INTERNATIONAL JOURNAL OF APPLIED BUSINESS AND ECONOMIC RESEARCH

EDITOR: Mokhtar M Metwally
University of Western Sydney

VOLUME 12  NUMBER 4  DECEMBER 2014

CONTENTS

A Study of Factors Influencing Cold Investment Decisions of Retail Customers in India
Kirti Arekar and CA Swati Godbole

991-995

A Study on Applications of Return and Risk-Adjusted Theoretical Parameters of Mutual Funds in India
M. Gangu Naidu P. Raju Babu and V. Isreal Paju

997-1016

A Study on Women Self Help Group in Coimbatore District
S. Mamta, M. Sarvanakumar and S. Srividhya

1017-1044

Co Movements and Inter-Linkages of Indian Stock Market with Emerging Stock Market Indices in Asia
Kasilingam Lingaraja, Murugesan Selvam, Vinayagamoorthi Vasanth & Mahalingam Gayathri

1045-1064

Contribution of E-hub for Initiatives on E-business
D. Sathish Kumar

1065-1078

Critical Review on the Prevailing Takaful Models
Syed Ahmed Salman

1079-1088

Saving Social Cost by Impacting Factors Determining Driving Speed
Mahesh Sarwa and Jayaram R.

1089-1101

The Determinants of Green Product Purchasing Across Socio-economic Groups
Orose Leclakulthanan

1103-1117

Role and Performance of Service Sector
Promila Sehrawat

1119-1125

An Empirical Study on Organization Culture and its Impact on Employee Motivation with Reference to Industrial Estates in Chennai
P. Kokila and S. Ramalingam

1127-1134

Determinants of Residential Water Demand in Jordan
Adel Yacoub Shamaileh

1135-1153

An Empirical Study on Pilgrimage Tourism in Srirangam of Tamilnadu
Sarunya Vijay, S. Ramalingam and K. Ramakrishnan

1155-1166
Role of Managers in Supply Chain Management – An Exploratory Study ........................................ 1167-1178
Hiren Patel, Hemantkumar P. Bulsara and M. N. Qureshi

Success Factors of Incubatee Startups and the Incubation Environment ........................................ 1179-1193

Success Influencers
Balachandran Arumugam and Sudharani Ravindran

The Happiness of Gen Y Female and Male Shoppers ................................................................. 1195-1206
Orose Leelakulthanan and Boonchai Hongcharu

The Mutual Fund Industry Needs to Tap the Rural Market to Grow ............................................ 1207-1219
M. Gangu Naidu, P. Raja Balu and V. Isreal Raju

An Exploration for the Predictors of Organization Citizenship Behaviour of Selling Professionals 1221-1237
P. Nivethitha, S. S. Shentha Kumari and S. Ritu

Application of E-commerce Using Web Mining ......................................................................... 1239-1245
D. Satish Kumar, N. V. Poovendhar and R. Ganesan

The Study of Conflict Resolution among Various Stakeholders During Cross Border Business and Business Diplomacy Management ............................................................................. 1247-1266
Anuradha Mohan Chintis, Anand Joshi and T. Suganthalakshmi

Factors Affecting on SMEs Performance in Lao PDR ................................................................. 1267-1276
Phouphet Kyophilavong, Arounyaleth Rasphone Inpaeng Sayroya and Bounlert Vannalath

Influence of International Business Environment on Direct Investments Patterns – A Case Study of Selected African Nations Based on Porter Conceptual Framework ............................................. 1277-1304
Mahesh Chandra Joshi and Mukta Kukreja

The Effect of Performance Incentive on Audit Judgement By Using the Effort as the Intervening Variable and the Task Complexity as the Moderating Variable ............................................... 1305-1314

Organizational Culture as a Moderator among the Effects of Audit Experiences ....................... 1315-1329
Professional Commitment and Ethical Orientation on Ethical Decision Making in Inspectorate Offices in North Sulawesi ...................................................................................................... 1331-1342
Mudassir

The Implementation of the School Principal’s Entrepreneurship Competence in the Management of Educational Hotel (Edotel) in Smkn 3 Malang, Indonesia ........................................... 1343-1351
Sitti Roskina Mas

Competency Mapping – A Drive for HR Excellence in IT Industry ............................................ 1353-1356
M. Mustafa and Sarbhi

