The Effect of Auditors’ Job Satisfaction on the Influence of Ethical Conflict on Auditors’ Inventory Judgments

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Abstract

This study investigates the effects of job satisfaction and ethical conflict in the form of a self-interest threat on auditors’ inventory valuation judgments. Based on prior job satisfaction research on affect and professional commitment, we predict that participants who are more satisfied with their jobs will sign-off on a more conservative inventory amount compared to participants who are less satisfied with their jobs. We also hypothesise that participants will sign-off on a less conservative inventory amount when there is a self-interest threat in the form of a job offer from the audit client. We also expect that participants who are more intrinsically satisfied with their jobs will sign-off on a more conservative inventory amount when there is a self-interest threat relative to participants who are less satisfied with their jobs.

Using a sample of 76 auditors, a complex inventory valuation task is used to test the hypotheses in a 1 x 2 between-subjects design with one measured variable. Auditors’ job satisfaction is measured using the Minnesota Satisfaction Questionnaire and self-interest threat is manipulated at two levels (presence or absence of job offer from the audit client). Participants were required to sign-off on an inventory amount after reading the case materials. We find that intrinsic job satisfaction affects auditor inventory valuation judgments. Consistent with prior research, we also find self-interest threat, in the form of a job offer from the audit client, affects auditor participants’ inventory judgments. Our results also indicate that, in the presence of a self-interest threat, participants who are more intrinsically satisfied with their jobs sign-off on a more conservative inventory amount compared to participants who are less intrinsically satisfied with their jobs.

Keywords: Job satisfaction; Ethical conflict; Self-interest threat; Auditor judgment
1.0 Introduction

Job satisfaction in various work fields has been researched extensively in the psychology, management and accounting literature. Many studies examine the consequences of job satisfaction, such as job performance (e.g., Brayfield and Crockett 1955; Vroom 1964; Iaffaldano and Muchinsky 1985; Judge et al. 2001), organisational citizenship behaviour (e.g., Bateman and Organ 1983; Organ 1988; Williams and Anderson 1991; Organ and Ryan 1995), professional commitment (e.g., Aranya et al. 1981; Aryee and Tan 1992; Aryee et al. 1994; Huang et al. 2007) and job turnover intentions (e.g., Harrell and Stahl 1984; Bullen and Flamholtz 1985; Harrell et al. 1986; Rasch and Harrell 1990; Quarles 1994; Dole and Schroeder 2001; Chong and Monroe 2013).

Despite job satisfaction being widely studied, little empirical research investigates the influence of job satisfaction on individuals’ judgments, including in the auditing domain. Therefore, the first objective of this study is to examine the effect of job satisfaction on auditors’ judgments. It is particularly important to investigate this issue as auditors’ job dissatisfaction could possibly lead to diminished audit performance, which could cause an audit to be inefficient and/or ineffective. As Locke (1976) defines job satisfaction as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences, it is possible that positive (negative) emotional state caused by job satisfaction (dissatisfaction) could have an impact on auditors’ judgments. Our study builds on prior job satisfaction research on affect and professional commitment to investigate whether auditors’ inventory valuation judgments are influenced by their job satisfaction. Job satisfaction is a multidimensional concept; in this study we look at the intrinsic and extrinsic dimensions of job satisfaction.
Our study also investigates the effect of ethical conflict in the form of a self-interest threat on auditors’ decision-making where self-interest threat is in the form of a job offer from an audit client.

Prior studies that investigate this issue have demonstrated that the “revolving door” problem (i.e., when an auditor is offered employment with an audit client) could potentially impair auditor independence (e.g., Koh and Mathathevan 1993; Menon and Williams 2004; Geiger et al. 2005; and Chung et al. 2011). To foster auditor independence, Section 206 of the Sarbanes-Oxley Act (SOX) and Rule 52-108 of the Canadian Securities Administration (CSA) impose a one-year cooling-off period before a member of the engagement team can work for their clients in key positions (Bedard et al. 2008; Chung et al. 2011). In Australia, the Corporations Act 2001 (Section 324CI and 324CJ) mandates a two-year cooling-off period on professional member of an audit team and lead auditor or review auditor before undertaking employment with an audit client. The United Kingdom (UK) also mandates a two-year cooling-off period on engagement partners, independent partners, key audit partners and the Chain of Command (IESBA 2006). In Malaysia, Section 290.139 of the Malaysian Institute of Accountants (MIA) By-Laws requires a minimum of two-year cooling-off period before a key audit partner can be employed by an audit client.

Despite regulations in place to address this issue, the cooling-off period is not applied to lower levels of employment with the audit client and some job offers are taken up without any cooling-off period and disclosure (Chung et al. 2011). This is when the auditor’s judgments may be influenced by the presence of job offer from an audit client due to a self-interest threat. Motivated by this issue, this study examines whether the presence of a job

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2 IESBA (2006) paragraph 290.145 states that “A self-interest threat is created when a member of the assurance team participates in the assurance engagement while knowing, or having reason to believe, that he or she is to, or may, join the
offer from an audit client affects auditor independence. Specifically, this study examines the effect of the presence of a job offer from an audit client on auditors’ inventory valuation judgments. This is an important issue to investigate because auditor independence may be impaired when auditor faces an ethical conflict between self-interest and professional obligations (Goldman and Barlev 1974) through their judgments (Johnstone et al. 2001). To date, only one study has examined how the presence of a job offer from an audit client affects auditors’ judgments, which is Chung et al. (2011). Using audit seniors from Australia as their participants, Chung et al. (2011) find that auditors facing an ethical conflict sign-off on a less conservative inventory balance relative to auditors who do not face an ethical conflict. Our study extends Chung et al. (2011) using a sample of auditors from Malaysia.

Our study also examines the potential effect of job satisfaction on auditors’ ethical decision-making. As adverse consequences could arise from unethical decisions (Chung et al. 2011), many studies have attempted to examine auditors’ ethical decision-making where most of the studies focus on factors that drive auditors’ ethical decisions such as organisational ethical climate, personal values and ethical reasoning (e.g., Gul et al. 2003; Douglas et al. 2001; Shafer et al. 2001). A few studies examine the relationship between job satisfaction and ethical behaviour outside the auditing field (e.g., Yetmar and Eastman 2000; Paolillo and Vitell 2002; Tang and Chiu 2003; Valentine et al. 2010). However, no prior research examines the role of auditors’ job satisfaction in their ethical decision-making. Therefore, this study investigates whether auditors’ job satisfaction affects auditors’ judgments specifically in the presence of an ethical conflict, which is operationalised as a job offer from an audit client. In other words, this study examines the interaction effect between auditors’ job satisfaction and ethical conflict on decision-making.
Our study first hypothesises that auditors will sign-off on a more conservative (i.e., lower) inventory value when they are more intrinsically satisfied with their jobs. We also hypothesise that extrinsic job satisfaction will not have significant effect on auditors’ inventory valuation judgment. Consistent with Chung et al. (2011), we expect auditors will sign-off on a less conservative inventory value in the presence of a self-interest threat in the form of a job offer from an audit client. We also expect an interaction effect between intrinsic job satisfaction and the self-interest threat. In the presence of a job offer, we expect that auditors who are more intrinsically satisfied with their jobs will sign-off on a more conservative inventory value relative to auditors who are less intrinsically satisfied with their jobs. No interaction effect is expected between extrinsic job satisfaction and self-interest threat. In other words, only intrinsic job satisfaction is expected to mitigate the effect of a self-interest threat on auditors’ judgments.

A total of 76 usable research instruments were completed by auditors working in accounting firms in Malaysia. Participants were provided with case materials about a manufacturing company and were required to make inventory valuation judgments. Ethical conflict is manipulated at two levels where participants were either provided with case materials containing a job offer or case materials that do not contain a job offer. Participants’ intrinsic and extrinsic job satisfaction is measured using the 20-item Minnesota Satisfaction Questionnaire (MSQ) designed by Weiss et al. (1967).

The results from our study support our expectation that participants who are more intrinsically satisfied with their jobs sign-off on a more conservative inventory amount relative to participants who are less intrinsically satisfied with their jobs. As predicted, extrinsic job satisfaction does not have a significant main effect on participants’ inventory
valuation judgments. The results also indicate that participants in the ethical conflict group sign-off on a less conservative inventory amount compared to participants in the no ethical conflict group, which is consistent with what was predicted. The interaction effect between intrinsic job satisfaction and ethical conflict shows that in the presence of an ethical conflict, participants who are more intrinsically satisfied with their jobs sign-off on a more conservative inventory amount compared to participants who are less intrinsically satisfied with their jobs, which is in line with our expectation. As expected, the results show that there is no significant interaction effect between extrinsic job satisfactions and ethical conflict.

Our study makes a number of contributions to the literature. First, this study contributes to the job satisfaction, auditing and ethics literature by being the first study to examine the effect of job satisfaction on auditors’ judgments. In the job satisfaction literature, many consequences of job satisfaction have been studied extensively. In the auditing literature, a few studies demonstrate the effect of positive affect on judgments (Chung et al. 2008; Cianci and Bierstaker 2009; Chung et al. 2011); however, no study has examined the influence of job satisfaction or work-related affect on judgments.

