experienced bank LO, rates the exemplary behavior of auditors lower than does the audit profession. Corroborating evidence is found in the analysis of the test of reliance on audited financial statements. The sophisticated public placed less reliance on audited financial statements than any of the other subject groups. Realizing that the primary function of an auditor is to provide assurance to the financial public as to the fairness of financial statements and that the auditor's effectiveness is dependent upon the perception of credibility, this finding is important.

The audit profession (without the knowledge of the results of the present study) has recognized this potential credibility gap and has been pro-active in attempting to address it. In addition to the impression management efforts of the AICPA, individual audit firms have attempted to manage public impression of the much-maligned audit profession. For example, PricewaterhouseCoopers, one of the Big 4 international accounting firms, has waged a media campaign in the press and on national television stressing the firm's commitment to integrity and ethical behavior. In his book, "Building Public Trust[10]," PWC CEO Samuel A. DiPiazza, Jr. suggests that one of the key ingredients to successful financial reporting is that the players must be people of integrity. In July, 2004, another Big 4 audit firm, KPMG International announced the establishment of the Center for Leadership and Business Ethics. The stated goal of this center is to recognize individuals who have demonstrated an extraordinary commitment to ethics in the market place.[11] These actions by leading accounting firms are demonstrations that the profession recognizes the need to re-establish credibility.

Limitations and future research

A study of this nature has several limitations. One potential limitation concerns the internal validity of the instrument. To the extent that some of the professionals' exemplification tactics are not fully developed in the *Code of Professional Conduct*, or unintentional exemplification behaviors were not identified, the instrument may not fully capture the exemplification behaviors of CPAs. To provide reasonable assurance of internal validity, the items in the instrument were developed directly from the language of the Code. Furthermore, a pilot test was conducted that provided feedback for necessary modifications to the final instrument. Finally, reliability measures (e.g., Cronbach's alpha and factor analysis), were conducted on the research instrument.

Second, as with any sampling process, it is possible that the samples contain systematic bias and are not accurate representations of the populations of interest. While the study lacked random selection of the pool of possible subjects, the sample selection from the pool was randomized. In addition, this study involves a sufficient number of participants and examines actual auditors and their public which enhances its representativeness, practical significance, and external validity.

Third, as with any study, significant findings can only be generalized to the target population at the current time. Nonetheless, the findings are still important to the accounting profession since, at the very least, the study determined that auditors and their public have different perceptions regarding professional auditor attributes. As a result of these findings, the accounting profession will benefit from knowing which behaviors are perceived differently and can address these specific areas in the future, possibly through revisions to the Code.

Fourth, the use of mail questionnaires suffers from limited experimental control of subjects, which threatens internal validity and non-response bias. The potential threat of limited experimental control was mitigated through rigorous random sampling techniques and randomization of auditor subjects. To address the issue of non-response bias, a comparison between the first 80 and the last 80 respondents was conducted. The ANOVA results suggested that no significant differences were detected between early and late respondents. To further substantiate this, *t*-tests were conducted on the six dependent variables. Lastly, multivariate statistical procedures were used to add control, which effectively reduce sampling error and alpha inflation.

Finally, our study is limited in that there is no evidence, for either of the user groups (LO and IC), of the extent of their awareness of the AICPA *Code of Professional Conduct*. This limitation may be somewhat mitigated as a result of directly using, in our instrument, the description of exemplary auditor behaviors contained in the code. As such, users provided their perceptions of how well auditors upheld these exemplary behaviors (and thus indirectly how well auditors upheld their responsibilities contained in the code).

