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***Social Science
Research Methods***

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Overview

- Financial Accounting Research
- Managerial Accounting Research
- Auditing Research
- Interviews and Interview Schedules
- Objective tests and Scales
- Observations of Behavior and Sociometry

Accounting Research

■ Professor Elizabeth Gordon

Accounting Research

- Theoretical Research
 - * **Economic / Game Theory Models**
 - ◆ Managerial Accounting
 - ◆ Auditing
 - * **Analytical / Normative Models**
 - ◆ Auditing
- Archival Research
 - * **Financial Accounting**
 - * **Auditing**
- Experimental Markets
 - * **Financial Accounting**
 - * **Auditing**
- Behavioral Research
 - * **Auditing**
 - * **Tax**

Accounting Research

■ Theoretical Research

★ Economic modeling

- ◆ Mathematical modeling with economic assumptions
- ◆ SEU (Subjective Expected Utility)

★ Game Theory

★ Normative models

- ◆ Probability theory
- ◆ Alternative representations of uncertainty
- ◆ (Cf. Descriptive models such as Einhorn & Hogarth)

Accounting Research

■ Theoretical Research

- ★ *Is theory-building research*
 - ◆ Why not?
 - ◆ Why?

Accounting Research

- “Moral Hazard and Observability”
Robert Holmstrom
The Bell Journal of Economics, 1979

Accounting Research

- “Initial Public Offerings, Financial Reporting System Choice, and Disclosure Management”
Phillip C. Stocken & Robert E. Verrecchia

Accounting Research

- “Possibility Theory: A Fuzzy Logic Approach to Audit Evidence and Audit Planning Models”
Peter R. Gillett

Accounting Research

- Archival Research
- Capital Markets Research
 - ★ Financial Accounting issues
 - ★ Links with Finance and Economics
- (See S.P. Kothari, JAE, 2001 for a great review of this literature)

Experimental Markets

- Specialized software
- Networked computers
- Artificial markets in which settings are simplified and parameters that are unobservable and unmanipulable in real world settings can be known and changed
- Streams of transaction and interaction data can be maintained

Experimental Markets

- Abstract, simplified
 - ★ But so are theory and archival research
- External validity v. internal validity

Accounting Research

- “What affects the efficiency of a market?
Some answers from a laboratory”
Russ Lundholm
The Accounting Review, July 1991

Behavioral Accounting Research

- Human Information Processing
 - ★ Negative and positive effects
 - ★ Anchoring and adjustment biases
 - ★ Primacy and Recency effects
 - ★ Framing
 - ★ Dilution
- Memory and cognition
- Group Dynamics
- Ethics
- Cross-cultural studies

Behavioral Accounting Research

- Experiment and Quasi-experiment
 - ★ *Within subjects*
 - ★ *Between subjects*
 - ★ *Repeated measures*
- Survey
 - ★ *Mail, web*
 - ★ *Structured, open-ended*
- Verbal protocol analysis
- Field research
- Archival data

Accounting Research

- “CFO Intentions to Report Fraudulently on Financial Statements”
Nancy Uddin & Peter R. Gillett

Accounting Research

- “Accountability, the dilution effect, and conservatism in auditors' fraud judgments”
Vicky B. Hoffman & James M. Patton
Journal of Accounting Research Vol. 25
No. 2, 1997

Accounting Research

- “Fraudulent financial reporting: consideration of industry traits and corporate governance mechanisms”
Mark S. Beasley, Joseph V. Carcello,
Dana R. Hermanson & Paul D. Lapedes
Accounting Horizons Vol. 14 No. 4, 2000

Interviews and Interview Schedules

■ Interviews as

- ★ Exploratory devices
- ★ Main instruments
- ★ Supplements

■ Interviews

- ★ Structured (Standardized)
- ★ Unstructured (Unstandardized)

Interviews and Interview Schedules

- Interview Schedules / Questionnaires
 - ★ Fixed-Alternatives
 - ★ Open-Ended Items
 - ★ Scale Items

Interviews and Interview Schedules

■ Criteria of Question Writing

- ★ Related to research problem and objectives?
- ★ Type of question appropriate?
- ★ Clear and unambiguous?
- ★ Leading questions?
- ★ Demands knowledge and information that the respondent does not have?
- ★ Demands personal or delicate information?
- ★ Loaded with social desirability?

Interviews and Interview Schedules

■ Compare

- ★ Interviews

- ★ Questionnaires

 - ◆ Self-administered instrument

 - ➔ Low rate of returns

■ Focus Groups

- ★ Group interviews?

- ★ Qualitative research?

Objective Tests and Scales

- Objective methods of observation
 - ★ All observation has some objectivity and some subjectivity (inference)
- Tests
 - ★ Systematic procedures in which individuals are presented with a set of constructed stimuli to which they respond
- Scales
 - ★ Set of symbols or numerals so constructed that they can be assigned by rule to individuals or behaviors as indicated by possession of whatever the scale is supposed to measure

Objective Tests and Scales

■ Types of Objective Measures

- ★ Intelligence and Aptitude Tests
- ★ Achievement Tests
- ★ Personality Measures
- ★ Attitude Scales
 - ◆ Referents
 - ◆ Major types
 - ➔ Summated rating scales
 - ➔ Equal-appearing interval scales
 - ➔ Cumulative (Guttman) scales
- ★ Value Scales

Objective Tests and Scales

- Types of Objective Scales and items
 - ★ Independent v. non-independent
 - ★ Agreement – disagreement
 - ◆ One of two responses
 - ◆ One of three or more responses
 - ◆ More than one of three or more responses
 - ★ Rank Order Items and Scales
 - ★ Forced-Choice Items and Scales
 - ◆ Tetrads
 - ★ Ipsative and Normative Measures

Objective Tests and Scales

- Does a good measure already exist?
- Is it satisfactory for the intended purpose
- Do you need to construct and validate a new measure?

Observations of Behavior and Sociometry

- “The major problem of behavioral observation is with the observer” (K&L, p. 728)
 - ★ Incorrect inferences can be made
 - ★ The observer can affect the objects of observation
- Validity and Reliability
 - ★ Construct validity
 - ★ Agreement between observers

Observations of Behavior and Sociometry

- Categories
- Units of behavior
 - ★ **Molar approach**
 - ◆ Large behavioral wholes
 - ★ **Molecular approach**
 - ◆ Smaller segments of behavior
- Observer inference
- Generality / applicability

Observations of Behavior and Sociometry

- Sampling of Behavior
 - ★ Event sampling
 - ★ Time sampling

Observations of Behavior and Sociometry

■ Rating Scales

- ★ Remembered behavior

- ★ Types

- ◆ Category scale
- ◆ Numerical scale
- ◆ Graphic scale

- ★ Biases

- ◆ Halo effects
- ◆ Severity
- ◆ Leniency
- ◆ Central tendency

Observations of Behavior and Sociometry

■ Sociometry

- ★ Gathering and analyzing data on the choice, communication, and interaction patterns of individuals in groups

■ Sociometric analysis

- ★ Sociometric matrices
- ★ Sociograms
- ★ Sociometric indices