

# **RISK BEHAVIOUR AND THE FINANCIAL AUDITOR – A STUDY OF GENDER DIFFERENCES**

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## **ABSTRACT**

*The importance of risk in business cannot be underestimated but it is of particular importance in the process of financial audits and the decisions made during an audit mission. The numerous recent and not so recent accounting scandals have involved auditors giving a debatable opinion with regards to the financial statements of entities which, soon after the issue of the audit opinion, have been at the centre of investigation in accounting irregularities and even bankruptcy. The auditors are decision makers and researching the factors that might influence their risk behaviour will bring more light into the decision making process. Although previous studies have brought arguments in favour of different factors considered to have an influence on the decision makers' risk behaviour, what is not fully understood is whether gender has an influence on risk behaviour. This article advances the hypothesis that the auditor's attitude towards risk is influenced by the auditor's gender. After the analysis of data collected from a representative sample of financial auditors, I have found that there is a difference between the financial auditor's risk behaviour according to the financial auditor's gender, confirming the research hypothesis as well as setting a starting point for future research.*

## **KEY WORDS**

*risk, gender, financial auditor, decision making, risk propensity*

## **INTRODUCTION**

Throughout his work the financial auditor uses an element that is central to all audit activities: risk assessment. The activity of risk assessment is closely linked to the auditor's risk behaviour and risk attitude, as well as professional judgement. The validity and quality of the financial auditor's professional judgement as well as his risk behaviour are critically important elements which work together to strengthen the reputation of the auditing profession. Generally, the academic literature related to professional judgement, risk and decision making in audit showed that professional judgement and decision making are inherent to any audit stage, that the risk preferences and risk behaviour varies widely between auditors and that a wide spectrum of factors influence professional judgement and risk behaviour. The relationship between professional judgement and risk is a direct and constant one because professional judgement in audit is exercised in a risk context. In exercising professional judgement, the auditor makes initial risk assessments which are consequently modified in the light of the new audit evidence gathered throughout the

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audit process. Any risk assessment in audit implies professional judgement to some extent. However, despite the fact that there are a significant number of empirical studies on risk behaviour and decision making, these studies did not produce uniform findings. As the audit process is at the heart of the business world and while the audit firm itself is a business, general characteristics of risk can be extrapolated to embrace a more general business risk view. There are solid grounds to argue that the financial auditor is a business decision maker. Moreover, while the audit process is basically a team work led by the audit firms' managers and partners, risk theory that applies to business managers will certainly apply to the audit field as well.

Risk is a concept whose definition has not generated a consensus in the academic or business circles but is generally accepted that it relates to issues of unpredictability, decision making and potential loss. Risk is intrinsically linked with decision-making and every decision made in business implies a certain degree of risk. According to March and Shapira (1987), the importance of risk to decision making is attested by its position in decision theory and by the high level of interest in risk assessment in audit. Kendrick (2004) underlines the importance of understanding the personal attitudes to risk and considers the attitude and behaviour dimension one of the key dimensions to understanding risk. The rationale of the importance of understanding the decision makers' risk behaviour as underlined by Kendrick (2004), is that, to a certain extent, the strategies of an organisation reflect the dispositions of their managers in terms of their background, beliefs, attitudes and problem-solving styles. This behavioural aspect of risk taking in decision making introduces the fundamental question about the determinants of risk behaviour. What exactly determines or influences a decision maker's risk behaviour when making a decision? There are currently several views accepted. The most popular are those articulated by Kogan and Wallach (1967): the dispositional view, which considers the personal characteristics of a decision maker such as natural predisposition towards taking or avoiding risk to be determinant of the type of decision taken and the situational view, which considers the context in which the decision is taken to be determinant of the decision maker's risk behaviour, irrespective of dispositional preferences. There are also integrative views accepted which suggest that the dispositional risk propensity interacts with situational factors in determining risk taking behaviour (Baird and Thomas, 1985; Sitkin and Pablo, 1992; Das and Teng, 2001; Kendrick, 2004).

