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*Home > Vol 7, No 3 (2017)*

## INTERNATIONAL JOURNAL OF ECONOMICS AND FINANCIAL ISSUES

**International Journal of Economics and Financial Issues (IJEFI)** is the international academic journal, and is a double-blind, peer-reviewed academic journal publishing high quality conceptual and measure development articles in the areas of economics, finance and related disciplines. ISSN: 2146-4138.

Ranking: 2016 SJR (SCImago Journal Rank) Score: 0.186 | 143/269 Economics, Econometrics and Finance (miscellaneous) (Scopus®)



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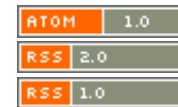
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[More Announcements...](#)

VOL 7, NO 3 (2017)

TABLE OF CONTENTS

## ARTICLES

IFRS ADOPTION AND VALUE RELEVANCE OF ACCOUNTING INFORMATION IN NIGERIA Uwalomwa Uwuigbe, Olubukola Ranti Uwuigbe, Moyosore Esther Durodola, Jimoh Jafaru, Rehimetu Jimoh	PDF 1-8
Is Ecuador Real Gross Domestic Product per Capita and Other Macroeconomic Variables Cointegrated? An Autoregressive Distribution Lag Bound Test Approach Jesser Roberto Paladines Amaiguema	PDF 9-13
Impact of Audit Committee on the Association Between Financial Reporting Quality and Shareholder Value Ahmad Ibrahim Karajeh, Mohd Yusoff B. Ibrahim	PDF 14-19
Evidence on the Extent of Cosmetic Earnings and Revenues Management by Jordanian Companies Ahmad Ahed Bader, Mousa Mohammad Saleh	PDF 20-30
Effect of Managers' Illusion of Control and Corporate Governance Structure on the Sensitivity of Investment Cash Flow Ai-Chi Hsu, Hsu-Sheng Chen	PDF 31-35
The Impact of Kyoto Protocol on Environment Quality in the Free Trade Era: The Case of G20 Countries Puspaning Buanawaty, Fithra Faisal Hastiadi	PDF 36-42
An Early Warning System for Currency Crisis: A Comparative Study for the Case of Jordan and Egypt Ghazi Al-Assaf	PDF 43-50
Construction of an Optimum Currency Area Index Anchored to the Gold Dinar: The Case of Selected Islamic Countries Memet Agustiar, Fariastuti Djafar, Afrizal Afrizal	PDF 51-56
Social Capital in Moneylenders Phenomenon in Blimbing Traditional Market Malang Indonesia Bunga Hidayati, Naoyuki Yamamoto, Hideyuki Kano, Agus Suman, Asfi Manzilati	PDF 57-61
The Determinant of the Possibility of Merger in Indonesia Devina Ivo Mahendra, Nadia Asandimitra Haryono	PDF 62-68
Measuring the Nonmonetary Component of General Value for Goods and Services Sergey K. Aityan, Alexey K. Ivanov-Schitz, Eugenia Logunova	PDF 69-81
Measuring Earnings Quality over Time Yohan An	PDF 82-87
Market Efficiency Based on Unconventional Technical Trading Strategies in Malaysian Stock Market Ling Pick Soon, Ruzita Abdul-Rahim	PDF 88-96
Linkage between Foreign Direct Investment, Domestic Investment and Economic Growth: Evidence from Nigeria Hasan Güngör, Salim Hamza Ringim	PDF 97-104
Risk-free Yields, Risk Aversion, and Volatility Samih Antoine Azar	PDF 105-112
An Analysis of Determinants Affecting the Returns of Dow Jones Sustainability Index United States Electra Pitoska, Androniki Katarachia, Grigoris Giannarakis, Charalampos Tsilikas	PDF 113-118
The Use of Artificial Neural Networks for Quantifying the Relative Importance of the Firms' Performance Determinants Gholamhossein Mahdavi, Mohammad Sadeghzadeh Maharluie, Ahmad Shokrolahi	PDF 119-127
Cost Benefit Analysis the Participation of Indonesia in Asia Region Funds	PDF