Proactive Personality as an Antecedent of Employee Creativity: A Study of Bank Employees in India ........................................................................................................................................ 1357-1366
Ekta Narula, Sunil Budhiraja and Meenakshi Malhotra
Improved Consumer Preferences Attributes Analysis for Housing Product ........................................ 1367-1389
Raden Aswin Rahadi, Sudarto Kaderi Wiryono
Deddy Priatmodjo Koesnindarto and
Indra Budiman Syamwil

Economic Growth in Odisha: Sectoral Analysis ................................................................. 1391-1406
Satyabrata Mishra

A Comprehensive Study on Product Preferences and Purchase Decision -
making of Life Insurance Customers
A. Lenin Jothi and G. B. Sitaram
THE EFFECT OF PERFORMANCE INCENTIVE ON AUDIT JUDGEMENT BY USING THE EFFORT AS THE INTERVENING VARIABLE AND THE TASK COMPLEXITY AS THE MODERATING VARIABLE

Arifuddin*

Abstract: The relation to the financial report, the audit judgment made by the auditor affects the opinion which is made on the fairness of the financial reports. Auditors, in making judgment, are influenced by many factors, both technical and non-technical. The purpose of the research is to examine how the effect of the performance incentive on audit judgment by using the effort as an intervening variable and the task’s complexity as a moderating variable. From the analysis result and the discussion, it is concluded that the effort variable becomes the mediator of the performance incentive on the audit judgment. The study examines the effect of mediated/intermediary and moderator on the audit judgment. For the effect of the mediating/intermediate variables, analysis of the variance was conducted to test the direct effect and interaction of the performance incentives, with effort (effort), and the complexity of the task to the audit judgment. Task complexity is the moderator variable between the effect of the effect on the audit judgment. Noticing that the interaction coefficient has a positive sign, the task complexity nature moderation is the strengthening moderation. It is suggested to other researchers who will select the participants in the experimental group to differentiate the size of the public accountant office, period of work, and the difference of the education level.

Keywords: financial report, audit judgment, effort of the performance, task complexity, effort.

1. PRELIMINARY

Professional standard of the Public Accountant (SPAP), in section 341 states that an audit judgment on the ability of the unity of effort in maintaining its viability should be based on the presence or absence of self-doubt in the ability of the auditor itself to a unity of effort continued survival in a period of one year from the date of the financial report of audited (Jamilah, Fanani and Chandrarin, 2007). The relation to the financial report, the audit judgment made by the auditor affects the opinion which is made on the fairness of the financial reports. Auditors, in making judgment, are influenced by many factors, both technical and non-technical. The aspect of individual behavior, as one of many factors, influences the making process of the audit judgment. The topic of current audit judgment takes the attention or accounting practitioners from academia. However, the increasing attention level

* University of Hasanuddin, Indonesia
Audit judgment quality made by the auditor is influenced by several factors. Libby and Lipe (1992) indicate that in order to improve the quality of audit judgment, it needs the performance incentives in an organization’s performance. The use of the performance incentives can help in improve the effort and achieve the higher levels of performance (Libby and Lipe, 1992). Handoko (2002: 176) defines performance as a stimulant performance incentive which is offered to carry out the work in accordance or over out the standards in the set. Performance incentive for some circles is a tribute in the form of material and non-material given by the authorities so that the auditors work with high motivation and achievement in reaching the goals of the public accounting firm, in other words the provision of the performance incentive is beyond the salary in recognition of work performance and contribution. The research conducted by Bonner and Sprinkle (2002) shows that the performance incentive is a environment variables that can affect an individual effort, assessment and audit judgment. Another result of research conducted by Bonner and Sprinkle (2002) show that the performance incentive effect on the quality of the auditor performance quality depends on the types of performance incentives given.

Based on the description above, the writer is interested to re-examine the performance incentive effect on the audit judgment by using the effort as intervening and the task complexity as a moderating. This study is intended as a further research conducted by Libby and Lipe (1992), Zuraidah and Takiah (2007), Tan, Ng and Mak (2002), Bonner and Sprinkle (2002) in the framework of (a) the effect of performance incentives to effort and audit judgment, (b) the effort on audit judgment with the complexity of the task as a moderating.

The purpose of the research is to examine how the effect of the performance incentive on audit judgment by using the effort as an intervening variable and the task’s complexity as a moderating variable.