Second, our study contributes to the existing auditing literature by investigating the “revolving door” issue, which may impair auditor independence according to prior studies (Johnstone et al. 2001; Menon and Williams 2004; Chung et al. 2011). Consistent with Chung et al. (2011), we find that auditors in Malaysia sign-off on a less conservative inventory value in the presence of an ethical conflict in the form of a job offer from the audit client, which suggests that a job offer from an audit client impairs auditor independence. Our study also contributes to the auditing profession as the findings suggest that policy makers
and legislators can consider extending the restriction of the cooling-off period to lower levels of employment with the audit client.

Further, our study provides insights into how different dimensions of job satisfaction (i.e., intrinsic and extrinsic job satisfaction) have different impacts on auditors’ inventory valuation judgments by demonstrating that only the intrinsic dimension of job satisfaction mitigates the effect of ethical conflict on auditors’ judgments. In contrast, extrinsic job satisfaction does not mitigate the effect of ethical conflict on auditors’ judgments. Our study highlights the important role that job satisfaction may play in affecting the efficiency and/or effectiveness of an audit, which could be a new research area for the auditing researchers. The findings of our study also have important implications for audit practice as auditors’ job satisfaction could be taken into consideration when audit practitioners review the work of their subordinates, particularly the intrinsic dimension of their job satisfaction.

The remainder of this paper is organised as follows. Section 2 provides a review of relevant literature and develops the hypotheses. Section 3 describes the research method. Section 4 presents the findings and discussion of the findings. The final section concludes the study with some theoretical and practical implications and limitations.

2.0 Literature Review and Hypotheses Development

Job Satisfaction

Locke (1976) defines job satisfaction as the pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences. In other words, job satisfaction arises when an individual perceives his or her job to fulfill job-related values that are important to him or her. Conversely, negative emotions consistent with job dissatisfaction arise when a job
fails to fulfill job-related values (Fisher 2001). Depending on the magnitude of the importance of the job values being fulfilled, an individual’s job satisfaction could lead to positive affect, which may facilitate decision-making processes. In their literature review on prior job satisfaction studies, Judge et al. (2001) explain that individuals who are satisfied with their jobs are more likely to be in positive affect at work, which may in turn increase their job performance in many ways. Prior studies such as Brief et al. (1995) and Fisher (1998) find that job satisfaction has a positive (negative) relation with positive (negative) affect. Specifically, Fisher (1998) finds a significant relationship between job satisfaction and affect experienced by individuals at work.

Prior studies demonstrate that job satisfaction is positively associated with positive affect; however, prior studies of positive affect on decision-making and judgments report mixed results. Staw and Barsade (1993) find that managers who are positive in affect direct more appropriate effort in decision-making and make more accurate decisions relative to those who are negative in affect. Staw and Barsade (1993) also conclude that positive affect is a facilitating influence when individuals make decisions that are complex and ambiguous. As financial reporting standards are often ambiguous, their findings could be applied to the context of this study where it is possible that positive affect resulting from job satisfaction will facilitate auditors’ decision-making when evaluating an audit client’s inventory value.

However, it can also be argued that auditors who are positive in affect will make less conservative judgments. Chung et al. (2008) find that positive-mood auditors and undergraduate students make the least conservative inventory judgments due to retrieval of more information congruent with their positive mood state, which causes them to make more positive and less conservative judgments. According to Chung et al. (2008), mood
maintenance theory states that positive-mood individuals have a tendency to maintain their positive mood state by avoiding difficult and unpleasant situations. Therefore, auditors in positive affect are less likely to make judgments and decisions that would cause conflict with the client’s management, causing them to make less conservative judgments relative to auditors in negative affect.

While Chung et al. (2008) report that positive affect leads to less conservative decision-making by auditors, the participants’ mood states in their study are induced by asking participants to read passages that are unrelated to the audit tasks. As positive affect resulting from job satisfaction is related to auditors’ feelings and attitudes towards work, it can be argued that positive work-related affect may have a different impact on auditors’ judgments than those reported in Chung et al. (2008). In the psychology literature, studies demonstrate that individuals in positive affect tend to be more conservative in risk-taking and choice situations (e.g., Isen and Patrick 1983; Arkes et al. 1988; Isen et al. 1988; and Nygren et al. 1996).

Nygren et al. (1996) examine the influence of positive affect on probability estimation and choice, and find that participants in positive affect are more optimistic in estimating the probability of winning relative to losing. However, positive affect does not actually lead them to act on their optimistic estimates. Nygren et al. (1996) explain that positive affect states and feelings do not make individuals blind to possible bad outcomes and that individuals in positive affect could be self-protective and cautious when operating in situations where they are aware of the outcomes of their decisions. Therefore, it is possible that auditors experiencing positive affect due to satisfaction with their jobs will make more conservative
judgments when evaluating an audit client’s inventory values as they are aware of the potential bad outcomes of making less conservative judgments or decisions.

Another explanation for higher job satisfaction leading to better judgments is that auditors’ satisfaction with their jobs may lead to increased professional commitment, which could affect their decision-making. A few studies find that job satisfaction is associated with professional commitment. Aranya et al. (1981) find that accountants’ satisfaction with their income is associated to the degree to which they are committed to their profession. This is because professionals’ motivation to supply professional services depends on both the material and nonmaterial rewards given to them as a professional, which could be associated with their job satisfaction. Moreover, other studies also find that job characteristics, compensations and benefits provided by the employer (Huang et al. 2007) and satisfaction with career (Aryee and Tan 1992 and Aryee et al. 1994) are significantly associated with career commitment.

According to Aranya et al. (1981), professional commitment may indicate (1) the belief in, and acceptance of, the goals and values of the profession, (2) a willingness to exert considerable effort on behalf of the profession, and (3) a definite desire to maintain membership in the profession. As independence is the core of professionalism (Larson 1977), auditors with high professional commitment are more likely to act in accordance with professional standards and are less likely to concede to situations or choices that are different from what is implied by the best professional judgment (Aranya et al. 1981). In other words, they are more likely to accept the norms and moral values of the profession and to exert more

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3 Aranya et al. (1981) examine the relationship between accountants’ professional commitment and satisfaction with income. They mention that both intrinsic and extrinsic rewards associated with job satisfaction may contribute to professional commitment.

4 Career commitment refers to commitment to one’s career, which could be a professional or non-professional career.

5 The definition of professional commitment is rephrased by Aranya et al. (1981) to a professional orientation from the definition of organisational commitment by Porter et al. (1974).
effort into improving the profession’s values (Larson 1977). Bamber and Iyer (2007) find that auditors who identify with their profession are less likely to concede to client-preferred treatment in resolving a dispute over the materiality of unrecorded liabilities with client management. Their findings are consistent with Johnstone et al. (2001) that professional commitment promotes professional behavior and auditors’ objectivity. Applying the findings of these prior studies in the context of this study, the more satisfied auditors are with their jobs, the more they will commit to the auditing profession, which may lead to more professional and objective judgments when assessing an audit client’s asset values. The preceding discussion suggests that job satisfaction (dissatisfaction) could lead to positive (negative) affect or higher (lower) professional commitment, which could lead to more (less) conservative judgments made when assessing an audit client’s inventory value in the context of this study.

Prior research provides evidence that job satisfaction is a multidimensional construct that are measured in various ways (Iaffaldano and Munchinsky, 1985). Two of the main dimensions of job satisfactions commonly used in prior research are intrinsic and extrinsic dimensions (Locke, 1976; Kaufman and Fetters, 1980; Hauber and Bruininks, 1986; Kuhnert and Palmer, 1991; McCue and Gianakis, 1997). Locke (1976) defines intrinsic job satisfaction as “satisfaction derived from internal sources only (e.g., feelings or reaction produced by oneself); satisfaction from self-reinforcement” whereas extrinsic job satisfaction is defined as “satisfaction derived from external sources only (e.g., feelings or reactions produced by others); satisfaction from other-provided enforcement”. Intrinsic job satisfaction relates directly to the tasks an individual performs and it reflects his/her attitudes towards tasks of the job while extrinsic job satisfaction relates with the environment in which the work is done, which is controlled by the organisation (Pritchard and Peters, 1974; McCue and
In other words, intrinsic job satisfaction arises from the actual job duties the individual engages in whereas extrinsic job satisfaction arises from stimuli not associated with the job duties, i.e., the individual interaction with the organisation outside his actual job duties (Pritchard and Peters, 1974). In an auditing context, intrinsic job satisfaction reflects auditor’s satisfaction with the audit work including the ability to use their own judgement and their job autonomy whereas extrinsic job satisfaction relates to auditor’s satisfaction with the working environment in the audit firm such as salary and firm policies.

Research in psychology and management identifies intrinsic and extrinsic job satisfactions as distinct concepts that correlate to or influence individual behaviour in different ways (Arvey and Dewhirst, 1979; Hackman and Oldman, 1980; Hauber and Bruininks, 1986; McCue and Gianakis, 1997; Taris and Feij, 2001; Brough and Frame, 2004). For example, Wernimont (1966) finds that intrinsic factors are more important in influencing individuals’ job satisfaction than extrinsic factors and Kuhnert and Palmer (1989) find that job security is more closely related to intrinsic job satisfaction factors than extrinsic factors. In addition, Pritchard and Peters (1974) provide evidence that intrinsic satisfaction is more related to job duties than extrinsic satisfaction. On the other hand, Chacko (1983) indicates that only extrinsic job satisfaction has significant influence on one’s life satisfaction. These studies suggest that intrinsic and extrinsic job satisfactions could have different influence on individuals’ behaviours. Based on these findings, it is possible that intrinsic job satisfaction could affect auditors judgment in different ways than and extrinsic job satisfaction.