Passport Makmun Syadullah, Benny Gunawan Ardiansyah	128-134
Capital Intensity Effects on International Capital Flows and Current Account of ASEAN+ 6 Countries Ni Putu Wiwin Setyari, I. Nengah Kartika, I. Wayan Wenegama, Ni Putu Martini Dewi, I. Ketut Sudiana	PDF 135-144
How People Apply Mental Accounting Philosophy to Investment Risk? Juan Mascareñas, Fangyuan Yan	PDF 145-151
Economic Freedom Indicators and Higher Education Reforms: Evaluation and Planning Internationalization Process Khalid Zaman, Muhammad Qaiser Saleem, Mehboob Ahmad, Aamir Khan	PDF 152-160
Students' Economic Backgrounds in Meeting Living Costs of Higher Education: A Regression Analysis Seda Ozekicioglu	PDF 161-165
Analysis of Rice Distribution in South Sumatera, Indonesia Mohamad Adam, Taufiq Marwa, Azwardi Azwardi, K.M. Husni Thamrin, Abdul Bashir	PDF 166-171
Linkages and Efficiency Between iTraxx Europe and Financial Market Dynamics in South-East Europe Capital Markets in Post-crisis Period Mariya Georgieva Paskaleva, Ani Stoitsova-Stoykova	PDF 172-179
Political Connections and Debt Access: The Case of Tunisian Firms Fayrouz Bencheikh, Neila Boulila Taktak	PDF 180-185
Redenomination: Why is It Effective in One Country but Not in Another? Erwin Bramana Karnadi, Putu Rusta Adijaya	PDF 186-195
Financial Development and Economic Growth: The Empirical Evidence of the Southern Mediterranean Countries (SMC) Mohamed Aydi, Abdelkader Aguir	PDF 196-209
Bankruptcy of Lehman Brothers: Determinants of Cross-country Impacts on Stock Market Volatility Daehwan Kim, Chi-Young Song	PDF 210-219
A Systematic Literature Review on Tax Amnesty in 9 Asian Countries Muhammad Alishahdani Ibrahim, Rita Myrna, Ira Irawati, J. B. Kristiadi	PDF 220-225
Innovation and Productivity of Vietnamese Small and Medium Enterprises: Firm level panel data evidence Pham Dinh Long, Ho Thi Mai Anh	PDF 226-232
Managers' Entrenchment, Governance and Bank Performance Aymen Mselmi, Boutheina Regaieg	PDF 233-246
Incorporating Stakeholder Engagement, Financial Implications and Values in Corporate Social Responsibility: A Proposed Model from an African Context Aminu Ahmadu Hamidu, Md. Harashid Haron, Azlan Amran	PDF 247-253
The Effect of Social Media on Customer Loyalty and Company Performance of Insurance Industry Narges Delafrooz, Marzieh Zendehtdel, Maryam Fathipoor	PDF 254-264
The Importance of Green Supply Chain Management and Its Role in Marketing Management Moujan Shahriarpour, Akbar Alam Tabriz	PDF 265-269
The Effect of Surplus Free Cash Flow and Audit Quality on Earnings Management Saeid Nouri, Behnam Gilaninia	PDF 270-275
Investigate the Relationship between Institutional Ownership in Tehran Stock Exchange Mohammad Reza Pourhosein, Ahmad Aghazadeh Kama Kol, Bahram Molaheidari Vishkaii, Fatemeh Pouraskari Jourshari	PDF 276-285
Evaluating the Benefits of New Financial System (Accrual Accounting)	PDF

Establishment in Medical and Health Care Sciences, Guilan University Mohammad Reza Pour Hosein, Morteza Hassanzadeh, Seyedeh Saeedeh Hashemi	286-291
Mediating Role of Family Ownership in Relationship between the Independent Board and the Company's Performance in Tehran Stock Exchange Sam Darvish Haghjoo, Abdolkarim Moghadam, Seyed Ahmad Mousavi	PDF 292-298
The Relationship between Level of Voluntary Disclosure in Internet and Information Asymmetry in Companies Listed on the Tehran Stock Exchange Omid Ahad Pour, Peyman Imanzadeh	PDF 299-303
The Impact of Audit Reports on Financial Information Content Alireza Vaziri, Kayhan Azadi	PDF 304-308
Adjusting Consumption Based Capital Asset Pricing Model within the Framework of an Open Economy: The Case of Iran Jaber Bahrami, Mosayeb Pahlavani, Reza Roshan, Saeed Rasekhi	PDF 309-317
Military Expenditure and Economic Growth in South Asian Countries: Empirical Evidences Saba Ismail	PDF 318-325
Analysis Z-score to Predict Bankruptcy in Banks Listed in Indonesia Stock Exchange Muammar Khaddafi, Falahuddin Falahuddin, Mohd. Heikal, Ayu Nandari	PDF 326-330
Dynamic Relations between Stock Price and Exchange Rate: Evidence from South Asia Mostafa Ali, Gang Sun	PDF 331-341
The Effect of Oil Shocks on Foreign Trade under Inflation and Exchange Rate Targeting Policies (In the Form of a Dynamic Stochastic General Equilibrium Model for Iran) Mehdi Behrad-Amin, Gholamreza Zamanian, Marzie Esfandiari	PDF 342-351
From Population Age Structure and Savings Rate to Economic Growth: Evidence from Ecuador Joel Alejandro Rosado, María Isabel Alvarado Sánchez	PDF 352-361
Financial Development, Commercial Development, and Economic Growth in the Selected Emerging and the Middle Eastern Countries Lotfali Agheli, Golnaz Hadian	PDF 362-370
The Feasibility of Productivity Improvement Using the Approach of Virtual Economy Samira Ranjbar, Ali Esmailzadeh Maghari	PDF 371-376
Determinants of Corporate Financial Factors on Tax Reporting Strategy Hashem Valipour, Saeid Homayoun, Fateme Piran	PDF 377-381
The Impact of Foreign-direct Investment on Economic Growth in Malaysia: The Role of Financial Development Ghaith Alzaidy, Mohd Naseem Bin Niaz Ahmad, Zakaria Lacheheb	PDF 382-388
Impact of Non-Oil Export on Non-Oil Economic Growth in Saudi Arabia Mohammed A. Aljebri	PDF 389-397
Does Complexity Audit Task, Time Deadline Pressure, Obedience Pressure, and Information System Expertise Improve Audit Quality? Inyoman Agus Wijaya, Mentari Tri Yulyona	PDF 398-403
Examining the Effect of Social and Intellectual Value on Organizational Performance Based on the Balanced Evaluation Method and Structural Equations in the Iranian Oil Terminals Company Abbas Taleb Bidokhti, Ali Akbar Esmailpour	PDF 404-410
Why do Firms Change Their Dividend Policy? Ijaz Ali, Ali Gohar, Omar Meharzi	PDF 411-422
The Impact of Telecom Infrastructure on the Economic Growth: The Case of Oil-producing and Non-Oil Producing Arab Countries	PDF 423-428