2. BASIC THEORY

2.1. Audit Judgment

Audit judgment is a consideration that affects the documentation of evidence and the opinion decisions made by the auditor. In making this audit judgment, the auditors have the consciousness that responsibility is a factor that is quite important because their assessment will be reviewed and questioned. Audit judgment refers to the cognitive aspects in the decision-making process and reflects the changes of the evaluation, opinions, and attitudes. The quality of the audit judgment indicates how well the performance of an auditor in performing his task. The audit judgment is financial report, the execution of the audit engagement, he integrity managing the professional order to accept

2.2. The Perform

According to the increased effort incentive effort is considered as performance if directed at the effort, the dura the learning (Latham & Payne, 1990). Bonner and Sprinkle (2002) people to strive performance if based on this, it is which is aimed at not sufficient to Latham, 1990), how to maximize factors that in performance is the performance absolute terms

2.3. The Comp
The Complexity of the Task

The complexity of the task can be defined as a function of the task itself (Wood, 1965). The complexity of the task is a measure of its difficulty, which is not synonymous with its length (Wood).

2.3. The Complexity of the Task

The complexity of the task is based on the complexity of each task. The complexity of the task is a function of the task itself (Wood, 1965). The complexity of the task can be defined as a function of the complexity of the task itself (Wood).

The complexity of the task is based on the complexity of each task. The complexity of the task is a function of the task itself (Wood, 1965). The complexity of the task can be defined as a function of the complexity of the task itself (Wood).

According to Wood (1990) and Sparke (2002), the financial incentives led to the increased effort. In other words, the increased effort required for the increased incentives led to the increased effort. In other words, the increased effort required for the increased incentives led to the increased effort. In other words, the increased effort required for the increased incentives led to the increased effort.
2.4. Hypothesis

The hypothesis of this study are as follows: 1) The effect of the performance incentives on audit judgment with the effort as an intervening variable, 2) The effect of the effort on audit judgment with the complexity of the task as a moderating variable.

3. RESULTS ANALYSIS

3.1. Method of Analysis

This study uses two kinds of experiments. The first experiments aims to test how the effect of the performance incentives (those who receive and those who do not receive) on the audit judgment with effort (effort) as an intervening variable in this experiment the participants were divided into two groups, those who receive a performance incentive and those who do not receive the performance incentives (financial incentives). The third experiment aims to test the hypothesis 1. The second experiment aims to test the effect of the effort on audit judgment which is moderated by the complexity of the task, the participants in the experiment were divided into two groups of experiments in order to test the hypothesis 2.

The study examines the effect of mediation/intermediating and moderator on the audit judgment. For the effect of the mediating/intermediating variables, analysis of the covariance was conducted to test the direct effect and interaction of the performance incentives, with effort (effort), and the complexity of the task to the audit judgment. For the mediator effect, it is applied three steps multiple regression suggested by Baron and Kenny (1986) and Frazier et al. (2004). The previous research also applied this technique when performing mediation analysis (Becker, 1997; Earley et al., 1990). Because this study examines the effect of mediators simultaneously, then the three-step technique is analyzed through a hierarchical regression analysis (multilevel).

3.2. The Test of the Research Instrument

Validity test is performed by using Pearson product moment. If the validity value is greater than 0.3, then the instrument is valid. The result of the validity test of each instrument can be seen in Table 1 as follows:

Based on the Table 1 above, it can be seen that all indicators on all variables have been declared valid because they have a value of correlation of > 0.30. Therefore, all the indicators can be used in this study.

In this study, the reliability test applies the Cronbach alpha coefficient. The test result is revealed reliable if the value is greater than 0.6 (Malhotra, 1992 in Solimun, 2010). Reliability test result of each variable is shown in Table 2.
The normal probability plot graphs it is noted that the picture shows the normal probability plot graph, and the regression analysis. For the normally test, normality less multicolinearity, and heteroscedasticity. For the regression analysis, the classical assumption within the regression analysis includes the assumptions of

### 3.3. Results of Tests of Assumptions

Based on the Table 2, it is obtained the alpha Cronbach values of > 0.6 in all variables. The Table 2 has been processed by the alpha Cronbach method.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Reliability</th>
<th>Effort</th>
<th>Alpha Cronbach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable 1</td>
<td>0.98</td>
<td>0.67</td>
<td>0.73</td>
</tr>
<tr>
<td>Variable 2</td>
<td>0.95</td>
<td>0.72</td>
<td>0.74</td>
</tr>
<tr>
<td>Variable 3</td>
<td>0.94</td>
<td>0.71</td>
<td>0.73</td>
</tr>
<tr>
<td>Variable 4</td>
<td>0.93</td>
<td>0.70</td>
<td>0.72</td>
</tr>
<tr>
<td>Variable 5</td>
<td>0.92</td>
<td>0.69</td>
<td>0.71</td>
</tr>
</tbody>
</table>