This study follows the integrative lines and proposes that gender is a transcending factor which influences the decision makers' risk behaviour irrespective of dispositional or contextual factors.

This article is a continuation of previous work that I have done in researching the factors that might influence the auditor's risk behaviour. The purpose of this article is to establish the relationship between the auditor's gender and the auditor's risk behaviour, contributing to the understanding of risk behaviour and adding to the literature on the relationship between gender and risk propensity. The main research question is whether the auditor's gender can influence his/her risk behaviour. The research method is the hypothesis testing using questionnaires on a sample of practising financial auditors, active members of The Romanian Chamber of Financial Auditors (CAFR). The data will be analysed using the SPSS statistical software. The main contribution of this work will be to complement the academic research on risk and help to better understand the financial auditor's risk behaviour in a financial audit context.

## **1. LITERATURE REVIEW**

In this chapter, theories and previous research in the field of risk behaviour are explored. The relevant theories and literature regarding risk will be discussed. This approach will analyse the theories of risk from different angles and will enable a multidimensional view on previous literature.

### **1.1. Theories on the determinants of risk behaviour**

Risk and decision making are intertwined and risk is a permanent presence that envelops our activities during our entire lives. Risk is so important that some commentators say that without understanding it we risk everything and without capitalising upon it we gain nothing (Breakwell, 2014). Academic theories which attempted to explain the risk behaviour of decision makers date back as far as 1738 (Bernoulli, 1738) and there are a significant number of empirical studies in the area of risk taking behaviour. However, these studies have not produced uniform findings. The theories of risk taking behaviour are split into two major competing paradigms: one which emphasizes the importance of individual dispositional differences, which is called the dispositional view, and one which emphasizes the importance of situational factors, called the situational view.

The dispositional view focuses on the individual differences in risk taking behaviour. For this school of thought, the general traits and general dispositional tendencies of the decision makers are believed to dictate their risk taking attitude. It argues that some people have a natural predisposition to be more risk-seeking or more risk-averse than others, irrespective of the situation or the context of the problem. In support of this theory, a significant number of empirical studies have reported on individual differences in risk taking behaviour. Alderfer and Bierman (Alderfer and Bierman, 1970) use two questions from Kogan and Wallach's (Kogan and Wallach, 1964) Choice Dilemma Questionnaire relating to financial investment, alongside other types of questions, to substantiate considerations regarding individual differences in attitudes towards risk choice in financial investment. However, Alderfer and Bierman (Alderfer and Bierman, 1970), among many other scholars (Bromiley and Curley, 1992; Weber, Blais and Betz, 2002), raise doubts as to the appropriateness of using Kogan and Wallach's (Kogan and Wallach, 1964) Choice Dilemma Questionnaire to extract generalities about any attitude behaviour relationship. It is interesting to observe that by using the Kogan and Wallach's (1964) Choice Dilemma Questionnaire and by being critical of it at the same time, Alderfer and Bierman (Alderfer and Bierman, 1970) are actually raising doubts about the validity of their own findings. In a study that directly examined the consistency of dispositional risk taking behaviour in two groups, one risk-seeking and one risk-averse, Schneider and Lopes (Schneider and Lopes, 1986) found that the risk-seeking group tended to prefer riskier choice on a consistent base when compared with the risk-averse group. Bromiley and Curley (Bromiley and Curley, 1992) observed that some people were more tolerant towards risk than others and found that individuals tend to be consistent in their attitudes towards risk. In an experiment in which the roles of risk attitude and tolerance for ambiguity in predicting choice were jointly assessed, Ghosh and Ray (Ghosh and Ray, 1997) found that both risk attitude and ambiguity intolerance determined choice behaviour. Based on individual differences in risk taking as an individual attribute, scholars have introduced the concept of risk propensity, defined