Mamoun Mohamad Matalqah, Talib Mohamad Warad	
The Impact of Macroeconomic and Internal Factors on Banking Distress Yulita Wulandari, Musdholifah Musdholifah, Suhail Kusairi	PDF 429-436
The Long Memory Behavior of the EUR/USD Forward Premium Nessrine Hamzaoui, Boutheina Regaieg	PDF 437-443
Do Inflation Targeting Really Reduced Exchange Rate Pass-through? Salsa Dilla, Noer Azam Achsani, Lukytawati Anggraeni	PDF 444-452
Can Inflation be Claimed As A Monetary Phenomenon? The Malaysian Experience Chor Foon TANG, Ilhan Ozturk	PDF 453-460
The Effects of Financial Development and Institutional Quality on Economic Growth with the Dynamic Panel Data Generalized Moment Method Method: Evidence from the Organization for Economical Cooperation and Development Countries Ali Ahmadpour Kacho, Nazar Dahmardeh	PDF 461-467
Characteristics of Firms Violating Annual Financial Disclosure Timing: The Case of Jordan Mansour I. Saaydah	PDF 468-476
Impact of Foreign Direct Investment on Sectoral Growth of Indian Economy Areej Aftab Siddiqui, Shahid Ahmed	PDF 477-488
Rebound Effects of Exchange Rate and Central Bank Interventions in Selected ECOWAS Countries Mustapha A. Akinkunmi	PDF 489-500
Structural Change and Labor Market Integration: Evidence from Ukraine Marianna Olishevych, Iryna Lukianenko	PDF 501-509
Impact of the Financial Markets Development on Capital Structure of Firms Listed on Ho Chi Minh Stock Exchange Le Minh Tai	PDF 510-515
Petro Rents and Higher Education: A Cross-country Examination Shahin Javadi, Mahmood Motevaseli, Jahangir Yadollahi Farsi	PDF 516-522
The Effect of Product Market Competition on the Relationship between Capital Structure and Financial Performance of Companies Mahmoud Mahmoudzadeh, Ali Seyfi	PDF 523-526
The Effect of Stock Prices and Exchange Rates on Economic Growth in Indonesia Ld Ode Saidi, Pasrun Adam, Rostin Rostin, Zainuddin Saenong, Muh. Yani Balaka, Gamsir Gamsir, Asmuddin Asmuddin, Salwiah Salwiah	PDF 527-533
Composite Stock Price Index (IHSG) Macro Factor in Investment in Stock (Equity Funds) Andi Desfiandi, Alvin Desfiandi, Hapzi Ali	PDF 534-536
Economic Impact on Financial Ratios of Food Industry at Istanbul Stock Exchange Listed Firms Metin Atmaca, Engin Demirel	PDF 537-541
The Relationship between Non-financial Factors, Capital Structure and the Performance of the Listed Companies on the Stock Exchange Safiye Bakhshani	PDF 542-547
Investigating Risk Effect and Profit Management on Bank Credit Risk Seyedeh Mahtab Farhadvand, Omid Jalilian	PDF 548-554
Analysis of Factors Affecting the Adoption and Use of Environmental Management Accounting to Provide a Conceptual Model Zohre Karimi, Mohsen Dastgir, Mehdi Arab Saleh	PDF 555-560
An investigation of the Relationship between the Audit Quality and the Cost of Equity with Sustainable Profits Khosro Barzegarnezhad, Babak Jamshidinavid	PDF 561-568