Source: Appendix (preprocessed data, 2014)

### Table 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>KTT</th>
<th>VTT</th>
<th>KTT</th>
<th>VTT</th>
<th>KTT</th>
<th>VTT</th>
<th>KTT</th>
<th>VTT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0.57</td>
<td>0.46</td>
<td>0.59</td>
<td>0.48</td>
<td>0.60</td>
<td>0.49</td>
<td>0.61</td>
<td>0.48</td>
</tr>
<tr>
<td>Valid</td>
<td>0.58</td>
<td>0.47</td>
<td>0.59</td>
<td>0.48</td>
<td>0.60</td>
<td>0.49</td>
<td>0.61</td>
<td>0.48</td>
</tr>
<tr>
<td>Valid</td>
<td>0.59</td>
<td>0.48</td>
<td>0.60</td>
<td>0.49</td>
<td>0.61</td>
<td>0.49</td>
<td>0.62</td>
<td>0.48</td>
</tr>
<tr>
<td>Valid</td>
<td>0.60</td>
<td>0.49</td>
<td>0.61</td>
<td>0.50</td>
<td>0.62</td>
<td>0.51</td>
<td>0.63</td>
<td>0.50</td>
</tr>
<tr>
<td>Valid</td>
<td>0.61</td>
<td>0.50</td>
<td>0.62</td>
<td>0.51</td>
<td>0.63</td>
<td>0.52</td>
<td>0.64</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Table 1: Varahy Test Results

The effect of performance incentive on alpha judgement by using the Effort... 109
points spread along and around the diagonal line. This result supported the histogram graph that shows that the regression model is normal. In the distribution of non-multicollinearity test, it shows VIF values for all variables of <10 so that the assumption of the absence of multicollinearity is accomplished. In non-heteroscedasticity test using the graph plots between the predicted value of the dependent variable, the audit judgment (ktask_R) is ZPRED with residual SRESID, it is obtained the results graph that there is no clear pattern as well as the points spread above and below the number 0 on the y-axis and it is concluded that there is no heteroscedasticity.

3.3.2. Hypothesis Testing Results

After the regression model used in this study has met the classical assumptions, then the next step is to test the hypotheses and discussion.

3.3.2.1 Hypothesis Testing Results First

Mediation of Effort in Performance Intensive Performance on the Audit Judgment

The complete test result of the test of the mediation efforts (effort) in the effect of the performance incentive on the audit judgment performance is presented below. The following table presents the results of mediation hypothesis testing.

![Diagram showing mediation of effort in performance intensive performance on the audit judgment]

**Figure 1: Mediation of Effort in Performance Intensive Performance on the Audit Judgment**

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Coefficient</th>
<th>P-value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IK → EF</td>
<td>0.957</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
<tr>
<td>IK → AJ</td>
<td>0.508</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
<tr>
<td>EF → AJ</td>
<td>0.460</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
<tr>
<td>IK → EF → AJ</td>
<td>0.440</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
</tbody>
</table>

**Source:** Primary Data Processed, 2014

Based on the study, the performance incentives (AJ) through the mediation effect has a p-value of 0.000 on the performance intensive variables which indicate marked positive influence. The higher the performance intensive variable is, the higher the performance of the audit judgment. It means that the mediation of effort is high, and the performance of the audit judgment is also high. The hypothesis testing on the mediation of effort in the performance intensive variable on the audit judgment is significant.

3.3.2.2 Results of Hypothesis Testing Second

Here is the complete test result of the test of the direct effect of the performance intensive variable on the audit judgment performance.

**Table 4: Mediation of Effort in Performance Intensive Performance on the Audit Judgment**

<table>
<thead>
<tr>
<th>Relationship Between Variables</th>
<th>Coefficient</th>
<th>P-value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>IK → AJ</td>
<td>0.508</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
<tr>
<td>KT → AJ</td>
<td>0.460</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
<tr>
<td>KT*EF → AJ</td>
<td>0.440</td>
<td>0.000</td>
<td>Significant 5%</td>
</tr>
</tbody>
</table>

**Source:** Primary Data Processed, 2014

The analysis of the hypothesis testing on the direct effect of the performance intensive variable on the audit judgment performance is significant. The interaction variable (KT*EF) has a significant effect on the performance of the audit judgment with a p-value of 0.0981 with sig of 0.000 which indicates that the interaction variable is also a significant moderator variable.
The interaction coefficient is negative when the mediator variable is between 0.30 and 0.50. This can be said that the complex effect of the task on the multiple judgment is moderated by performance. The interaction effect (the multiplier of the task complexity on the multiple judgment) is 0.028. The interaction effect is not significant at the 5% level.