by Sitkin and Weingart (Sitkin and Weingart, 1995) as “an individual’s current tendency to take or avoid risks” (Sitkin and Weingart 1995, p.1575). Rowe (Rowe, 1977) and Fischhoff et al. (Fischhoff et al., 1981) have used the term risk propensity with reference to a consistent individual trait towards taking or avoiding risks. Das and Teng (Das and Teng, 2001) observe that Sitkin and Weingart (Sitkin and Weingart, 1995) believe that even the critics of the dispositional approach to risk “have employed the traditional conception of risk propensity as a stable individual attribute” (Sitkin and Weingart 1995, p.1575). However, this view is questioned by Weber, Blais and Betz (Weber et al., 2002). In their study, Weber, Blais and Betz (Weber et al., 2002) present a psychometric scale that assesses risk taking in five content domains – financial decisions (separately for investing versus gambling), health/safety, recreational, ethical and social decisions – and find that the degree of risk taking was highly domain specific, not consistently risk-averse or consistently risk-seeking. The findings of Weber, Blais and Betz (Weber et al., 2002) are contrary to those of Rowe (Rowe, 1977), Fischhoff et al. (Fischhoff et al., 1981), Schneider and Lopes (Schneider and Lopes, 1986), Bromiley and Curley (Bromiley and Curley, 1992) and Sitkin and Weingart (Sitkin and Weingart, 1995), making it one of the findings supporting the situational view.

Many empirical studies suggest that situational factors such as the framing of the problem and the context in which the decision on risk is taken have a greater influence on risk taking behaviour. Slovic (Slovic, 1972) argues that high correlations between risk-taking measures in structurally different settings are highly unlikely, suggesting that different settings in which decision on risk is made will have different decisional outcomes. March and Shapira (March and Shapira, 1987) find that managers, as decision makers, make a sharp distinction between taking risk and gambling, which implies that the context or situation of the decision plays a major role in risk taking behaviour. In line with these findings, a very strong argument in favour of the situational view of risk taking behaviour comes from a seminal study conducted by Kahneman and Tversky (Kahneman and Tversky, 1979) in which the authors advance an alternative theory of choice under risk – the prospect theory. Essentially, the prospect theory suggests that individuals tend to interpret the outcomes of a risky decision according to a reference point – such as the status quo - which changes depending on whether the outcome is framed as a gain or as a loss. In line with this view, March (March, 1988) introduces the term adaptive aspirations as a complement to Kahneman and Tversky’s (Kahneman and Tversky, 1979) reference point. In the prospect theory, Kahneman and Tversky (Kahneman and Tversky, 1979) and later Tversky and Kahnemann (Tversky and Kahnemann, 1991) contradict the expected utility model (Bernoulli, 1738; von Neumann and Morgenstern, 1947) and argue that, in evaluating risk, value is assigned to gains and losses rather than to final assets, and probabilities are replaced by decision weights. Kahneman and Tversky (Kahneman and Tversky, 1979) argue that the carriers of value or utility are the actual changes of wealth rather than the final asset positions that include current wealth. In particular, Kahneman and Tversky (Kahneman and Tversky, 1979) observe that people under weigh outcomes that are only probable in comparison with outcomes that are obtained with certainty and call this the certainty effect. Consequently, Kahneman and Tversky (Kahneman and Tversky, 1979) argue that the certainty effect contributes to decision makers being risk averse in choices involving sure gains and risk seeking in choices involving sure losses. There is evidence to support this view in a study by Highhouse and Yüce (Highhouse and Yüce, 1996) who investigated the attempt to empirically

separate threat and opportunity perceptions from loss and gain perspectives. Highhouse and Yüce (Highhouse and Yüce, 1996) found that when in the loss domain, most decision makers perceived the risk alternative as an opportunity and when in the gain domain, most decision makers perceived the risk alternative as a threat. However, it is interesting to observe that Kahneman and Tversky's (Kahneman and Tversky, 1979) prospect theory, although demonstrates several phenomena which violate the principles of expected utility theory, it is based on responses of students and faculty to hypothetical choice problems of the type that resembles a gambling situation and therefore their arguments may be questionable in the light of the findings by Schubert et al. (Schubert et al., 1999) which suggests that abstract gambling experiments might not be adequate for the analysis of risk attitudes.