Modelling and Forecasting Recessions in Oil-Exporting Countries: The Case of Iran Shahram Fattahi, Kiomars Sohaili, Hamed Monkaresi, Fatemeh Mehrabi	PDF 569-574
The Causal Relationship between Economic Growth, Banking Sector Development and Stock Market Development in Selected Middle-East and North African Countries Vahid Puryan	PDF 575-580
Influence of Country Factors on Entry Mode Through Knowledge and Transactional Cost Economics: Market Entry: Evidence from Construction Firms Kausar Yasmeen, Kuperan Viswanathan	PDF 581-585
Synergistic Role of Balanced Scorecard/Activity Based Costing and Goal Programming Combined Model on Strategic Cost Management Mohammad Taleghani	PDF 586-593
Price Transmission in Iranian Wholesale-retail Meat Market: Implications for Market Power Mohammad Omrani, Mohammad Nabi Shahiki Tash, Ahmad Akbari	PDF 594-601
A Hybrid Model for Portfolio Optimization Based on Stock Clustering and Different Investment Strategies Siamak Goudarzi, Mohammad Javad Jafari, Amir Afsar	PDF 602-608
Structure and Intensity Based Approach in Credit Risk Models: A Literature Review Adithi Ramesh, C.B Senthil Kumar	PDF 609-612
Financial Markets Integration: Appraising the Developed and Emerging Markets Nexus Adebemi Babatunde Onakoya, Victor Adedotun Seyingbo	PDF 613-624
How Terrorism Affects Foreign Direct Investment in Pakistan? Hashmat Ali, Wang Qingshi, Irfan Ullah, Zulfiqar Ali	PDF 625-631
Trading Volume Levels and Stock Returns: Empirical Behavioral Analysis Ouarda Moatemri, Abdelfeteh El-Bori	PDF 632-638
Are International Portfolio Diversification Opportunities Decreasing? Evidence from Principal Component Analysis Galina K. Todorov	PDF 639-661
The Impact of Working Capital Management on Firm's Profitability: Evidence from Malaysian Listed Manufacturing Firms Sin-Huei Ng, Chen Ye, Tze San Ong, Boon Heng Teh	PDF 662-670
Empirical Analysis of Operating Efficiency and Firm Value: A Study of Fast Moving Consumer Goods and Pharmaceutical Sector in India Pritpal Singh Bhullar	PDF 671-675
The Effect of Ownership Composition on Stock's Liquidity: Evidence from Weak Corporate Governance Setting Majd Iskandrani, Asma'a Al-Amareh	PDF 676-683
Association of South-East Asian Nations-US Stock Market Associations in and Around US 2007-09 Financial Crisis: An Autoregressive Distributed Lag Application for Policy Implications Ranjan Dasgupta	PDF 684-705
Bankruptcy and Insolvency: An Exploration of Relevant Theories Adebemi Babatunde Onakoya, Ayooluwa Eunice Olotu	PDF 706-712
The Determinants of Foreign Direct Investment in Somalia Mohamed Isse Ibrahim, Zahir Mohamed Omar, Ali Yassin Sheikh Ali	PDF 713-720
Financial Performance of Healthcare Firms: The Case of Korea Jun Woo Park, Seyoung Guahk	PDF 721-728
Performance Analysis of Commercial Banks in the Kingdom of Bahrain (2001-2015)	PDF 729-737

Iqbal Thonse Hawaldar, Lokesha Lokesha, K. Abhaya Kumar, Prakash Pinto,  
Sheila M. Sison

The Relationship among Gross Barter Terms of Trade, Exchange Rates, and  
Economic Growth: A Case in Turkey PDF  
Ayşe Ergin, Filiz Yetiz 738-745

The Impact of Government's Foreign Debt on Fiscal Sustainability of Indonesia PDF  
Yohanes Maria Vianey Mudayen 746-751

Banking Institutions Governance and Stock Market and Financial Performance PDF  
Aymen Mselmi, Boutheina Regaieg 752-759

Cyberspace Enhanced Payment Systems in the Zimbabwean Retail Sector:  
Opportunities and Threats PDF  
Ishmael Mugari 760-767

Tax Reforms and Tax Yield in Nigeria PDF  
Bassey Okon Ebi, Oluwafemi Ayodele 768-778

Loss Given Default: Estimating by the Conditional Minimum Value PDF  
Mustapha Ammari, Ghizlane Lakhnati 779-785

ISSN: 2146-4138

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# Does Complexity Audit Task, Time Deadline Pressure, Obedience Pressure, and Information System Expertise Improve Audit Quality?

**Inyoman Agus Wijaya<sup>1\*</sup>, Mentari Tri Yulyona<sup>2</sup>**

<sup>1</sup>Faculty of Economics Maranatha Christian University, Bandung, Indonesia, <sup>2</sup>Faculty of Economics Maranatha Christian University, Bandung, Indonesia. \*Email: [aguswijaya.inyoman@gmail.com](mailto:aguswijaya.inyoman@gmail.com)

## ABSTRACT

A survey of 216 auditors was conducted to investigate about the potential determinants of audit quality. This study using multiple linear regression technique. We find that complexity audit task, obedience pressure and information system expertise positively related to audit quality. This finding suggest that complexity audit task, obedience pressure and information system expertise play a significant part to improve the quality of audit. Further, complexity audit task and obedience pressure from superior can not make auditor fails to complete the required work and they remains improve audit quality. This study also find that there is no significant effect of time deadline pressure on audit quality. Information system expertise will greatly helpful auditors to expedite the auditing (shorten the time of the auditing) and will be useful in determination of audit procedures, so that can reduce the complexity of task and, in turn, can produce a quality audit reports.

**Keywords:** Complexity Audit Task, Time Deadline Pressure, Obedience Pressure, Information System Expertise, Audit Quality

**JEL Classifications:** M42, M51, M15

## 1. INTRODUCTION

Much attention has been given recently to audit quality by regulators and researchers (Francis, 2011; Knechel et al., 2013; European Union, 2014; IAASB, 2014). The concept of audit quality is, however, difficult to define or describe, and there is still little consensus on how to measure it. Business-to-business (B2B) and business-to-customers (B2C) integration began with large and midsized companies mandating methods of receiving business information technology. B2B or B2C integration means the integration, automation and optimisation of key business processes of a companies organisation. B2B E-commerce is particularly challenging for auditors because it spans organizational boundaries that link firms through their collaborative work processes and interlinking transactions (Subramaniam and Youndt, 2005). An understanding of the information system will also assist the auditor in determining appropriate audit procedures that can reduce the complexity of auditing and reduce the pressure caused by limited time budget. In addition to knowledge of accounting and auditing, an E-commerce auditor must possess knowledge of

systems, networks, and data bases (Raghunathan and Raghunathan, 1994). Many studies showed that there were differences in auditor judgment taken on a high task complexity and task complexity is low (Abdolmohammadi and Wright, 1987; Chung and Monroe, 2001). The study showed that the high complexity of the audit appear as the high variability and ambiguity in the task of auditing and ultimately an indication of the cause of decline in audit quality.