Furthermore, Centers and Bugental (1966) find that individuals at higher occupational levels such as professionals place a greater value on intrinsic dimension than individuals at lower occupational levels. They argue that professionals place more importance on intrinsic factors
such as self-expression and ability to use their own judgment as opposed to extrinsic factors such as pay and supervision. Similarly, Gruenberg (1980) finds that the intrinsic dimension is an important determinant of job satisfactions among all occupational groups but extrinsic job satisfaction is considered more important among unskilled, semiskilled and clerical workers. Therefore, it is probable that professional workers such as auditors value the intrinsic job satisfaction more important than extrinsic job satisfaction. We expect that intrinsic job satisfaction will affect task performance because it relates directly to the tasks performed on the job. In other words, we expect that participants who have positive affect toward the tasks they perform at work are likely to perform better at those tasks. We don’t expect that extrinsic job satisfaction will affect task performance because it relates to other aspects of the job such as pay, work environment, etc. Therefore, we predict that only the intrinsic dimension of job satisfaction will have a significant effect on auditors’ inventory valuation judgments. Based on the preceding discussion, we propose the following hypotheses:

H1a: Auditors who are more intrinsically satisfied with their jobs will sign-off on a more conservative inventory amount than auditors who are less intrinsically satisfied with their jobs.

H1b: There will be no significant difference between the average inventory amounts signed-off by auditors who are more extrinsically satisfied with their jobs and auditors who are less extrinsically satisfied with their jobs.

**Ethical Conflict**

Ethical decision-making in the work context has become increasingly important and highlighted by the public, given past corporate scandals (e.g., Enron and Arthur Andersen
and sub-prime mortgages in the United States) that have damaged the reputations of many organisations (Valentine et al. 2010; Chung et al. 2011). As unethical decisions may lead to adverse consequences as evidenced by past corporate scandals, ethical decision-making by auditors has attracted a lot of research interest. An important issue associated with the collapse of Enron and the associated audit failure by Arthur Andersen is whether auditors at Arthur Andersen were independent because some employees at Enron were formerly employed with Arthur Andersen as auditors (Moore and Loewenstein 2004; Bedard et al. 2008). This is known as the “revolving door” problem (Menon and Williams 2004). The “revolving door” problem is a concern because auditors might not be sufficiently skeptical when making decisions before switching their employment to the audit client. In addition, because they are familiar with the approaches used to audit the client’s financial statements, it is possible that they would know how to avoid discovery of misstatements by the other audit team members after switching their employment to the audit client (ISB 2000).

In an effort to mitigate potential independence risk from the “revolving-door” issue, Section 206 of the Sarbanes-Oxley Act (SOX) and Rule 52-108 of the Canadian Securities Administration (CSA) impose a one-year cooling off period before a member of the engagement team can work for their clients in key positions (Bedard et al. 2008; Chung et al. 2011). Similarly, in Australia, the Corporations Act 2001 (Section 324CI and 324CJ) mandates a two-year cooling-off period on professional members of an audit team and lead auditor or review auditor before undertaking employment with an audit client. The United Kingdom (UK) also mandates a two-year cooling-off period on engagement partners, independent partners, key audit partners and the Chain of Command (IESBA 2006). Although independence risk associated with “revolving-door” issue is relevant to auditors at all levels, none of the aforementioned cooling-off period requirements is applicable to non-
senior audit staff and lower level employment with an audit client. Some job offers are taken up by non-senior audit staff without any cooling-off period and disclosure (Chung et al. 2011).

This is when the auditor’s judgments may be influenced by the presence of a job offer from an audit client due to a self-interest threat (IESBA 2006; Johnstone et al. 2001; Moore et al. 2006). Johnstone et al. (2001) indicate there may be higher levels of independence risk when there is potential employment with an audit client because decisions made by auditors may favour the audit client in order to obtain approval from a future employer.\(^6\) Despite the possibility that the presence of a job offer from an audit client could impair auditor independence, to the best of our knowledge, only one study examines its effect on auditors’ judgments. Chung et al. (2011) find that audit seniors from Australia who face an ethical conflict in the form of a job offer from the audit client make less conservative inventory judgments (i.e., higher inventory valuation) compared to audit seniors who do not face an ethical conflict.

From a psychological point of view, the presence of a job offer may lead auditors to make biased judgments in favour of the audit client due to unintentional self-serving bias. Self-serving bias allows individuals to make judgments that are biased and consistent with individuals’ self-interest because it is often unconscious and unintentional. Decision-makers also tend to have preferences consistent with their self-interest for the outcome they want before making judgments. Subsequently, they justify their preferences by interpreting information differently and making biased judgments in an unconscious manner (Bazerman et al. 1997). Moore and Loewenstein (2004) explain unintentional self-serving bias through

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\(^6\) Independence risk is defined by Johnstone et al. (2001) as the risk that an auditor’s independence may be compromised or may be perceived to be compromised.
automaticity where they argue that self-interest has a more automatic influence on judgments than do professional responsibilities, hence individuals are more likely to act in their self-interest when it clashes with their professional responsibilities. This is because automatic processes are relatively effortless and unconscious while controlled processes are often more analytical and, therefore, require more effort to produce judgments and decisions. As a result, judgments influenced by automatic processing are more difficult to correct as they occur outside of individuals’ awareness. Conversely, individuals may be completely aware of their obligations to act in a professional manner. However, as controlled processing often takes more effort to make judgments or decisions, individuals’ mental capacity would be constrained under a cognitive load, consequently making automatic judgments even more difficult to correct. As a result, individuals are more likely to act in their self-interest via automatic processing, even when they are fully aware of the need to comply with their professional obligations.

While Moore and Loewenstein (2004) propose that individuals’ judgments will always be biased towards their self-interest due to automatic processing, self-serving bias could also be triggered by motivated reasoning. Motivated reasoning theory posits that individuals who are committed to certain goals often engage in biased reasoning to reach those goals (Kunda 1990). This argument is supported by Moore et al. (2006), who explain that individuals evaluate evidence and information in a biased way when they have an incentive to reach a particular conclusion. Motivated reasoning is also likely to lead to biased interpretations and conclusions when there is sufficient ambiguity in evidence available to individuals (Kunda 1990) and when the conclusion is justifiable (Kadous et al. 2003). As financial reporting standards are often ambiguous, it is not difficult for auditors to justify their decisions in a manner that is consistent with self-interest rather than the interests of other people (Bazerman
et al. 1997). For example, Hackenbrack and Nelson (1996) find that audit seniors are more likely to choose client-preferred methods and tend to exploit ambiguity in financial reporting standards to justify their decisions. In another study, Kadous et al. (2003) find that auditors who are given directional goals to choose client-preferred accounting methods continue to choose client-preferred methods even when they are required to choose the most appropriate revenue-recognition method under GAAP for the circumstances described. Moore et al. (2002) find that when given financial incentives, auditors’ judgments are biased in favor of their clients even when they may be aware of their vulnerability to bias. These studies show that auditors’ judgments are likely to be biased when they have incentives or directional goals to do so and when their judgments are justifiable.

In the context of this study, Goldman and Barlev (1974) explain that conflict between self-interest and professional responsibilities is common in auditors where it could be due to a fear of the possibility of losing clients’ friendship, loss of contract and unemployment (Bazerman et al. 1997). A job offer from an audit client to an auditor could potentially create a self-interest threat as the auditor might be considering taking up the job offer, which will provide financial incentives for the auditor to make decisions in favour of the audit client (Johnstone et al. 2001). When auditors are motivated by their goals to obtain approval from a future employer (i.e., the audit client), it is likely that they will be less objective when evaluating the client’s inventory value, by signing-off on less conservative inventory amount because of the influence of self-serving bias and motivated reasoning. This leads to the second hypothesis:

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7 In Kadous et al. (2003), the directional goal given to participants is to “build a justifiable case for characterising client’s straight-line method to be an acceptable revenue-recognition method in the circumstances”.

H2: Auditors who face an ethical conflict will sign-off on a less conservative inventory amount compared to auditors who do not face an ethical conflict.

**Interaction Effect between Job Satisfaction and Ethical Conflict**

It is likely there will be an interaction effect between ethical conflict and job satisfaction. There are several studies outside the auditing field that report that individuals’ ethical behaviour in their workplace is associated with job satisfaction (e.g., Yetmar and Eastman 2000; Paolillo and Vitell 2002; Tang and Chiu 2003; Valentine et al. 2010; Kish-Gephart et al. 2010).

Using a sample of white-collar workers in the financial industry as participants, Valentine et al. (2010) find that positive job responses (i.e., job satisfaction and job turnover intention) lead to higher levels of ethical job performance because employees are more motivated to exert effort to perform acts that are not specifically outlined in their work duties and responsibilities, which include behaving ethically. Similarly, Yetmar and Eastman (2000) investigate the relationship between job satisfaction and tax practitioners’ ethical sensitivity and argue that individuals who are satisfied with their jobs will tend to reciprocate the organisations they are working for with increased awareness and behaviour in regard to ethical issues. Despite the inability to determine the direction of causality between job satisfaction and ethical sensitivity, a significant relationship is found between tax practitioners’ job satisfaction and ethical sensitivity. Based on these studies, it is expected that individuals who are satisfied with their jobs are more likely to be sensitive to ethical issues and to behave ethically at work.

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8 In a survey conducted by Deloitte & Touche, 91 percent of working adults believe that employees are more likely to behave ethically when they are more satisfied with their jobs (Mintz 2011).