The main conclusion of the risk literature review is that since Kogan and Wallace (Kogan and Wallace, 1967) first articulated the fundamental question about the determinants of risk behaviour in terms of whether they are dispositional or situational, the issue remains unresolved.

## **2. RESEARCH METHODOLOGY**

The research philosophy of this study is based on the positivist deductive approach embracing a critical realism epistemology. In the deductive approach of this study there are several stages of the research: hypotheses are presented following the review of the literature, the hypotheses are expressed in operational terms which propose a relationship between two specific variables and, finally, testing the hypothesis and examining the outcome of the test. If necessary, the theory is modified in the light of the findings. The research in this explanatory study will be cross-sectional and the quantitative mono method using questionnaires, together with analysis of quantitative data, will be used to establish causal relationships between the variables contained in the hypotheses.

### **2.1. Research hypothesis**

Based on the literature review on gender and risk behaviour while pursuing the research objective, the following main hypothesis is advanced:

Research hypothesis. Male financial auditors' risk behaviour differs from female financial auditors' risk behaviour in a general lottery context.

### **2.2. Research strategy**

The objective of the present research is to answer the research question and identify whether gender has any influence on the auditor's risk behaviour. Due to time and economic constraints in answering the research question, the survey method is selected for the purpose of this study in order to collect a sufficient amount of primary data. The use of questionnaires is the most widely used data collection technique in a survey and, in this study, a questionnaire containing 2 questions will be distributed to a representative sample of 650 practising financial auditors, active members of The Romanian Chamber of Financial Auditors (CAFR), for primary data collection. The

data collected will then be analysed using graphic representations and SPSS statistical software and the results will be used to validate or invalidate the hypotheses. The findings will be discussed and conclusions will be drawn. The design of the questionnaire is essential for the reliability and validity of the data, hence great care has been given to the framing and wording of questions. In this study, the questionnaire which will be administered to the chosen sample will consist of 2 questions (see Appendix 1). Question 1 is a listing type question to determine the gender of the respondent, whether male or female. Question 2 is a rating type question using a four point Likert scale in which the respondent is asked how strongly he or she agrees or disagrees with a statement. Four points were used for the Likert scale (strongly agree, tend to agree, tend to disagree and strongly disagree) to eliminate the possibility that the respondent will 'sit on the fence' by ticking the middle 'not sure' category which will render the response ambiguous. I chose the four point Likert scale because I wanted the respondent to express a clear opinion on the statements, which enabled me to clearly determine whether the respondent is more or less risk seeker or more or less risk averse in certain situations.

### **3. FINDINGS AND DISCUSSION**

The questionnaires were distributed to 650 practising financial auditors, active members of The Romanian Chamber of Financial Auditors (CAFR). There were a total of 368 responses received which means a 56.6% actual response rate. This actual response rate is above the expected 50% response rate for which we have hoped at the design stage of the study. Out of a total of 368 actual responses, 16 responses had to be left aside because in these three cases the questionnaire has not been filled in properly and responses to some of the questions were either missing or incomplete. However, 352 responses were valid which means a total effective response rate of 54.1%.

#### **3.1. Data coding**

The responses to the Question 2 which is a rating type questions using a four point Likert scale, were coded by assigning to each response option representing a point on the Likert scale a number value from 1 to 4, with 1 representing the highest preference towards risk and 4 representing the least preference towards risk. Risk will be represented by the Total Risk Score variable arrived at by adding the corresponding values for each respondent's answer to questions 2. Therefore, the more preference for risk a person would show in his/her risk attitude or behaviour, the lower the Total Risk Score would be. For a clearer picture of the coding procedure, see Table 1 below.

**Table 1. Illustration of the coding of responses for the questions using the four point Likert scale**

For Question 2:			
Strongly Agree	Tend to Agree	Tend to Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4

(Source: Original work of the author)

### 3.2. Hypothesis testing

Testing the research hypothesis. Male financial auditor's risk behaviour differs from female financial auditor's risk behaviour in a general lottery context.