Considerations on organizational and environmental pressure have prompted many researchers to focus his research on how auditors respond to the pressure of professional social influence that comes from within the company. In particular, some researchers have previously provided evidence that auditors are susceptible to social influence pressure from superior (boss) to perform the behavior deviates from the norm or professional standards (DeZoort and Lord, 1994) and co-workers (peers) (Ponemon, 1992) in the company.

Prior research has often relied upon a general definition of time pressure and in reviewing the prior research it has often been

necessary to review the exact process that was used in varying time pressure to determine if the research was oriented toward examining time budget or time deadline pressure (Margheim et al., 2005). Auditors constantly have to trade off the time dedicated to auditing with the cost of performing it (Otley and Pierce, 1996). Pierce and Sweeney (2004) found that time pressure has increased in audit firms and is far higher than optimal on auditors performance. In general, time pressure has been shown to have a detrimental impact on individuals' decision-making ability (Svenson and Edland, 1987). Research by Margheim et al. (2005) examined the impact of time budget pressure and time deadline pressure on auditor. The results indicated that both types of time pressure had negative effects on the occurrence of the auditor quality. However, information system expertise will very helpful auditors to expedite the auditing (shorten the time of the auditing), which could ultimately result in a higher quality audit reports (Bierstaker et al., 2001). There is a scarce number of auditing research has assessed what interrelations the deadline pressure have on audit quality. When time deadline pressure increased, audit effectiveness declined and their efficiency improved (McDaniel, 1990). Choo (1995) indicates that as deadline pressure increases to higher levels, performance declines because relevant cues are also ignored.

Issues regarding the need for audit quality resulting from the audit work by staff of auditors which the quality of any work produced auditor staff will ultimately affect the quality of the audit is the background of the research questions that will be answered in this study. The objective of this study is to investigate the effect of complexity audit task, time deadline pressure, obedience pressure and information system expertise on audit quality. This study was conducted using a survey on auditors who work in a big4 and the second tier of accounting firm in Indonesia. The analysis units are the auditor in junior, senior, and supervisor. Data were analysed using multiple linear regression.

This paper will first discuss theoretical development followed by the research method, including data collection and measurement. Results will be presented empirically, with discussion and limitations establish the final section of this paper.

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1. Complex Audit Tasks

The complexity of the audit based on the individual's perception of the difficulty of a task audit. Some of the audit assignment considered as task with high complexity and difficult while others perceive it as an easy task (Jiambalvo and Pratt, 1982).

Audits are becoming increasingly complex due to the difficulty (task difficulty) and the variability of the task (task variability) audit of the higher (Gupta et al., 1999). Further, Gupta et al. (1999) defines complexity as the complexity of the task and the ability to analyze a task and the availability of standard operating procedures. While the task is defined as the degree of variability in familiar task or not, regular or irregular, frequent or otherwise.

Research conducted by Abdolmohammadi and Wright (1987) found that there were differences in auditor judgment taken on a high task complexity and task complexity is low. Research conducted by Chung and Monroe (2001) also found that high task complexity affect the judgment taken by auditor. When high complexity of the audit appear as the high variability and ambiguity in the task of auditing and ultimately an indication of the cause of decline in audit quality.

H<sub>1</sub>: Complexity audit task is negatively related to audit quality.

### 2.2. Time Deadline Pressure

Time deadline pressure occurs when a specific point in time (i.e., a deadline) for task completion is specified and it is difficult to complete the required work by the deadline. When time deadline pressure increased, audit effectiveness declined and their efficiency improved (McDaniel, 1990). Choo (1995) indicates that as deadline pressure increases to higher levels, performance declines because relevant cues are also ignored. In contrast, research by Glover (1997) suggested that as time deadline pressure increases from low to moderate levels, auditor judgement performance improves due to the reduction in the usage of nondiagnostic (i.e., irrelevant) cues. Research by Margheim et al. (2005) examined the impact of time budget pressure and time deadline pressure on auditor. The results indicated that both types of time pressure had negative effects on the occurrence of the auditor quality.

H<sub>2</sub>: Time deadline pressure is negatively related to audit quality.

### 2.3. Obedience Pressure

Research on social influence pressure has been performed by DeZoort and Lord (1994), DeZoort and Lord (1997). In the social psychology literature describe the three types of social influence pressure include: Compliance pressure, conformity pressure and obedience pressure (Brehm and Kassin, 1990). The theory underlying of the obedience pressure states instructions boss (superior) in an organization influence behavior of individuals who ruled (subordinate) because superior has the authority to give orders (DeZoort and Lord, 1997). The higher the obedience pressure, the lower the quality of the audit decision. Auditors under the orders of superiors to deviate from professional standards tend to obey the command, so the quality of the audit will be lower. Milgram's (1974) obedience theory suggest that individuals subjected to obedience pressure will make decisions contrary to their own attitudes, beliefs, and values, in part, because they can remove themselves from responsibility for their judgements and decisions after an individual with authority directs them to an action.

H<sub>3</sub>: Obedience pressure is negatively related to audit quality.