9 Ethical behaviour could be in the form of ethical decision-making, ethical job performance and ethical sensitivity.

10 Ethical sensitivity is an important factor in individuals’ ethical decision-making as individuals who are more sensitive to ethical issues are less likely to agree with unethical decisions or to act unethically (Singhapakdi et al. 2000).
Kish-Gephart et al. (2010) conduct a review to summarise evidence from studies investigating the influence of job satisfaction on individuals’ unethical choices (i.e., unethical behaviour and intention). They find that higher levels of job satisfaction lead to a lower likelihood of unethical choices. They also explain that individuals who are dissatisfied with their jobs are more likely to retaliate against the organisation they are working for with unethical behaviour. This explanation is consistent with Tang and Chiu (2003), who find that individuals who are more satisfied with their pay are less likely to engage in unethical behaviour (e.g., abusing their own power for personal benefits). These studies suggest that individuals who are dissatisfied with their jobs are more likely to engage in unethical behaviour.

On the other hand, Paolillo and Vitell (2002) investigate the influence of job satisfaction on ethical decision-making and find that job satisfaction is not significantly related to ethical or unethical decision-making. As the context of the two ethical scenarios used by Paolillo and Vitell (2002) differs from this current study, it is still arguable that job satisfaction is likely to affect auditors’ ethical decision-making in the presence of a job offer from the audit client. Furthermore, various studies in the accounting literature have shown that job dissatisfaction of accountants leads to higher levels of employee turnover intentions (Harrell and Stahl 1984; Rasch and Harrell 1990; Quarles 1994; Dole and Schroeder 2001; Chong and Monroe 2013). This is because when individuals believe that they have the ability to change their job situations, they will attempt to change their current situations to achieve a desired level of job satisfaction (Henne and Locke 1985). In fact, they may change their jobs many times until they find a job that fulfills their job values (Munoz de Bustillo Llorente and Fernandez Macias 2005). Valentine et al. (2010) find that individuals with higher turnover intentions are

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11 In Paolillo and Vitell (2002), the first scenario to examine business managers’ ethical decision-making is whether a consulting fee should be paid to a high ranking official in another country in return for a $100 million contract. The second scenario is about whether an offensive advertising campaign for a successful product should be altered.
less likely to engage in good pro-social forms of performance such as ethical behaviour. Based on these prior studies, it is argued that in the presence of a job offer from an audit client, it is possible that auditors who are less satisfied with their jobs and intend to leave employment would make judgments in favour of the audit client relative to auditors who are more satisfied with their jobs.

Alternatively, the effect of job satisfaction on the influence of ethical conflict on auditors’ judgments could also be explained using prior studies on affect. As discussed earlier, several studies have shown an association between job satisfaction and affect (e.g., Brief et al. 1995; Fisher 1998). It is possible that positive affect resulting from job satisfaction could impact individuals’ ethical decision-making. Gaudine and Thorne (2001) develop a “cognitive-affective model of ethical decision-making” to illustrate how emotion affects different components of individuals’ ethical decision-making processes. They propose that individuals in positive affect are more likely to identify an ethical dilemma in a particular situation, as more information is stored as “positive” information rather than “negative” in their memory and hence, more information is available for retrieval from their memory. They explain that individuals in positive affect are more likely to make an ethical decision consistent with his or her level of moral reasoning, which is consistent with his or her positive affect. As individuals experiencing positive affect are more likely to do the right thing and to portray behaviours that would protect the organisations they are working for (George and Brief 1992), they are more likely to behave ethically. Based on the model developed by Gaudine and Thorne (2001), Cianci and Bierstaker (2009) find that auditors in positive affect make more conservative and ethical inventory judgments by being more likely to recommend their clients write-off obsolete inventory and to report misstatements found in additional sample items, which is consistent with what is proposed by Gaudine and Thorne (2001).
Furthermore, auditors’ job satisfaction could also lead to higher professional commitment, which would in turn facilitate their decision-making process in the presence of an ethical conflict (i.e., a job offer from an audit client). Prior studies show that job satisfaction does lead to professional commitment (e.g., Aranya et al. 1981; Aryee and Tan 1992; Aryee et al. 1994; and Huang et al. 2007) (see earlier discussion), and a few studies find that professional commitment leads to better ethical decision-making by individuals. Yetmar and Eastman (2000) find that tax practitioners’ professional commitment is positively associated with the level of their ethical sensitivity because they accept the professional norms and goals (i.e., to be more ethical), which are the basis of their profession. Furthermore, Greenfield et al. (2008) find that undergraduate business students who have high professional commitment are less likely to behave unethically in the presence of a potential personal benefit. Applying these findings to the context of the current study, auditors’ who are more satisfied with their jobs are likely to be more committed to their profession, which may in turn improve their judgments in the presence of a job offer from their audit client (i.e., ethical conflict).

The preceding discussion suggests that in the presence of a job offer from an audit client, auditors who are more satisfied with their jobs are more likely to make more conservative inventory judgments compared to auditors who are less satisfied with their jobs and this could be due to the norm of reciprocity, lower job turnover intentions, positive affect resulting from job satisfaction, the intentions to behave ethically and higher professional commitment. We expect that it is the intrinsic dimension of satisfaction that will affect auditors’ decision-making because this is the dimension that relates to the tasks they perform. This leads to the following hypothesis:
H3a: Auditors who face an ethical conflict will sign-off on a more conservative inventory amount when they are more intrinsically satisfied with their jobs compared to when they are less intrinsically satisfied with their jobs.

As discussed previously, we do not expect that extrinsic job satisfaction will have a significant effect on auditors’ inventory valuation judgments because this dimension does not relate to the tasks they perform. Therefore, we do not expected an interaction effect between extrinsic job satisfactions and ethical conflict. Therefore, the following hypothesis is suggested.

H3b: No difference exists in the average inventory amount sign-off by auditors who face an ethical conflict regardless of whether they are more or less extrinsically satisfied with their jobs.

3.0 Research Method

Participants

Self-administered experimental materials were emailed to auditors working in Big 4 and non-Big 4 firms in Malaysia who were recruited either through a recruiting email sent by the researcher or a contact person in each of the participating firms.\textsuperscript{12} Participants who completed the experimental materials were remunerated with a gift voucher worth RM50 (approximately $20) for their effort and time spent in participating in this study.

\textsuperscript{12} As Big 4 firms in Malaysia are also members of the global audit firm network, it is believed that the results obtained using Malaysian auditors as participants will not be significantly different from results using auditors from other countries.
Experimental Design

A complex inventory valuation task adapted from Chung et al. (2008) and Chung et al. (2011) is used to test the hypotheses in a 1 x 2 between-subjects design. A few parts of the experimental materials were altered to suit the auditing environment and culture in Malaysia.\(^{13}\)

The first independent variable is auditors’ job satisfaction, which is measured using the 20-item Minnesota Satisfaction Questionnaire (MSQ) designed by Weiss et al. (1967) (see Exhibit 1). The MSQ is suitable for this study as it measures both intrinsic and extrinsic job satisfaction and has been extensively tested in accounting and auditing related studies (e.g., Fisher 2001; Chenhall 1986; Chenhall and Brownell 1988; Frucot and Shearon 1991). The MSQ has the highest convergent and discriminant validity compared to other job satisfaction scales (Dunham et al. 1977). Furthermore, a short 4-item job satisfaction scale designed by Hoppock (1935) is used to measure the overall job satisfaction of participants (see Exhibit 2). This instrument has been used in accounting-related studies (e.g., Quarles 1994; Dole and Schroeder 2001). As job satisfaction is likely to be correlated with intention to stay, the instrument also includes a 3-item scale developed by Cammann et al. (1983) to measure auditors’ intentions to stay with the firms they are working for (see Exhibit 3). This scale has also been used in prior studies (e.g., Valentine et al. 2010; Chen et al. 1998).

The second independent variable is ethical conflict in the form of a job offer from the audit client to examine the “revolving door” issue. Ethical conflict is manipulated at two levels (i.e., the presence and absence of a job offer from audit client). The job offer is described in

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\(^{13}\) In the instrument adapted from Chung et al. (2011), Olympic Limited is translated to Olympic Berhad to be consistent with the Malay language; all the figures in the instrument are shown in Malaysian Ringgit currency (RM); and some terminologies used in demographic questions are altered.
the case materials as an attractive job offer with lucrative promotions, financial opportunities and other positive work prospects, which the audit senior is considering to accept starting from the next financial year of the audit client (see Exhibit 4).

The primary dependent variable in this study is the auditors’ inventory valuation judgments where participants respond to the question: “Without considering tax effects, what inventory balance would Lee (i.e., the audit senior described in the case materials) recommend to the audit manager?” This is labelled as Lee’s Inventory Balance.

**Experimental Tasks and Procedures**

After reading a participant information statement, participants completed an informed consent form and a voucher payment form. In the first part of the instrument, participants responded to the 20-item Minnesota Satisfaction Questionnaire (MSQ) on a 5-point scale, where 1 = Very Dissatisfied and 5 = Very Satisfied (see Exhibit 1). These responses are used to measure job satisfaction, which is one of the independent variables in this study. Participants then responded to the 4-item Hoppock’s (1935) overall job satisfaction scale and the 3-item intention to stay scale both on a 7-point scale to measure their overall job satisfaction and intention to stay (see Exhibit 2 and 3). Participants were asked to not spend too much time on answering each statement in this part.

In the second part of the experimental materials, participants read the case materials, which start with background information about an audit senior, Lee, whose career is progressing very well. Participants are informed that Lee is assigned the inventory section of the audit of Olympic Berhad, an electronics manufacturing company. The ethical conflict manipulation is introduced at this stage where half of the participants are informed that Lee is considering
accepting a job offer from an audit client, Olympic Berhad. The other participants were not provided with such information.

Next, all the participants read background information about the client, Olympic Berhad, such as information on the current year’s audit, the current year’s unaudited financial statements, the previous year’s audited financial statements, and other information regarding the client’s corporate governance such as the structure of its audit committee, its reporting structure and the frequency of its meetings (Chung et al. 2011). Following that, participants read detailed information specific to the current year’s inventory audit in which Lee is in charge. For the year 2012, the client’s unaudited inventory amount is RM148,000,000 and the planning materiality for the audit is 8% of net earnings of RM94,000,000. The participants were provided with a description of the procedures that had been performed for the inventory audit such as review of control procedures, observation of inventory count, test counts, and inventory cutoff tests, a detailed top-side analytical review of the changes that occurred from the prior year, and checking the realisable value of inventory against subsequent sales invoices and price lists. Participants were then informed that there is a difference of opinion between Lee and the client regarding the valuation of inventory where Lee believes that the inventory balance should be RM136,000,000.

To resolve the difference of opinion, two independent and equally competent valuers (A and B) are hired to value the inventory. Both valuers’ inventory values are lower than the client’s inventory balance of $148,000,000. However, Valuer A’s valuation is lower than Lee’s estimate while Valuer B’s valuation is higher than Lee’s estimate. Next, participants were asked to provide their inventory judgments (i.e., dependent variable) where they respond to the question: “Without considering tax effects, what inventory balance would Lee
recommend to the audit manager?”. This is labeled as Lee’s Inventory Balance. In this study, a lower inventory value provided by participants is considered as a more conservative judgment while a higher inventory value is less conservative. Social desirability response bias is also controlled for by asking participants: “Without considering tax effects, what inventory balance would you recommend to the audit manager?” This is labeled as Auditor’s Inventory Balance.

Participants were also asked to indicate their level of expertise in dealing with the experimental task issues and the realism of the case materials on a 7-point scale. Finally, participants responded to manipulation checks and provided demographic and control data. After completing the questionnaire, participants were asked to return it to the researcher via email.

4.0 Results

Descriptive Statistics of Participants

In total, 95 auditors from Big 4 and non-Big 4 firms in Malaysia participated in this study. However, 18 respondents that failed the manipulation checks and one outlier\(^{14}\) are excluded from the final sample giving 76 usable responses (42 females and 34 males).

\[\text{[Insert Table 1 about here]}\]

In Panel A of Table 1, the average age (sd) of auditor participants is 24.33 (3.31) years. On average, they have 27.83 (34.15) months of accounting experience and 24.70 (31.33) months of auditing experience. Auditors with one to three years of experience were recruited because this study aims to examine auditors who are offered a lower level of employment with the audit client. Seventy-eight percent of the participants work for a Big 4 firm while the

\(^{14}\) One of the responses is considered as an outlier as the value of the inventory (i.e., the dependent variable) provided by the participant is based only on finished goods inventory, not the total inventory (that comprises of finished goods and work in process). As the results change significantly when this outlier is included, the results reported exclude the outlier.
remaining twenty-two percent of them work for medium size firms or small firms. Forty-nine percent of our participants’ first language is English. Seventy-four percent of the participants are Chinese, while twenty-five percent are Malay. However, the participants’ first language and race do not have a significant effect on the results.

**Manipulation Checks**

Three manipulation check questions were included in the case materials. The first manipulation check question asks the participants if the case materials involve a conflict of interest. The second manipulation check question asks the participants if the case materials involve an ethical conflict. The last manipulation check question asks the participants if the audit senior described in the case materials (i.e., Lee) act out of self-interest. Participants were also asked to write a short explanation as to why if they answered yes to any of the manipulation check questions. Participants in the no ethical conflict group were considered to having passed the manipulation check if they answered no to all three of the manipulation check questions. Participants in the ethical conflict group were considered to having passed the manipulation check if they answered yes to any of the three manipulation check questions and were able to identify the job offer described in the case materials in their short explanations. Participants who failed the manipulation checks are excluded from the analyses.

**Measures of Job Satisfaction**

Auditors’ job satisfaction is measured using the 20-item scale designed by Weiss et al. (1967). Weiss et al. (1967) conduct factor analyses on 12 different occupational groups such as teachers, managers, nurses and supervisors and conclude that half of the variance in the MSQ is explained by extrinsic factors and the remaining is explained by intrinsic factors (see
Exhibit 1). Consequently, two confirmatory one-factor solution factor analyses were conducted to confirm Weiss et al.’s (1967) findings. One factor analysis used the questions related to intrinsic job satisfaction while the other factor analysis used the questions related to extrinsic job satisfaction.\(^{15}\)

[Insert Table 2 about here]

As shown in Table 2, the first factor analysis examines the factor loadings of the 12 intrinsic job satisfaction measures reported by Weiss et al. (1967) on the intrinsic factor (i.e., one factor solution).\(^{16}\) Except for the Moral Values and Responsibilities, the communalities are more than .20, which indicate that a sufficient proportion of variances in each of the items are explained by the intrinsic factor. The initial eigenvalue for the intrinsic factor is 3.90 and the intrinsic factor explains 32% of the total variance. All of the questions have factor loadings above .40, except for the Responsibilities measure.

The second factor analysis includes the remaining six questions that are related to extrinsic job satisfaction to look for a one-factor solution (i.e., the extrinsic factor).\(^{17}\) The communalities suggest that more than 25% of the variances in each of the items are explained by the extrinsic factor. The initial eigenvalue for the extrinsic factor is 2.87. The extrinsic factor explains 48% of the total variance. Principal component analysis also shows factor loadings above .50 for all of the measures.

Weighted average intrinsic and extrinsic job satisfaction measures are then computed with the weights for each item being the factor loadings from factor analyses. Because the results

\(^{15}\) Due to the relatively small sample size, a single factor analysis including both the intrinsic and extrinsic job satisfaction questions is not conducted.

\(^{16}\) The intrinsic job satisfaction measures are Activity, Responsibilities, Variety, Social Status, Moral Values, Security, Social Service, Authority, Ability Utilisation, Independence, Creativity, and Achievement.

\(^{17}\) The extrinsic job satisfaction measures are Supervision – human relations, Supervision – technical, Company Policies and Practices, Compensation, Advancement, and Recognition.
do not change significantly using the weighted average intrinsic and extrinsic job satisfaction measures, the original intrinsic and extrinsic job satisfaction measures (i.e., the sum of the scores on the items that are related to either intrinsic and extrinsic factors) are used in all subsequent analyses.

**Descriptive Statistics of Variables**

[Insert Table 3 about here]

Panel A of Table 3 shows the means (sd) of the job satisfaction measures. Intrinsic job satisfaction scores for each of the responses are derived by summing up the scores on the 12 items in the MSQ that are related to the intrinsic factor (see Appendix A – Exhibit 1). The mean (sd) of the intrinsic job satisfaction measure is 44.38 (4.844) and the median is 44.50. The maximum possible score is 60. Extrinsic job satisfaction scores for each response are derived by summing up the scores on the six items in the MSQ that are related to the extrinsic factor. The mean (sd) of the extrinsic job satisfaction measure is 20.34 (3.643) and the median is 21. The maximum possible score for extrinsic dimension is 30.

For the purpose of reporting descriptive statistics, intrinsic (extrinsic) job satisfaction scores are also divided into low and high intrinsic (extrinsic) job satisfaction scores based on their median. For intrinsic job satisfaction, scores that are below the median of 44.5 are considered as low intrinsic job satisfaction whereas scores above that are considered as high intrinsic job satisfaction. Extrinsic job satisfaction scores that are equal to or below the median of 21 are treated as low extrinsic job satisfaction while scores above that are considered as high extrinsic job satisfaction. A comparison of means for the intrinsic dimension in Panel B of Table 3 indicate that the low intrinsic job satisfaction and ethical conflict group has the highest mean (se) for Lee’s Inventory Balance of $137,334,472 ($587,714) while the high
intrinsic job satisfaction and ethical conflict group has the lowest mean (se) of $134,900,771 ($518,926). A comparison of means for the extrinsic job satisfaction scores shows a similar pattern with intrinsic job satisfaction scores, where the low extrinsic job satisfaction and ethical conflict group has the highest mean (se) of $136,611,116 ($552,337) and the high extrinsic job satisfaction and ethical conflict group has the lowest mean (se) of $135,235,619 ($596,694).

**Hypothesis Testing**

[Insert Table 4 about here]

Recall that Hypothesis 1a predicts that auditors who are more intrinsically satisfied with their jobs will sign-off on a more conservative (i.e., lower) inventory amount compared to auditors who are less intrinsically satisfied with their jobs. Hypothesis 1b, on the other hand predicts that no difference exists in the average inventory amount sign-off by auditors who are more extrinsically satisfied with their jobs compared to auditors who are less extrinsically satisfied with their jobs. To test H1a and H1b, gender is included as a control variable together with five covariates, i.e., Audit of PLC, Audit Experience (%), Social Desirability Bias, and Intention to Stay.\(^{18}\) The ANCOVA results reported in Panel A of Table 4 show that participants’ intrinsic job satisfaction has a significant effect on Lee’s Inventory Balance (F = 5.229, \(p = 0.013\), one-tailed) whereas extrinsic job satisfaction is not significantly related to participants’ inventory balance (F = 1.228, \(p = 0.136\), one-tailed). Parameter estimates in Panel B of Table 4 show a negative B coefficient (B = -55,415.78), which suggest that participants who are more intrinsically satisfied with their jobs signing-off on a more conservative (i.e., lower) inventory balance relative to participants who are less intrinsically satisfied with their jobs. Overall, the findings provide support for H1a and H1b.

\(^{18}\) Gender and these five covariates are included in all subsequent analyses.
Hypothesis 2 predicts that auditors who receive a job offer from audit client will sign-off on a less conservative (i.e., higher) inventory amount relative to auditors who do not receive a job offer. The ANCOVA results reported in Panel A of Table 4 show that the means of the absence of ethical conflict and presence of ethical conflict groups are marginally significantly different from each other (F = 1.986, p = .082). Parameter estimates in Panel B of Table 4 indicate a positive B coefficient for Ethical Conflict (B = 7,893,141.55). This suggests participants are more likely to sign-off on a higher inventory amount in the presence of an ethical conflict, which is consistent with the prediction and in line with Chung et al.’s (2008) findings.

Hypothesis 3a predicts an interaction effect between intrinsic job satisfaction and ethical conflict on participants’ inventory judgments. The ANCOVA results reported in Panel A of Table 4 show that the interaction effect between intrinsic job satisfaction and ethical conflict on Lee’s Inventory Balance is significant (F = 2.425, p = .063). Parameter estimates in Panel B of Table 4 indicate a negative B coefficient for the interaction effect between intrinsic job satisfaction and ethical conflict (B = -234,590.54). This suggests that in the presence of an ethical conflict, participants who are more intrinsically satisfied with their jobs sign-off on a lower inventory balance (i.e., more conservative), which is consistent with the prediction for H3a. Despite this finding being in line with H3a, the negative B coefficient for the interaction effect between intrinsic job satisfaction and ethical conflict is mainly due to the large negative B coefficient of intrinsic job satisfaction (B = -55,415.78). This suggests that the more conservative judgments made by participants who are more intrinsically satisfied with their jobs are mainly driven by the intrinsic job satisfaction than by the presence of an ethical conflict. Recall that H3b predicts no interaction effect between extrinsic job satisfaction and ethical conflict. The ANCOVA results reported in Panel A of Table 4 show that the
interaction effect between extrinsic job satisfaction and ethical conflict on Lee’s Inventory Balance is not significant ($F = 0.053, p = .410$). Therefore, H3b is supported.

### 5.0 Discussion and Conclusions

The objectives of this study are three-fold. First, this study examines whether job satisfaction affects auditors’ inventory valuation judgments. It is predicted that auditors who are more satisfied with their jobs will sign-off on a more conservative inventory amount relative to auditors who are less satisfied with their jobs. Consistent with Chung et al. (2011), the second objective of this study is to examine the effect of ethical conflict in the form of a job offer from the audit client on auditors’ judgments using a sample of auditors from Malaysia. It is expected that auditors will sign-off on a less conservative inventory amount in the presence of a job offer from the audit client. This study also examines the interaction effect between job satisfaction and ethical conflict on auditors’ judgments where it is predicted that auditors who are more satisfied with their jobs will sign-off on a more conservative inventory amount in the presence of a job offer compared to auditors who are less satisfied with their jobs.

Consistent with H1a, this study finds support for the effect of intrinsic job satisfaction on auditors’ judgments where auditors who are more intrinsically satisfied with their jobs sign-off on a more conservative inventory amount compared to auditors who are less intrinsically satisfied with their jobs. On the other hand, the main effect for extrinsic job satisfaction on auditors’ judgments is not significant, which supports H1b. Consistent with H2 and Chung et al. (2011), this study finds that ethical conflict in the form of a job offer from an audit client affect auditors’ judgments where they sign-off on a less conservative inventory amount in the presence of an ethical conflict. The findings also indicate that in the presence of an ethical conflict, auditors who are more intrinsically satisfied with their jobs sign-off on a more
conservative inventory amount compared to auditors who are less intrinsically satisfied with their jobs, which supports H3a. As predicted in H3b, the interaction effect between extrinsic job satisfaction and ethical conflict is not significant. Overall, this study demonstrates that only intrinsic job satisfaction has an influence in mitigating the effect of ethical conflict on auditors’ inventory valuation judgments.

Our findings contribute to the job satisfaction, auditing and ethics literature by providing insights into how the different dimensions of job satisfaction affect auditors’ inventory valuation judgments differently. To date, no other study in the auditing or job satisfaction literature has examined the effect of job satisfaction on individuals’ judgments. Second, this study contributes to the auditing literature by demonstrating that ethical conflict in the form of a job offer from the audit client, affects auditors’ judgments. Our results suggest that auditors’ independence is impaired by a job offer from audit client. Under the current legislation, however, disclosure of the job offer or cooling-off period is not imposed on lower level audit staff that takes up the job offer. This may impair auditor independence as auditors could potentially make judgments in favour of the audit client in order to obtain approval from their future employer. Therefore, the results suggest that policy makers and legislators can consider extending the restriction of the cooling-off period to lower levels of employment with audit clients as majority of the participants in this study are audit juniors and audit seniors.

In addition, our results suggest that the intrinsic dimension of job satisfaction mitigates the impairment of auditor independence in the presence of an ethical conflict. This highlights the important role that job satisfaction may play in affecting the efficiency and/or effectiveness of an audit, which could potentially be a new research area for the auditing researchers. Our
results also have important implications for audit practice as audit practitioners could consider taking the intrinsic job satisfaction of their subordinates into consideration when reviewing their work or by enhancing the intrinsic job satisfaction of their subordinates by making them feel appreciated and wanted at work.

Our results should be interpreted in light of some limitations. One of the limitations is the use of participants from Malaysia, which potentially reduces the generalisability of the findings. However, 78 percent of the participants work for Big 4 firms in Malaysia, which are members of the global audit firm network. Thus, it is believed that the results can be generalised to auditors in other countries. This can be investigated by future research. Another limitation relates to the experience of the participants in dealing with inventory tasks. While this study aims to examine the judgments of lower level audit staff such as audit juniors and seniors, it should be noted that some of the participants had little or no experience in inventory audits. Having said that, participants’ experience was included as a covariate in the analysis but there was no significant change in the results. Another limitation is that this study does not measure participants’ positive affect and professional commitment, and thus, it cannot be concluded that job satisfaction does lead to positive affect and professional commitment. Future research measuring auditors’ job satisfaction, positive affect and professional commitment can be carried out before conclusions can be drawn.
References


*Corporations Act 2001* (Cth) (Austl.).


Table 1: Descriptive Statistics of Participants

<table>
<thead>
<tr>
<th></th>
<th>Mean or %</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age in years</td>
<td>24.33</td>
<td>3.31</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>42.1%</td>
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</tr>
<tr>
<td>Female</td>
<td>57.9%</td>
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</tr>
<tr>
<td>Race</td>
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<td></td>
</tr>
<tr>
<td>Malay</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>73.76%</td>
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<tr>
<td>Indian</td>
<td>1.3%</td>
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</tr>
<tr>
<td>Work experience in months</td>
<td>27.38</td>
<td>34.13</td>
</tr>
<tr>
<td>Accounting experience in months</td>
<td>27.83</td>
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<td>Auditing experience in months</td>
<td>24.70</td>
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</tr>
<tr>
<td>Number of inventory audits</td>
<td>5.79</td>
<td>13.66</td>
</tr>
<tr>
<td>Number of public companies audited</td>
<td>1.72</td>
<td>1.84</td>
</tr>
<tr>
<td>Length of present job in months</td>
<td>23.76</td>
<td>24.57</td>
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<tr>
<td>Percentage of primary English speaker</td>
<td>48.7%</td>
<td></td>
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<tr>
<td>Percentage of auditors working for Big Four</td>
<td>77.6%</td>
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<tr>
<td>Percentage of time in audit</td>
<td>77.0%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Expertise</td>
<td>2.89</td>
<td>1.51</td>
</tr>
<tr>
<td>Realism of task</td>
<td>4.42</td>
<td>1.16</td>
</tr>
</tbody>
</table>

Participants’ level of expertise in dealing with inventory issues is measured by asking participants to self-report their expertise on a seven-point scale where 1 = No Expertise At All and 7 = A Lot of Expertise. Participants’ perception of task realism is measured by asking participants to rate the realism of the case materials on a seven-point scale where 1 = Not At All Realistic and 7 = Very Realistic.
### Table 2: Factor Analyses