The study of impression management in accounting links a variety of academic research streams. As such, many possible research questions remain largely unexplored. For example, additional research could be undertaken to further explore the specific behaviors rated extremely high or extremely low by any or all of the groups. A second study could be designed to expand exemplification to the professional literature. The research could be conducted in a similar manner as the present study, based on a different profession's code of conduct. Third, a study could be designed to examine auditor exemplary behavior in differing countries using their specific codes of conduct. Research focusing on the expectations gap between public and auditor has been conducted throughout various parts of the world including Australia (Gay and Schelluch, 1993; Low, 1984); Singapore (Best et al., 2001); U.K. (Humphrey et al.; 1992), New Zealand (Porter, 1993), the Republic of South Africa (McInnes, 1994; Gloeck and Jager, 1993) and Spain (Benau et al., 1993). Interestingly, each of these studies has also determined that an expectation gap exists between what the public wants auditors to do and the current role of auditors. One study conducted by the CICA pinpointed the public's demand to better information regarding "the risks to which a company is exposed" that might serve as a "warning of the possibility of imminent business failure" (MacDonald, 1988). Consequently, an additional possible extension of this current work would be to conduct a similar study in differing countries using their specific codes of conducts as measures of auditor exemplary behavior.

In conclusion, this current research compares auditor and public perceptions of exemplary behaviors contained in the *Code of Professional Conduct*. Since the code establishes the ideal behaviors and desired public image of CPAs, the language of the code itself should serve as the best set of behaviors to which all auditors should strive to attain. To the extent that auditors do not measure up to the ideal, stricter adherence to the standards of the AICPA *Code of Professional Conduct* is essential.

APPENDIX A – Auditor Self Version

CPA Characteristic Questionnaire

Part One

Instructions:
1. Please read Item 1 of Part One of the instrument.
2. Using the scale provided, write in a number from 0 to 7 in the appropriate space which best reflects the extent to which **you** exhibit each behavior **WHILE PERFORMING YOUR PROFESSIONAL DUTIES.** A response of 0 indicates that you do NOT AT ALL exhibit that particular behavior. A response of 7 indicates that you exhibit that particular behavior ALL THE TIME.
3. Continue this process until you have rated all of the 30 items included in Part One.
4. Upon completing Part Two, please place Parts One and Two into the post paid envelope and mail.

Not at all 0 1 2 3 4 5 6 7 All The Time

Example: Unbiased Viewpoint. . . __6__

1. Exercises Professional Judgments . . ..______
2. Trustworthy..______
3. Sometimes Circumvents Standards...........______
4. Independent in Thought...........................______
5. Knowledgeable ....______
6. Adequately Supervises Services ....______
7. Does not Always Provide Quality Services______
8. Exercises Moral Judgments ....______
9. Adheres to Code of Conduct.....................______
10. Renders Prompt Service..........................______
11. Intellectually Honest ....______
12. Acts with Integrity ....______
13. Performs to Best of Ability ....______
14. Adheres to Ethical Standards..................______
15. Consistent Professional Behavior ....______
16. Maintains Public Confidence..................______
17. Dedicated to Excellence..........................______
18. Not Always Impartial.............................______
19. Proficient (Demonstrates Mastery).........______
20. Free from Conflict of Interest ....______
21. Does not Always Act Responsibly ....______
22. Genuinely Interested in Public Service....______
23. Maintains Client Confidentiality ....______
24. Delivers Competent Services..................______
25. Objective ....______
26. Does not Always Exhibit Proper Conduct______
27. Adheres to Technical Standards ....______
28. Does not Always Exercise Due Care ....______
29. Cooperates with Other Auditors ....______
30. Serves the Public Interest.........................______

Part Two

Demographic Information – Please place a checkmark or fill in the blank next to the appropriate description.

1. Gender _____ Male _____ Female

2. Age: _____

3. Highest Education Received

_____ High School
_____ Bachelor Degree
_____ Some Graduate
_____ Master's Degree
_____ Doctorate
_____ Other

4. How much reliance do you think users of financial statements place on the auditor's opinion?
(Circle your response) Very Low Low Moderate High Very High

5. Number of Years of Audit Experience _______

6. Number of CPAs in your firm _________

Thank you for completing this questionnaire!