### 2.4. Information System Expertise

Auditors' requisite knowledge for effective B2B E-commerce audits entails not only the nature of financial transactions and processes, but also the technologies that enable these transactions and processes to occur (Pathak et al., 2010). Thus, an understanding of the information system will greatly help the individual auditor to complete the tasks assigned by the superior

very quickly (Bierstaker et al., 2001). This is also powered by Bierstaker et al. (2001) who argued that an understanding of the information systems very helpful auditors to expedite the auditing (shorten the time of the auditing), which could ultimately result in a higher quality audit reports. Auditor's understanding of the information system will be useful in the determination of audit procedures that can reduce the complexity of the task and, in turn, can produce a quality audit reports.

H<sub>4</sub>: Information system expertise is positively related to audit quality.

### 3. METHODS

#### 3.1. Sample Selection

The sample is restricted to auditors in Indonesia. Initial sampel in this study were 231. Respondents in this study divided as a big 4 and non big 4 Public Accountant Firms in D.I. Yogyakarta and Bandung and who served as senior and junior auditor. The questionnaires distributed in October 2014 until December 2015. There are 186 respondents collected through snowball sampling technique and 45 questionnaires through paperbased techniques. However, 15 questionnaires were not returned. The final sample in this study totals 216 respondents.

#### 3.2. Empirical Model

To test the hypotheses, we employ a multiple linear regression model and predict a positive sign on the coefficient of variables as presented below.

$$AQ = \beta_0 + \beta_1 CAT + \beta_2 TDP + \beta_3 OP + \beta_4 IS + \epsilon \quad (1)$$

Where, AQ is audit quality, CAT is complexity audit task of auditors, TDP is time deadline pressure of auditors, OP is obedience pressure that auditors perceived and IS is information system expertise of auditors.

### 4. RESULTS

#### 4.1. Descriptive Statistics and Correlation

Respondents were collected from 16 public accountant firms consist 4 public accountant firms as a big 4 international accountant firm that are located in Jakarta and 5 public accountant firms as a local public accountant firms (non big 4) that located in Yogyakarta and 3 public accountant firms as a local public accountant firms (non big 4) that located in Bandung. The big 4 public accountant firms according to the website www.big4.com consist PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst and Young and KPMG. There are 231 questionnaires had been send using snowball sampling technique comprised 186 questionnaires had been send by email and 45 questionnaires by paperbased techniques. However, there are 15 of 45 questionnaires that used by paperbased were not returned. The questionnaire can be used for this study is as much as 216 questionnaires.

We present descriptive statistics in Tabel 1 for the sample used in testing the hypotheses. As the data indicate, auditors in the

sample have higher complex audit task and obedience pressure from manager level in the audit firm. In the other hand, we note that auditors have information systems expertise to help them completing the audit task. Table 1 indicate that the respondent have higher time deadline pressure by superior level (supervisor or manager) in the audit firms. Table 2 present that 73.6% of auditors in the audit firm is male.

**Table 1: Variable descriptive statistics**

Variable	N	Minimum	Maximum	Mean±SD
Age	216	21.00	29.00	24.3796±1.68284
Gender	216	1.00	2.00	1.2639±0.44176
AQ1	216	3	5	4.88±0.354
AQ2	216	2	5	4.37±0.580
AQ3	216	3	5	4.79±0.432
AQ4	216	3	5	4.40±0.510
AQ5	216	3	5	4.59±0.529
AQ6	216	2	5	4.70±0.524
AQ7	216	3	5	4.65±0.516
AQ8	216	3	5	4.79±0.443
AQ9	216	3	5	4.81±0.424
AQ10	216	3	5	4.82±0.417
AQ11	216	3	5	4.81±0.427
AQ12	216	3	5	4.27±0.621
AQ13	216	3	5	4.76±0.467
AQ14	216	3	5	4.87±0.368
AQ15	216	3	5	4.78±0.456
AQ16	216	3	5	4.83±0.402
AQ17	216	2	5	4.83±0.435
AQ18	216	3	5	4.89±0.343
AQ19	216	3	5	4.88±0.362
AQ20	216	3	5	4.88±0.335
CAT1	216	2	5	3.91±0.707
CAT2	216	3	5	4.56±0.680
CAT3	216	2	5	4.19±0.665
CAT4	216	2	5	4.23±0.721
CAT5	216	2	5	4.37±0.722
CAT6	216	2	5	4.60±0.640
CAT7	216	2	5	4.73±0.558
CAT8	216	3	5	4.67±0.587
CAT9	216	3	5	4.68±0.560
CAT10	216	2	5	4.73±0.547
CAT11	216	2	5	4.49±0.632
TDP1	216	1	4	3.35±0.566
TDP2	216	1	5	3.58±1.045
TDP3	216	1	5	3.98±0.922
TDP4	216	1	5	3.37±0.772
OP1	216	1	5	3.97±1.063
OP2	216	1	5	3.67±1.020
OP3	216	2	5	4.25±0.994
OP4	216	1	5	3.80±1.023
OP5	216	1	5	4.00±1.080
OP6	216	1	5	2.69±1.058
IS1	216	2	5	4.51±0.765
IS2	216	1	5	4.26±0.782
IS3	216	2	5	4.67±0.639
IS4	216	2	5	4.50±0.625
IS5	216	2	5	4.34±0.677
IS6	216	1	5	4.44±1.005
IS7	216	2	5	3.73±0.802
IS8	216	1	5	4.56±0.903
Valid N (listwise)	216			