<table>
<thead>
<tr>
<th>MSQ Dimension</th>
<th>Factor Loadings</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Intrinsic</td>
<td>Extrinsic</td>
<td>Communality</td>
</tr>
<tr>
<td>Ability Utilisation</td>
<td>.680</td>
<td>.462</td>
<td></td>
</tr>
<tr>
<td>Independence</td>
<td>.670</td>
<td>.449</td>
<td></td>
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<tr>
<td>Achievement</td>
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<td></td>
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<td>Creativity</td>
<td>.654</td>
<td>.428</td>
<td></td>
</tr>
<tr>
<td>Social Service</td>
<td>.653</td>
<td>.426</td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>.589</td>
<td>.347</td>
<td></td>
</tr>
<tr>
<td>Social Status</td>
<td>.587</td>
<td>.344</td>
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<tr>
<td>Authority</td>
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<td>.310</td>
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<td>Security</td>
<td>.509</td>
<td>.259</td>
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<td>Variety</td>
<td>.484</td>
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<td>Moral Values</td>
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<tr>
<td>Responsibilities</td>
<td>.125</td>
<td>.016</td>
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<tr>
<td>Supervision – human relations</td>
<td>.796</td>
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<tr>
<td>Company Policies and Practices</td>
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<td>Supervision – technical</td>
<td>.739</td>
<td>.547</td>
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<tr>
<td>Recognition</td>
<td>.712</td>
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<td>Compensation</td>
<td>.608</td>
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<tr>
<td>Advancement</td>
<td>.501</td>
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<tr>
<td>Eigenvalue</td>
<td>3.90</td>
<td>2.87</td>
<td></td>
</tr>
</tbody>
</table>

Percentage of Variance Explained (%) | 32.49% | 47.76%

KMO Measure | .704 | .799

Bartlett’s Test | .000 | .000

Two factor analyses (i.e., one for intrinsic factor and one for extrinsic factor) looking for a one-factor solution are conducted. The Activity, Responsibilities, Variety, Social Status, Moral Values, Security, Social Service, Authority, Ability Utilisation, Independence, Creativity, and Achievement measures are explained by the intrinsic factor. The Supervision – human relations, Supervision – technical, Company Policies and Practices, Compensation, Advancement, Working Conditions, Co-workers, and Recognition measures are explained by the extrinsic factor. According to Pallant (2007), for a set of data to be suitable for factor analysis, KMO (Kaiser-Meyer-Olkin) value should be 0.6 or above and Bartlett’s test of Sphericity should be statistically significant at p < 0.05.
Table 3: Descriptive Statistics of Variables

Panel A: Job Satisfaction

<table>
<thead>
<tr>
<th>Measure</th>
<th>Number of items in job satisfaction scale</th>
<th>Mean</th>
<th>Median</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic Job Satisfaction</td>
<td>12</td>
<td>44.38</td>
<td>44.50</td>
<td>4.844</td>
</tr>
<tr>
<td>Extrinsic Job Satisfaction</td>
<td>6</td>
<td>20.34</td>
<td>21.00</td>
<td>3.643</td>
</tr>
<tr>
<td>Total Job Satisfaction</td>
<td>20</td>
<td>72.13</td>
<td>73.00</td>
<td>8.552</td>
</tr>
</tbody>
</table>

Participants were asked to read the 20-item Minnesota Satisfaction Questionnaire (MSQ) and rate their feelings on a five-point scale, where 1 = Very Dissatisfied and 5 = Very Satisfied for each statement (Appendix A – Exhibit 1). The Intrinsic Job Satisfaction score is derived by summing the 12 items that are related to the intrinsic factor while the Extrinsic Job Satisfaction score is derived by summing the 6 items that are related to the extrinsic factor as reported by Weiss et al. (1967). Total Job Satisfaction score is derived by summing the 12 intrinsic items, 6 extrinsic items and 2 other items in the MSQ.
## Panel B: Inventory Balance

<table>
<thead>
<tr>
<th>Job Satisfaction</th>
<th>Ethical Conflict</th>
<th>Absence Mean a (SE)</th>
<th>Presence Mean a (SE)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(N = 24)</td>
<td>(N = 14)</td>
<td>(N = 38)</td>
</tr>
<tr>
<td>Low Intrinsic Job</td>
<td></td>
<td>135,956,166</td>
<td>137,334,472</td>
<td>136,645,319</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>(448,437)</td>
<td>(587,714)</td>
<td>(365,140)</td>
</tr>
<tr>
<td>High Intrinsic Job</td>
<td></td>
<td>135,972,776</td>
<td>134,900,771</td>
<td>135,436,774</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>(484,520)</td>
<td>(518,926)</td>
<td>(353,285)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>135,964,471</td>
<td>136,117,622</td>
<td>135,964,474</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(329,830)</td>
<td>(389,710)</td>
<td>(272,684.46)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(N = 44)</td>
<td>(N = 32)</td>
<td>(N = 76)</td>
</tr>
<tr>
<td>Low Extrinsic Job</td>
<td></td>
<td>135,854,827</td>
<td>136,611,116</td>
<td>134,120,000</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>(442,848)</td>
<td>(552,338)</td>
<td>(4,048,340)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(N = 24)</td>
<td>(N = 14)</td>
<td>(N = 38)</td>
</tr>
<tr>
<td>Satisfaction</td>
<td></td>
<td>(547,939)</td>
<td>(596,694)</td>
<td>(3,717,452)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(N = 20)</td>
<td>(N = 18)</td>
<td>(N = 38)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>134,398,886</td>
<td>134,959,124</td>
<td>134,801,887</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(689,203)</td>
<td>(779,341)</td>
<td>(3,844,451)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(N = 44)</td>
<td>(N = 32)</td>
<td>(N = 76)</td>
</tr>
</tbody>
</table>

a. Means have been adjusted for the effect of covariates in the model.
### Table 4: The Effect of Auditors’ Job Satisfaction on the Influence of Ethical Conflict on Auditors’ Inventory Judgments

#### Panel A: ANCOVA Results

Dependent Variable: Lee’s Inventory Balance

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Significance (one-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>1.140E+14^a</td>
<td>13</td>
<td>8.771E+13</td>
<td>1.755</td>
<td>.036</td>
</tr>
<tr>
<td>Intercept</td>
<td>1.190E+16</td>
<td>1</td>
<td>1.190E+16</td>
<td>2380.866</td>
<td>.000</td>
</tr>
<tr>
<td>Ethical Conflict</td>
<td>9.923E+12</td>
<td>1</td>
<td>9.923E+12</td>
<td>1.986</td>
<td>.082</td>
</tr>
<tr>
<td>Gender</td>
<td>1.171E+13</td>
<td>1</td>
<td>1.171E+13</td>
<td>2.344</td>
<td>.066</td>
</tr>
<tr>
<td>Intrinsic JS</td>
<td>2.613E+13</td>
<td>1</td>
<td>2.613E+13</td>
<td>5.229</td>
<td>.013</td>
</tr>
<tr>
<td>Extrinsic JS</td>
<td>6.13E+12</td>
<td>1</td>
<td>6.135E+12</td>
<td>1.228</td>
<td>.136</td>
</tr>
<tr>
<td>Q17-18</td>
<td>8.841E+12</td>
<td>1</td>
<td>8.841E+12</td>
<td>1.769</td>
<td>.094</td>
</tr>
<tr>
<td>Ethical Conflict x Intrinsic JS</td>
<td>1.212E+13</td>
<td>1</td>
<td>1.212E+13</td>
<td>2.425</td>
<td>.063</td>
</tr>
<tr>
<td>Ethical Conflict x Extrinsic JS</td>
<td>2.651E+11</td>
<td>1</td>
<td>2.651E+11</td>
<td>0.053</td>
<td>.410</td>
</tr>
<tr>
<td>Ethical Conflict x Q17-18</td>
<td>1.778E+12</td>
<td>1</td>
<td>1.778E+12</td>
<td>0.356</td>
<td>.277</td>
</tr>
<tr>
<td>Ethical Conflict x Gender</td>
<td>8.475E+12</td>
<td>1</td>
<td>8.475E+12</td>
<td>1.696</td>
<td>.099</td>
</tr>
<tr>
<td>Audit of PLC</td>
<td>6.538E+12</td>
<td>1</td>
<td>6.538E+12</td>
<td>1.308</td>
<td>.129</td>
</tr>
<tr>
<td>Audit Experience (%)</td>
<td>1.532E+13</td>
<td>1</td>
<td>1.532E+13</td>
<td>3.065</td>
<td>.043</td>
</tr>
<tr>
<td>Social Desirability Bias</td>
<td>3.526E+13</td>
<td>1</td>
<td>3.526E+13</td>
<td>7.057</td>
<td>.005</td>
</tr>
<tr>
<td>Intention to Stay</td>
<td>2.268E+12</td>
<td>1</td>
<td>2.268E+12</td>
<td>0.454</td>
<td>.252</td>
</tr>
<tr>
<td>Error</td>
<td>3.098E+14</td>
<td>62</td>
<td>4.997E+12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.405E+18</td>
<td>76</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>4.238E+14</td>
<td>75</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. R Squared = .269 (Adjusted R Squared = .116)
Panel B: Parameter Estimates

Dependent Variable: Lee’s Inventory Balance

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Expected Sign</th>
<th>B</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td></td>
<td>136,079,904.6</td>
<td>4,158,560.16</td>
</tr>
<tr>
<td>Ethical Conflict</td>
<td>+</td>
<td>7,983,141.55</td>
<td>5,201,767.63</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td>-110,329.91</td>
<td>698,346.41</td>
</tr>
<tr>
<td>Intrinsic JS</td>
<td>-</td>
<td>-55,415.78</td>
<td>103,646.07</td>
</tr>
<tr>
<td>Extrinsic JS</td>
<td></td>
<td>103,018.47</td>
<td>149,977.05</td>
</tr>
<tr>
<td>Q17-18</td>
<td></td>
<td>185,092.65</td>
<td>305,401.80</td>
</tr>
<tr>
<td>Ethical Conflict x Intrinsic JS</td>
<td>-</td>
<td>-234,590.54</td>
<td>150,651.98</td>
</tr>
<tr>
<td>Ethical Conflict x Extrinsic JS</td>
<td></td>
<td>48,549.84</td>
<td>210,798.38</td>
</tr>
<tr>
<td>Ethical Conflict x Q17-18</td>
<td></td>
<td>291,958.95</td>
<td>489,403.88</td>
</tr>
<tr>
<td>Ethical Conflict x Gender</td>
<td>-</td>
<td>-1,414,973.34</td>
<td>1,086,474.85</td>
</tr>
<tr>
<td>Audit of PLC</td>
<td></td>
<td>186,380.96</td>
<td>162,939.69</td>
</tr>
<tr>
<td>Audit Experience (%)</td>
<td></td>
<td>-1,798,051.66</td>
<td>1,027,029.69</td>
</tr>
<tr>
<td>Social Desirability Bias</td>
<td></td>
<td>0.212</td>
<td>0.08</td>
</tr>
<tr>
<td>Intention to Stay</td>
<td></td>
<td>-152,864.14</td>
<td>226,915.80</td>
</tr>
</tbody>
</table>