In order to test the research hypothesis, the respondents' answers to Question 1 and 2, which tests the risk propensities of the respondents, are investigated.

The analysis of the replies is done depending on the gender of respondents and their response options. Thus, the two variables which are examined are the following:

Variable 1 - the variable *gender of the financial auditor*, categorial type binary variable that can have two values: 1 for male auditors and 2 for female auditors.

Variable 2 - the variable represented by the answers to Question 2, a variable of ordinal-type category that can have four values: 1 for "I strongly agree", 2 for "I tend to agree", 3 for "I tend to disagree", 4 for "I strongly disagree".

It should be noted that the variable represented by the four possible answers to Question 2 represents the degree of preference or risk rejection by the respondents in the context set by the question, these answers being nothing else than vehicles of gradation of risk attitude of respondents. As a result, although the following analysis uses the term "variable Question 2", you should actually read "variable *attitude towards risk of financial auditor*".

#### **Stage 1. Contingency tables.**

In analyzing the behavior of the variables *gender of the financial auditor* and *Question 2* using contingency tables, it is observed that the variable *gender of the financial auditor* has two modalities and the variable *Question 2* has four modalities. On this pair of variables 8 multinomial type observations are made, which means that the observations are independent of each other and the

responses are uniquely represented in cells. Consequently, a contingency table will contain a matrix with 2 rows and 4 columns, each matrix cell containing the absolute frequency of the respective cell.

**Table 1. Contingency table of variables *gender of the financial auditor* and *Question 2*, displaying absolute frequencies of 8 cells.**

**Case Processing Summary**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Financial auditor gender * question 2/first option-option a)-is a better choice.	352	100.0%	0	0%	352	100.0%

**Financial auditor gender \* question 2/first option-option a)-is a better choice. Crosstabulation**

Count

		Question 2/first option-option a)-is a better choice.				Total
		I strongly agree	I tend to agree	I tend to disagree	I strongly disagree	
The gender of the financial auditor	MALE	29	25	60	32	146
	FEMALE	14	51	56	85	206
Total		43	76	116	117	352

Contingency table 1 provides the following points in relation to the two variables analyzed:

- 29 male auditors elected answer *I strongly agree* to question 2, compared with the 14 female auditors who chose this answer.
- 25 male auditors have chosen answer *I tend to agree* to question 2, compared to 51 auditors female who chose this answer.
- 60 male auditors elected response *I tend to disagree* to question 2, compared to 56 female auditors who chose this answer.
- 32 male auditors have chosen answer *I strongly disagree* at question 2, compared with 85 female auditors who chose this answer.

To be able to better analyze the frequencies shown in table 1, I will create a contingency table containing the appropriate number and percentages of male auditors who chose one of the four possible responses to Question 2, as well as the percentages corresponding to the number of female auditors who chose one of the four possible answers to question 2.



**Table 5.20. Contingency table of variables *gender of the financial auditor* and *Question 2*, with the display of corresponding percentages.**

		Question 2/first option-option a)-is a better choice.				Total
		I strongly agree	I tend to agree	I tend to disagree	I strongly disagree	
Financial Auditor's Gender	MALE	Count 29 % within question 2/first option-option a)-is a better choice. 67.4%	Count 25 % within question 2/first option-option a)-is a better choice. 32.9%	Count 60 % within question 2/first option-option a)-is a better choice. 51.7%	Count 32 % within question 2/first option-option a)-is a better choice. 27.4%	Count 146 % within question 2/first option-option a)-is a better choice. 41.5%
	FEMALE	Count 14 % within question 2/first option-option a)-is a better choice. 32.6%	Count 51 % within question 2/first option-option a)-is a better choice. 67.1%	Count 56 % within question 2/first option-option a)-is a better choice. 48.3%	Count 85 % within question 2/first option-option a)-is a better choice. 72.6%	Count 206 % within question 2/first option-option a)-is a better choice. 58.5%
Total		Count 43 % within question 2/first option-option a)-is a better choice. 100.0%	Count 76 % within question 2/first option-option a)-is a better choice. 100.0%	Count 116 % within question 2/first option-option a)-is a better choice. 100.0%	Count 117 % within question 2/first option-option a)-is a better choice. 100.0%	Count 352 % within question 2/first option-option a)-is a better choice. 100.0%