AQ<sub>1-20</sub>: Audit quality, CAT<sup>1-11</sup>: Complexity audit task, TDP<sub>1-4</sub>: Time deadline pressure, OP<sub>1-6</sub>: Obedience pressure, IS<sub>1-8</sub>: Information system expertise, SD: Standard deviation

## 4.2. Assessment of Classical Assumptions Test

### 4.2.1. Normality test

Figure 1 provide a histogram graph which indicate that the observed data have normal distribution. We also see Figure 2 provide that normal probability plot (normal P-P plot) very closed to diagonal linear and follow the pattern. Normality test results indicate that residual distributed normally in the regression model. So that, regression model meet the normality assumption.

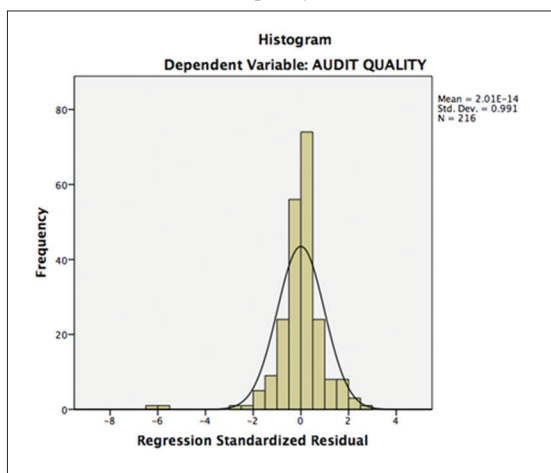
### 4.2.2. Multicolinierty test

Table 3 presents Pearson correlation coefficients for the variables in the regression model. We note that only complexity audit task variable have a higher correlations with information system variable with correlations level as  $-0.459$  or about 45.9%.

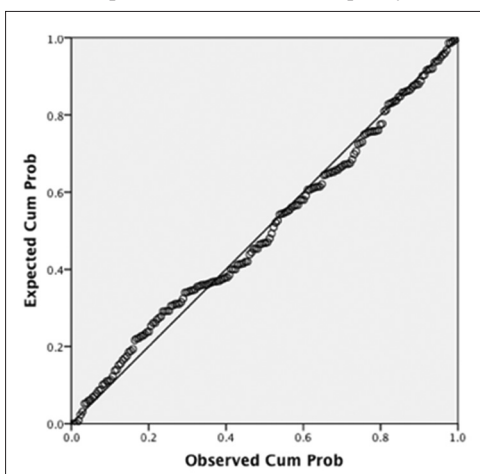
**Table 2: Gender**

Valid	Frequency (%)	Valid percent	Cumulative percent
Male	159 (73.6)	73.6	73.6
Female	57 (26.4)	26.4	100.0
Total	216 (100.0)	100.0	

**Figure 1:** Regression standardized residual. Dependent variable: Audit quality



**Figure 2:** Normal probability plot of regression standardized residual. Dependent variable: Audit quality



However, this correlations level are no more than 95%. Therefore, there is no potential issue about multicollinearity in the regression model (Table 3).

We also note that Table 4 provide variance inflation factors (VIFs) for all variables are  $<10$  and there is no independent variable have tolerance values  $<0.10$ . Kennedy (2008) suggest that VIFs  $<10$  do not warrant concern for multicollinearity when interpreting results.

### 4.2.3. Heteroscedastisity test

Figure 3 present heteroscedastisity test result by scatterplot pattern. In the Figure 3, we can see that there is no obvious pattern in the result and the plot spread widely in the graph line. According to this result, we note that there is no potential issue about heteroscedastisity in the regression model.

## 4.3. Multivariate Test Results

Table 5 present multivariate results for testing of  $H_1$ . The positive coefficients ( $P < 0.05$ ) on complexity audit task leads to rejections of  $H_1$  and confirm that complexity audit task is positively related to audit quality. The finding of this study are contrast to prior research that high task complexity affect the judgment taken by auditor. When high complexity of the audit appear as the high variability in the task of auditing, auditor will be able to complete the required work and they remains improve audit quality. However, we also find that no evidence of a significant ( $P > 0.05$ ) relationship between time deadline pressure and audit quality. These evidence leads to the rejection of the  $H_2$ . The findings of this study indicating that there is no significant effect of time deadline pressure that perceived in individual auditor when a specific point in time (i.e., a deadline) for task completion is specified and they will able to complete the required work by the deadline. These results contrast with prior research that Time deadline pressure have no related to audit quality.

We also find that the positive coefficients ( $P < 0.05$ ) on obedience pressure reject the  $H_3$ . These results leads to rejection of the theory underlying of the obedience pressure. The theory states instructions boss (superior) in an organization influence behavior of individuals who ruled (subordinate) because superior has the authority to give orders (DeZoort and Lord, 2001). According to the regression result, obedience pressure is positively related to audit quality. These results indicating that the higher the obedience pressure, can not make the lower the quality of the audit decision. Auditors under the orders of superiors remain obey from professional standards, so the quality of the audit will be higher. The coefficients on information system of Table 6 are positif and significant ( $P < 0.05$ ) and support  $H_4$ . These results indicating that Information system expertise is positively related to audit quality. This study robust to the prior research. Information system expertise will help the individual auditor to complete the tasks assigned by the superior very quickly as described in prior research (Bierstaker et al., 2001). Auditors' requisite knowledge for effective B2B E-commerce audits entails not only the nature of financial transactions and processes, but also the technologies

**Table 3: Collinearity statistics**

Coefficients <sup>a</sup>							
Model	Unstandardized coefficients		Standardized coefficients	t	Significant	Collinearity statistics	
	B	Standard error	Beta			Tolerance	VIF
1							
(Constant)	8.816	0.444		19.867	0.000		
Complexity audit task	0.496	0.066	0.451	7.461	0.000	0.586	1.708
Time deadline pressure	-0.081	0.100	-0.046	-0.811	0.418	0.674	1.483
Obedience pressure	0.131	0.059	0.125	2.215	0.028	0.673	1.485
Information system	0.445	0.071	0.345	6.278	0.000	0.707	1.414

<sup>a</sup>Dependent variable: Audit quality, VIFs: Variance inflation factors

**Table 4: Coefficient correlations<sup>a</sup>**

Model	Information system	Time deadline pressure	Obedience pressure	Complexity audit task
Correlations				
Information system	1.000	0.009	-0.080	-0.459
Time deadline pressure	0.009	1.000	-0.399	-0.255
Obedience pressure	-0.080	-0.399	1.000	-0.206
Complexity audit task	-0.459	-0.255	-0.206	1.000
Covariances				
Information system	0.005	6.419E-005	0.000	-0.002
Time deadline pressure	6.419E-005	0.010	-0.002	-0.002
Obedience pressure	0.000	-0.002	0.004	-0.001
Complexity audit task	-0.002	-0.002	-0.001	0.004

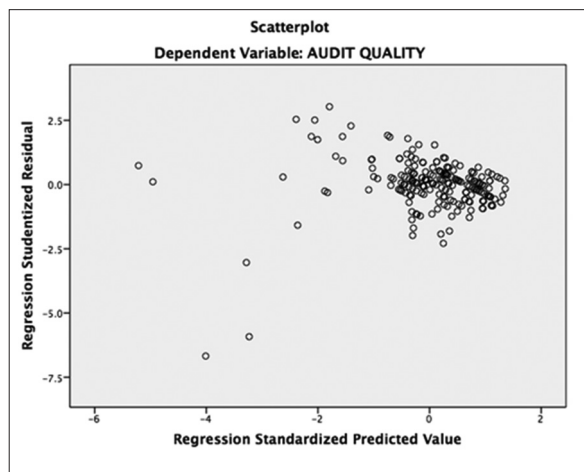
<sup>a</sup>Dependent variable: Audit quality

**Table 5: Model summary**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Standard error of the estimate
1	0.741 <sup>a</sup>	0.549	0.541	0.55182

<sup>a</sup>Predictors: (Constant), information system, time deadline pressure, obedience pressure, complexity audit task

**Figure 3:** Scatterplot. Dependent variable: Audit quality



that enable these transactions and processes to occur (Pathak et al., 2010). Thus, information system expertise will greatly helpful auditors to expedite the auditing (shorten the time of the auditing), which could ultimately result in a higher quality audit reports. Auditor’s understanding of the information system will be useful in the determination of audit procedures that can reduce the complexity of the task and, in turn, can produce a quality audit reports.

## 5. CONCLUSION AND IMPLICATIONS

In this study we investigate the effect of complexity audit task, time deadline pressure, obedience pressure and information system expertise to audit quality. We find that high complexity of the audit appear as the high variability in the task of auditing, can not make auditor fails to complete the required work and they remains improve audit quality. In the other hand, this study also find that there is no significant effect of time deadline pressure that perceived in individual auditor when a specific point in time (i.e., a deadline) for task completion is specified, so they will able to complete the required work by the deadline and remains to improve audit quality. This study confirm that the higher the obedience pressure, can not make the lower the quality of the audit decision. Auditors under the orders of superiors remain obey from professional standards, so the quality of the audit will be higher. These results also provide evidence of the significant impact that information system expertise will greatly helpful auditors to expedite the auditing (shorten the time of the auditing) and will be useful in the determination of audit procedures, so that can reduce the complexity of the task and, in turn, can produce a quality audit reports.

This study suggest that at the big 4 and non big 4 audit firm should be concern about audit quality and senior and junior auditor performance will be affect to the quality of audit. Our study is subject to a limitations. Our study no focusing on fee audit that could be associated with audit quality (Bills and Stephens, 2015). However, our recommendation to the future research, may be examine with focusing on particular issues such as audit risks and

**Table 6: Multiple regression test**

Coefficients <sup>a</sup>					
Model	Unstandardized coefficients		Standardized coefficients	t	Significant
	B	Standard error	Beta		
1					
(Constant)	8.816	0.444		19.867	0.000
Complexity audit task	0.496	0.066	0.451	7.461	0.000
Time deadline pressure	-0.081	0.100	-0.046	-0.811	0.418
Obedience pressure	0.131	0.059	0.125	2.215	0.028
Information system	0.445	0.071	0.345	6.278	0.000

<sup>a</sup>Dependent variable: Audit quality

may be on the fee premiums (discounts) audit could be associated with higher (lower) audit quality.

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