ANCOVA is conducted with Intrinsic JS, Extrinsic JS and Ethical Conflict as the independent variables of interest and six covariates (i.e., Q17-18, Gender, Audit of PLC, Audit Experience (%), Social Desirability Bias and Intention to stay). Ethical Conflict is a categorical variable with two categories: absence and presence of ethical conflict. Intrinsic JS is a continuous variable, which is the sum of participants’ self-reported scores that are related to the 12 intrinsic factors in the 20-item Minnesota Satisfaction Questionnaire (MSQ) (i.e., Item 1, 2, 3, 4, 7, 8, 9, 10, 11, 15, 16 and 20) where 1 = Very Dissatisfied and 5 = Very Satisfied. Extrinsic JS is a continuous variable, which is the sum of participants’ self-reported scores that are related to the six extrinsic factors in the 20-item MSQ (i.e., Item 5, 6, 12, 13, 14 and 19) where 1 = Very Dissatisfied and 5 = Very Satisfied. Q17-18 is the sum of participants’ self-reported scores that are related to Item 17 and 18 in the 20-item MSQ where 1 = Very Dissatisfied and 5 = Very Satisfied. These questions are not included as either Intrinsic or Extrinsic factor. Weiss et al. (1967) include Questions 17 and 18 in the calculation of general job satisfaction by adding the scores of all 20 items in the MSQ. Gender is a control variable that is used to control for any potential differences in the judgment of male and female auditors. It is a categorical variable that is coded as 1 for male and 0 for female. Audit of PLC is a continuous variable, which is the participants’ response to the question, ‘How many public listed companies have you audited?’. Audit Experience (%) is a continuous variable range from 0% to 100%, which is the percentage of time participants spent in auditing in a typical year. Social Desirability Bias is a continuous variable, which is the magnitude of the difference between participants response to the questions ‘Without considering tax effects, what inventory balance would Lee (i.e., the audit senior described in the case materials) recommend to the audit manager?’ and ‘Without considering tax effects, what inventory balance would you recommend to the audit manager?’. Intention to Stay is a continuous variable, which is participants’ response to the question “I often think of leaving the organisation where 1= Strongly Agree and 7 = Strongly Disagree. B coefficients in the third column of Panel B represent the increase (positive sign) or decrease (negative sign) in Lee’s inventory balance when there is an increase of a unit in each of the independent variables. The second column in Panel B represents the expected signs based on the proposed hypotheses. The figures in **bold** in Panel B represent variable of interest that needed to be examined as the effects of the independent variables are significant in ANCOVA (Panel A, Table 4).
**Exhibit 1: Job Satisfaction Scale**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Dimension of Job Satisfaction measured</th>
<th>Type of Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Being able to keep busy all the time</td>
<td>Activity</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>2. The chance to work alone on the job</td>
<td>Responsibilities</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>3. The chance to do different things from time to time</td>
<td>Variety</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>4. The chance to be “somebody” in the community</td>
<td>Social Status</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>5. The way my boss handles his/her workers</td>
<td>Supervision – human relations</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>6. The competence of my supervisor in making decisions</td>
<td>Supervision – technical</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>7. Being able to do things that don’t go against my conscience</td>
<td>Moral Values</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>8. The way my job provides for steady employment</td>
<td>Security</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>9. The chance to do things for other people</td>
<td>Social Service</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>10. The chance to tell people what to do</td>
<td>Authority</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>11. The chance to do something that makes use of my abilities</td>
<td>Ability Utilisation</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>12. The way company policies are put into practice</td>
<td>Company Policies and Practices</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>13. My pay and the amount of work I do</td>
<td>Compensation</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>14. The chances for advancement on this job</td>
<td>Advancement</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>15. The freedom to use my own judgment</td>
<td>Independence</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>16. The chance to try my own methods of doing the job</td>
<td>Creativity</td>
<td>Intrinsic</td>
</tr>
<tr>
<td>17. The working conditions</td>
<td>Working Conditions</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>18. The way my co-workers get along with each other</td>
<td>Co-workers</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>19. The praise I get for doing a good job</td>
<td>Recognition</td>
<td>Extrinsic</td>
</tr>
<tr>
<td>20. The feeling of accomplishment I get from the job</td>
<td>Achievement</td>
<td>Intrinsic</td>
</tr>
</tbody>
</table>

The 20-item Minnesota Satisfaction Questionnaire designed by Weiss et al. (1967) is used to measure participants’ job satisfaction or their feelings about their job. Participants were asked to read each statement and rate their feelings on a five-point scale, where 1 = Very Dissatisfied and 5 = Very Satisfied. According to Weiss et al. (1967), Item 1, 2, 3, 4, 7, 8, 9, 10, 11, 15, 16 and 20 measure intrinsic job satisfaction while Item 5, 6, 12, 13, 14 and 19 measure extrinsic job satisfaction. Weiss et al. (1967) categorise Item 17 and 18 as general job satisfaction measures. In this study, they are considered as extrinsic job satisfaction measures due to the nature of the questions.
Exhibit 2: Overall Job Satisfaction Scale

A. How much time do you feel satisfied with your job?
   1. Never.
   2. Seldom.
   3. Occasionally.
   4. About half of the time.
   5. A good deal of the time.
   6. Most of the time.
   7. All the time.

B. Choose one of the following statements which best tells how well you like your job.
   1. I hate it.
   2. I dislike it.
   3. I don’t like it.
   4. I am indifferent to it.
   5. I like it.
   6. I am enthusiastic about it.
   7. I love it.

C. Which one of the following best tells how you feel about changing your job?
   1. I would quit this job at once if I could.
   2. I would take almost any other job in which I could earn as much as I am earning now.
   3. I would like to change both my job and occupation.
   4. I would like to exchange my present job for another one.
   5. I am not eager to change my job, but I would do so if I could get a better job.
   6. I cannot think of any jobs for which I would exchange.
   7. I would not exchange my job for any other.

D. Which one of the following shows how you think you compare with other people?
   1. No one dislikes his job more than I dislike mine.
   2. I dislike my job much more than most people dislike theirs.
   3. I dislike my job more than most people dislike theirs.
   4. I like my job about as well as most people like theirs.
   5. I like my job better than most people like theirs.
   6. I like my job much better than most people like theirs.
   7. No one likes his job better than I like mine.

The four-item overall job satisfaction scale designed by Hoppock (1935) is used to measure the overall job satisfaction of participants. Participants were asked to choose one most appropriate statement out of seven statements that reflect their current feelings or describe them the best, with 1 = Very Dissatisfied and 7 = Very Satisfied. The scores for each of the four statements are summed up as overall job satisfaction score. Overall job satisfaction score does not have an effect on the results.

Exhibit 3: Intention to Stay Scale

1. I often think of leaving the organisation.
2. I am planning to search for new job during the next 12 months.
3. If I may choose again, I will choose to work for the current organisation.

The 3-item intention to stay scale developed by Cammann et al. (1983) is used to measure auditors’ intentions to stay. They were asked to read three statements and indicate their agreement with the statements, where 1 = Strongly Agree and 7 = Strongly Disagree. Item 3 is reverse coded. Participants’ intention to stay does not have an effect on the results.
Exhibit 4: Manipulation of the Independent Variable (Ethical Conflict)

**Ethical Conflict Scenario**

Lee is an experienced in-charge audit senior with a large public accounting firm. So far, Lee’s career is progressing very well and the audit partners are pleased with Lee’s performance. Currently, Lee is in charge of the inventory section of the 2012 audit of Olympic Berhad, a publicly traded multimedia manufacturer.

Unbeknown to the public accounting firm, the client’s Finance Director who is very impressed with Lee’s work has recently made Lee a very attractive job offer to work in her office at corporate headquarters, that Lee is seriously considering accepting. This job is to start at the beginning of their next financial year. Lee is anxious to finalise the decision because of the many positive things that Lee has learned about the company including the strong possibility of lucrative promotions and financial opportunities for individuals like Lee. In addition, the job offer with Olympic will require shorter hours, less travel, and therefore, less time away from home. The company has a reputation for having a great work atmosphere and even offers subsidized membership to gyms and country and golf clubs close to Lee’s residence.

**No Ethical Conflict Scenario**

Lee is an experienced in-charge audit senior with a large public accounting firm. So far, Lee’s career is progressing very well and the audit partners are pleased with Lee’s performance. Currently, Lee is in charge of the inventory section of the 2012 audit of Olympic Berhad, a publicly traded multimedia manufacturer.