It can be observed that in 8 out of 8 cells of the contingency table shown above, the values of the indicator of adjusted residual are high, over  $\pm 1$ . Of the 8 high levels of residual indicator adjusted 6 values are very high (more than  $\pm 2$ ): + 3.7; -3.7; 2.7 +; - 2.7; -3.8 and + 3.8. These results indicate the existence of a relationship of association between two categorical variables analyzed in the contingency table.

The percentages in table 2 can be displayed in simplified form, to the exclusion of the table of absolute frequencies and the adjusted residual value.

**Table 3. The corresponding percentages of variables *gender of the financial auditor* and *Question 2*.**

	Question 2/first option-option a)-is a better choice.				Total
	I strongly agree	I tend to agree	I tend to disagree	I strongly disagree	
The gender of the MALE financial auditor	67.4%	32.9%	51.7%	27.4%	41.5%
FEMALE	32.6%	67.1%	48.3%	72.6%	58.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

From the analysis of the percentage rates corresponding to the number of male and female auditors who chose one of the four possible responses to question 2, the following aspects can be observed:

- of the total of 43 auditors who chose the answer "I strongly agree" to question 2, a response indicating that the respondent has the greatest propensity towards risk (coded as 1), 67.4% are male and only 32.6% are female;
- out of the total 76 auditors who chose the answer "I tend to agree" response to question 2, indicating that the respondent has some inclination towards risk (coded as 2), 32.9% are male and 67.1% are female;
- of the total of 116 auditors who chose the answer "I tend to disagree" response to question 2, indicating that the respondent has some aversion to risk (coded as 3), 51.7% are male and 48.3% are female;
- of the total of 117 Auditors who chose the answer "I strongly disagree" response to question 6, indicating that the respondent has the highest risk aversion (coded as 4), 27.4% are male and 72.6% are female;

Therefore, the response indicating the highest inclination to the risk of a respondent ("I strongly agree"), was chosen by an overwhelming majority of male auditors, indicating that male auditors are much tolerant of risk compared to female auditors when it comes to risk propensity, in an abstract lottery context.

In contrast, the response that indicates the highest risk aversion of a respondent ("I strongly disagree"), was chosen by a majority of female auditors, indicating that female auditors have a greater aversion to risk compared to male auditors when it's about risk in general, in an abstract lottery context.

**Stage 2. Pearson Chi-square statistical test.**

To assist the analysis of a possible association between the variables *gender of the financial auditor* and *Question 2 (attitudes towards risk of financial auditor)*, the statistical test Pearson Chi-square ( $\chi^2$ ) is performed for verification of statistical independence between the two variables.

**Table 4. The statistical test Pearson Chi-square ( $\chi^2$ ) for verification of independence between the two statistical variables of the Research Hypothesis.**

**Chi-square Tests**

	Value	DF	Asymp. SIG. (2-sided)
Pearson Chi-square	28.886 <sup>a</sup>	3	<b>.000</b>
Likelihood Ratio	29.187	3	.000
N of Valid Cases	352		

a. 0 cells (. 0%) have expected count less than 5. The minimum expected count is 17.84.

**Symmetric Measures**

	Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Ordinal by Ordinal Kendall ' s-b	166.	048.	3.464	001.
Kendall ' tau-c	196.	057.	3.464	001.
Gamma	272.	076.	3.464	001.
N of Valid Cases	352			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

It can be observed from table 4 that, after performing the statistical test, the probability (p) that the value of the statistical test (28.886) when  $n$  tends toward infinite, spread Chi square ( $\chi^2$ ) with (2-1)(4-1) degrees of freedom, is **0.000**. This value is compared with the error level of rejection of the null hypothesis that was set at 0.05.