APPENDIX B – Auditor Other Version
CPA Characteristic Questionnaire

Part One

Instructions:
1. Please read Item 1 of Part One of the instrument.
2. Using the scale provided, write in a number from 0 to 7 in the appropriate space which best reflects the extent to which a **typical auditor** exhibits each behavior **WHILE PERFORMING HIS/HER PROFESSIONAL DUTIES.** A response of 0 indicates that the auditor does NOT AT ALL exhibit that particular behavior. A response of 7 indicates that the auditor exhibits that particular behavior ALL THE TIME.
3. Continue this process until you have rated all of the 30 items included in Part One.
4. Upon completing Part Two, please place Parts One and Two into the post paid envelope and mail.

Not at all 0 1 2 3 4 5 6 7 All The Time

Example: Unbiased Viewpoint. . . __6__

1. Exercises Professional Judgments . . ..______
2. Trustworthy...______
3. Sometimes Circumvents Standards.............______
4. Independent in Thought ....______
5. Knowledgeable ....______
6. Adequately Supervises Services ....______
7. Does not Always Provide Quality Services ______
8. Exercises Moral Judgments ....______
9. Adheres to Code of Conduct......................______
10. Renders Prompt Service...........................______
11. Intellectually Honest ....______
12. Acts with Integrity ....______
13. Performs to Best of Ability ....______
14. Adheres to Ethical Standards ....______
15. Consistent Professional Behavior ....______
16. Maintains Public Confidence...................______
17. Dedicated to Excellence ....______
18. Not Always Impartial ....______
19. Proficient (Demonstrates Mastery)..........______
20. Free from Conflict of Interest ....______
21. Does not Always Act Responsibly ....______
22. Genuinely Interested in Public Service ....______
23. Maintains Client Confidentiality ....______
24. Delivers Competent Services...................______
25. Objective...______
26. Does not Always Exhibit Proper Conduct ______
27. Adheres to Technical Standards ....______
28. Does not Always Exercise Due Care........______
29. Cooperates with Other Auditors ....______
30. Serves the Public Interest ....______

Part Two

Demographic Information – Please place a checkmark or fill in the blank next to the appropriate description.

1. Gender _____ Male _____ Female

2. Age: _____

3. Highest Education Received

_____ High School
_____ Bachelor Degree
_____ Some Graduate
_____ Master's Degree
_____ Doctorate
_____ Other

4. How much reliance do you think users of financial statements place on the auditor's opinion?
(Circle your response) Very Low Low Moderate High Very High

5. Number of Years of Audit Experience _______

6. Number of CPAs in your firm _________

Thank you for completing this questionnaire!

APPENDIX C – Investment Club Member Version
CPA Characteristic Questionnaire

Part One

Instructions:
1. Please read Item 1 of Part One of the instrument.
2. Using the scale provided, write in a number from 0 to 7 in the appropriate space which best reflects the extent to which a **typical auditor** exhibits each behavior **WHILE PERFORMING HIS/HER PROFESSIONAL DUTIES.** A response of 0 indicates that the auditor does NOT AT ALL exhibit that particular behavior. A response of 7 indicates that the auditor exhibits that particular behavior ALL THE TIME.
3. Continue this process until you have rated all of the 30 items included in Part One.
4. Upon completing Part Two, please place Parts One and Two into the post paid envelope and mail.

Not at all 0 1 2 3 4 5 6 7 All The Time

Example: Unbiased Viewpoint. . . __6__

1. Exercises Professional Judgments . . ..______
2. Trustworthy...______
3. Sometimes Circumvents Standards.............______
4. Independent in Thought ....______
5. Knowledgeable ....______
6. Adequately Supervises Services ....______
7. Does not Always Provide Quality Services ______
8. Exercises Moral Judgments ....______
9. Adheres to Code of Conduct......................______
10. Renders Prompt Service..........................______
11. Intellectually Honest ....______
12. Acts with Integrity ....______
13. Performs to Best of Ability ....______
14. Adheres to Ethical Standards ....______
15. Consistent Professional Behavior ....______
16. Maintains Public Confidence...................______
17. Dedicated to Excellence ....______
18. Not Always Impartial ....______
19. Proficient (Demonstrates Mastery)..........______
20. Free from Conflict of Interest ....______
21. Does not Always Act Responsibly ....______
22. Genuinely Interested in Public Service ....______
23. Maintains Client Confidentiality ....______
24. Delivers Competent Services...................______
25. Objective...______
26. Does not Always Exhibit Proper Conduct ______
27. Adheres to Technical Standards ....______
28. Does not Always Exercise Due Care........______
29. Cooperates with Other Auditors ....______
30. Serves the Public Interest ...._____

Part Two

Demographic Information – Please place a checkmark or fill in the blank next to the appropriate description.

1. Gender _____ Male _____ Female

2. Age: _____

3. Highest Education Received

_____ High School
_____ Bachelor Degree
_____ Some Graduate
_____ Master's Degree
_____ Doctorate
_____ Other ___________________________________

4. How much reliance do you place on the auditor's opinion of financial statements?
(Circle your response) Very Low Low Moderate High Very High

5. Number of Years of Investment Experience _______

6. Estimate of percentages invested in:
Cash _____
Stocks _____
Bonds _____
Mutual Funds _____
Other _____

7. Approximate dollar amount you have invested _____________

Thank you for completing this questionnaire!

APPENDIX D – Loan Officer Version
CPA Characteristic Questionnaire

Part One

Instructions:
1. Please read Item 1 of Part One of the instrument.
2. Using the scale provided, write in a number from 0 to 7 in the appropriate space which best reflects the extent to which a **typical auditor** exhibits each behavior **WHILE PERFORMING HIS/HER PROFESSIONAL DUTIES.** A response of 0 indicates that the auditor does NOT AT ALL exhibit that particular behavior. A response of 7 indicates that the auditor exhibits that particular behavior ALL THE TIME.
3. Continue this process until you have rated all of the 30 items included in Part One.
4. Upon completing Part Two, please place Parts One and Two into the post paid envelope and mail.

Not at all 0 1 2 3 4 5 6 7 All The Time

Example: Unbiased Viewpoint. . . __6__

1. Exercises Professional Judgments . . ..______
2. Trustworthy..______
3. Sometimes Circumvents Standards.............______
4. Independent in Thought.............................______
5. Knowledgeable ....______
6. Adequately Supervises Services ....______
7. Does not Always Provide Quality Services ______
8. Exercises Moral Judgments ....______
9. Adheres to Code of Conduct......................______
10. Renders Prompt Service...........................______
11. Intellectually Honest ....______
12. Acts with Integrity ....______
13. Performs to Best of Ability ....______
14. Adheres to Ethical Standards...................______
15. Consistent Professional Behavior ....______
16. Maintains Public Confidence...................______
17. Dedicated to Excellence ....______
18. Not Always Impartial ....______
19. Proficient (Demonstrates Mastery)..........______
20. Free from Conflict of Interest ....______
21. Does not Always Act Responsibly ....______
22. Genuinely Interested in Public Service ....______
23. Maintains Client Confidentiality ....______
24. Delivers Competent Services...................______
25. Objective...______
26. Does not Always Exhibit Proper Conduct ______
27. Adheres to Technical Standards ....______
28. Does not Always Exercise Due Care........______
29. Cooperates with Other Auditors ....______
30. Serves the Public Interest ...._____

Part Two

Demographic Information – Please place a checkmark or fill in the blank next to the appropriate description.

1. Gender _____ Male _____ Female

2. Age: _____

3. Highest Education Received

_____ High School
_____ Bachelor Degree
_____ Some Graduate
_____ Master's Degree
_____ Doctorate
_____ Other ___________________________________

4. How much reliance do you place on the auditor's opinion of financial statements?
(Circle your response) Very Low Low Moderate High Very High

5. Number of Years of Banking Experience _______

6. Dollar amount of business loans you made to publicly held entities last year _________

7. Title or position _____________

Thank you for completing this questionnaire!

Notes

[1] A Code of Conduct is an essential ingredient of professional groups. While many such codes exist, two examples include Canada and the U.K. In Canada, the Canadian Institute of Chartered Accountants (CICA) has a specified Code of Conduct, which indicates professional behavior. Likewise, the International Chartered Accountants in England and Wales (ICAEW) *Guide to Professional Ethics*, provides essentials for Chartered Accountants in England and Wales, and is substantially shared with the other two Chartered Accountant bodies, The Institute of Chartered Accountants of Scotland, and The Institute of Chartered Accountants in Ireland.

[2] Studies in the accounting field drawing directly from the impression management literature exist but are extremely limited. Two of these studies considered the disclosures that accompany financial statements (Aerts, 1994; Clatworthy and Jones, 2003). One study examined the impact CEO changes had on earnings (Godfrey et al., 2003), and the other study involved theoretical considerations of trust and auditors (Neu, 1991).

[3] Theorists have suggested that ethical behavior can be influenced by a code of ethics (Brass et al., 1998; Ferrell and Gresham, 1985). Schwartz (2001) indicates that the findings from previous studies suggest that codes of conduct ''have the potential to directly influence'' member behavior. Interestingly, one study that focused specifically on accountants found that the Code did indeed influence ethical behavior of the respondents (Rich et al., 1990).

[4] It is important to note that we are not measuring perceptions of the actual *Code of Professional Conduct*, but rather linking it with CPA behaviors espoused by the code. The AICPA code, by its very nature, embodies the philosophical basis for exemplary CPA behaviors contained in the six conceptual articles. We relied exclusively on the language contained in the code that defines exemplary behavior to serve as the source for measuring the perceptions of an auditor's professional performance of duties. To that extent, our study attempted to operationalize the code's core components and measure the degree to which *auditors* were successful in managing impressions through exemplary behaviors from the code.

[5] George and Mallery (2003) also indicate that Cronbach's alpha is partially dependent on the number of items in the scale (i.e., a positive correlation exists). Therefore, one reason for lower alphas with the individual dependent variables (such as Due Care), is that only five items are used in measuring the internal consistency.

[6] Information (which will be analyzed in a later section of the paper) was also collected about the level of reliance placed on audited financial statements. In addition, other information was collected from each of the treatment groups which was not directly relevant to the other groups. For example, IC were asked to indicate the total dollar amount of their investments. Therefore, these last categories of information were collected as descriptive statistics but were not considered in the analysis since this information did not apply to all treatment groups.

[7] Non-response bias was assessed by comparing the first 25% and last 25% of the responses to determine if there were any significant differences. This method, referred to as the trend method, assumes that late respondents are sufficient surrogates for non-respondents. The results of ANOVA indicated that no significant differences existed between early and late responders ($F = 0.743$; $p < 0.158$). In addition, independent sample *t*-tests were conducted on each of the six dependent variables, also resulting in no significant differences.

[8] Gardner and Martinko (1988) employ profile analysis in an impression management setting. Ding (2001), provides additional information on the use of profile analysis.

[9] There were six dependent variables used in hypotheses testing. Each dependent variable (e.g., responsibility, honoring the public trust, integrity, independence, due care, determining the appropriate scope and nature of services) consisted of five related questions on the research instrument. Accordingly, in testing the hypotheses, each dependent variable was measured by summing the responses to the five questions comprising that particular dependent variable.

[10] DiPiazza et al. (2002). Building Public Trust: The Future of Corporate Reporting, John Wiley & Sons © 2002.

[11] KPMG International. *www.kpmg.com*. July 14, 2004.

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