Table 4: The Interaction of the Task Complexity in the Effect of the Multiple Judgment on the Multiple Judgment

<table>
<thead>
<tr>
<th>Task Complexity</th>
<th>Multiple Judgment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>0.028</td>
</tr>
<tr>
<td>High</td>
<td>0.038</td>
</tr>
</tbody>
</table>

Table 4: The Interaction of the Task Complexity in the Effect of the Multiple Judgment on the Multiple Judgment

Figure 2: The Interaction of the Task Complexity in the Effect of the Multiple Judgment

For each judgment, the effect of the task complexity on the multiple judgment is significant at the 5% level. However, the effect of the task complexity on the multiple judgment is significant at the 5% level. The effect of the task complexity on the multiple judgment is significant at the 5% level.

The effect of the task complexity on the multiple judgment is significant at the 5% level. The effect of the task complexity on the multiple judgment is significant at the 5% level. The effect of the task complexity on the multiple judgment is significant at the 5% level.
complexity is the weaken moderation. That is, the more complex the task, the weaker effort effect on the audit judgment will be.

4. DISCUSSION

The effect of the performance intensive with the effort as the intervening variable gives F value of 695.982 with probability 0.000, so it is concluded that the variable performance incentives together with the effort have the effect on the audit judgment. While the t test result also shows the variable of the performance incentives and the variable of effort effect on audit judgment with the significant value of 0.000, with a constant value of 60.497, the regression coefficient of performance incentives for 0.058, the regression coefficient effort of 0.406. The test of the effect of the mediation between the performance incentives (IK) on the Audit Judgment (AJ) through the effort (EF) is obtained the sobel test coefficient of 0.406 with the p-value of 0.000 < 0.05, so I can be concluded that there is the significant indirect effect between the performance incentives on the audit judgment through the effort. With the positive coefficient, it indicates the positive relationship. It means that the higher the performance incentive, the higher audit judgment will be, if the effort is also high. This result is also consistent with the result of research conducted by Libby and Luft (1993), Bonner (1999) which found that performance incentives (financial) will increase the efforts and audit judgment (performance). Other studies which support this study include the research conducted by Zuraidah and Takiah (2007) and Ria Nelly Sari et al. (2008) which prove that the auditor who gets the performance incentives will improve his duration of effort and audit judgment (performance).

Hypothesis 2 is about the effort effect on the audit judgment with the task complexity as the moderating variable. The result of the statistical analysis shows that the effort variable affect on the audit judgment with the task complexity as the moderating variable with the significant value of 0.000, the F value 481.558 with the probability level of 0.000, so it can be concluded that the effort variable, the task complexity variable, and together with the moderating variable of the task complexity give the effect on the audit judgment. The result of the statistical analysis of the t-test shows the significant value of 0.000, besides, the constant value of 44.009 and the effort regression coefficient of 2.554, the task complexity at 64.367 and the moderating of -0.981. Based on the analysis above, it can be concluded that the task complexity moderates the effort with the audit judgment. The result of the test is consistent with the research conducted by Early et al. (1990), Kanter (1990), Bonner (1999), Bonner and Sprinkle (2002), Zuraidah and Takiah (2007) and Ria Nelly Sari et al. (2008) which find that the effort will improve the audit judgment when they have the low task complexity and if the task complexity is high, there is no difference between the audit judgment on the high effort with the low effort.

5. CONCLUSION

From the analysis variable becomes a judgment. The higher the audit judgment, the intervening factor variable between the interaction coefficient of the strengthening to a stronger effort effect.

It is suggested that experimental group of work, and the different research is based on a room and they are treatment of the performance become the research of the consideration. I divide the women audit judgment can who come from the


REFERENCES

who come from the big account unit. This
which wind up in the public account unit,
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The
who come from the big account unit. The

CONCLUSION AND SUGGESTION

The Effect of Performance Incentive on Multi-Source by Using the Effect...


* STAIN Manado-Indi