As the probability  $p = 0.000 < 0.05$ , it appears that the test is significant, and **it rejects the null hypothesis H0 independence of variables, by accepting the alternative hypothesis H1**, which is that one of the variables depends statistically on the other variable, and thus there is a relationship between them.

It can be asserted that the result of the statistical test Pearson Chi-square ( $\chi^2$ ) constitutes a significant evidence of the existence of an association between the two variables, *gender of the financial auditor* and *question 2 (auditor's attitude toward risk)*.

**Stage 3. Method comparison of proportions.**

Since it has been identified a relationship between two categorical variables *as gender of the financial auditor* and *question 2 (auditor's attitude towards risk)*, I will proceed to a final analysis that will determine whether the relationship between the two variables is a strong or a weak one. To do this, I use the method of comparison of proportions, a method developed specifically to analyze the degree of strength of the association between two categorical variables.

The proportion of male respondents who chose the answer "I strongly agree" (representing the **maximum inclination towards risk** attributable to a respondent) is 0.674 (or 67.4%). At the same time, the proportion of male respondents who chose the answer "I strongly disagree" (which means a **maximum of aversion to risk** attributable to a respondent) is 0.274 (or 27.4%). The resulting value by the difference of the two proportions is  $0.674 - 0.274 = 0.4$ . This value of 0.4 suggests a **moderate toward strong association** between the two variables, *gender of the financial auditor* and *question 2 (attitude towards risk of financial auditor)*.

As the tests lead to the research hypothesis being retained, there is evidence to support the main research hypothesis and conclude that the financial auditor's risk behaviour differs according to the gender of the financial auditor, in an abstract lottery context.

#### 4. CONCLUSION

This study investigated the relationship between financial auditor's gender and his risk behaviour in an abstract lottery context. The study concentrated on the analysis of risk behaviour and on the identification of a relationship between risk behaviour and the gender of the financial auditor. The responses of 352 practising financial auditors, active members of The Romanian Chamber of Financial Auditors (CAFR), to the 4 questions contained in the questionnaire were analysed using a series of statistical tests. The design of the questionnaire centred on carefully wording the question together with the data coding method represent the pivotal point of the study. The responses' analysis and findings provide significant evidence in favour of the main research hypothesis. Consequently, the results of this study demonstrate that the auditors' risk behaviour is different according to the gender of the auditor. However, one limitation of this study is the relatively small sample size. Although statistically a sample number of 352 respondents is considered to be enough to draw conclusions about the population, a larger number of participants would not only improve the validity and reliability of the findings, but it might also indicate slightly different results, especially in the borderline results. A second limitation refers to the way risk propensity was measured by using a four point Likert scale. The four point Likert scale was chosen because it translates the risk propensity showed by a respondent into different measurable and analysable grades. The use of a Likert scale with more points would have resulted in a more finely graded scale of measurement of risk propensity. Finally, the main conclusion of this study, that gender is a personal factor that influences the auditor's risk behaviour, could be used as a starting point for future research on the auditor's judgement and decision making process.

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## **Appendix 1. The research questionnaire.**

You are asked a series of questions, some requiring you to make a decision in hypothetical situations, others requiring you to express your view.

All the information you provide will be used for research purposes only and will be treated in the strictest confidence. You will not be identified from the information you provide.

I hope you find completing the questionnaire enjoyable and thank you for taking the time to answer it. A summary of the findings will be emailed to you.

### Question 1.

What is your gender?

- Male
- Female

### Question 2.

Assuming you are solvent and living in a comfortable lifestyle, in addition to whatever you own, you have been given 1,000 on condition that you choose one option from the following two:

- You may gamble the 1,000 - with a 50% chance of winning, in which case you keep the whole 1,000, and a 50% chance of losing, in which case you lose all the money

Or

- You may keep 500 of the 1,000 without gambling

Please express your opinion on the following statement:

Gambling the 1,000 is a better choice.

Answer:

(please tick only one box)

- |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|
| Strongly agree           | Tend to Agree            | Tend to Disagree         | Strongly disagree        |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |