THE EFFECT OF AUDIT METHODOLOGY AND AUDITOR EXPERIENCE TOWARDS AUDITORS’ UNDERSTANDING ABOUT THE CLIENT’S BUSINESS:
A FOCUS ON EXTERNAL AUDITORS WITHIN JAKARTA

SKRIPSI
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SKRIPSI ADVISOR

RECOMMENDATION LETTER

This skripsi entitled “The Effect of Audit Methodology and Auditor Experience towards Auditors’ Understanding about the Client’s Business – A Focus on external auditors within Jakarta” prepared and submitted by Tasya Firsty Annissa in partial fulfillment of requirements for the Degree of Economic – Majoring in Accounting on Faculty of Business has been reviewed and found to have satisfied the requirements for a skripsi fit to be examined. I therefore recommend this for Oral Defense.

Cikarang, 11th February 2016

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Head of Accounting Study Program 
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DECLARATION OF ORIGINALITY

I declare that this thesis entitled “The Effect of Audit Methodology and Auditor Experience towards Auditors’ Understanding about the Client’s Business – A Focus on external auditors within Jakarta” is to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, 11th February 2016

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APPROVAL SHEET

The Panel of Examiners Declare that the thesis entitled "The Effect of Audit Methodology and Auditor Experience towards Auditors’ Understanding about the Client’s Business – A Focus on external auditors within Jakarta" that was submitted by Tasya Firsty Annissa majoring in Accounting from Faculty of Business was assessed and approved to have passed the Oral Examination on 28th January 2016.

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ABSTRACT

The aim of this research is analyzing the effect of audit methodology and auditor experience in determining the development of auditors’ understanding about client’s business. This research was conducted because understanding of client’s business is important for auditor in audit procedures since every client has own specific conditions. In this research, the researcher defined audit methodology that categorized into two; Strategic System Audit approach and Transaction-based Audit approach. The researcher analyzed which audit methodology that has more significant effect to auditors’ understanding about client’s business. Besides that, the researcher analyzed the effect of auditor experience to auditors’ understanding about client’s business as well.

Population in this research is external auditors who are working in Public Accounting Firm in Jakarta (source from: www.bpk.go.id). The researcher used purposive sampling. 70 external auditors are taken as the sample size that fulfilled the criteria. The data was collected by using questionnaire as the primary data. The data was analyzed by using Kolmogorov-Smirnov for the normality test, multiple regression technique, and F and T test for the research hypothesis test.

The result demonstrates that SSA approach has more significant effect rather than TBA approach in determining the auditors’ understanding of client’s business and auditor experience has significant effect in determining the auditors’ understanding of client’s business.

Key words: audit methodology, strategic system audit approach, transaction based audit approach, auditor experience, understanding client’ business.
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I realize that this thesis still has many weaknesses, therefore I would like to take suggestions and criticism cordially. Hopefully this thesis can be very useful for the reader. Special thanks for them. May Allah reward and bless them all.

Cikarang, 11th February 2016

Tasya Firsty Annissa

008201200129
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List of Acronyms

ISA : International Standards on Auditing
SSA : Strategic System Audit
TBA : Transaction Based Audit
AM : Audit Methodology
AE : Auditor Experience
UCB : Understanding of Client’s Business
CHAPTER I

INTRODUCTION

1.1 Research Background

Obtaining an understanding of client’s business is a key to an effective and efficient audit. It enables auditors not only to adapt the work to meet the individual facts and circumstances of each client, but also to carry out that work and to evaluate auditors’ findings in an informed manner. Understanding of client’s business helps auditor to develop and maintain a positive professional relation with the client. International Standards on Auditing (ISA) 315 states that the auditor should obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. Strengthen also by second standard of field work that stated “the auditor must obtain a sufficient understanding of the entity and its environment.”

Understanding the client’s business is an iterative process, continuing throughout the entire duration of the audit. Prior the accepting an audit engagement, auditor should obtain a preliminary knowledge of the industry and of the ownership, management and operations of the entity to be audited. Auditors also should obtain an understanding of the entity’ selection and application of accounting principles, accounting policies, and procedures then the auditors have to consider whether it is appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry.

Each year, the auditors’ understanding about client’s business should be updated and documented for every detail of significant changes. This understanding enables auditors to appreciate which events and transactions are likely to have a significant effect on the financial statements. Specifically, such an understanding
helps auditors to develop an audit strategy enabling auditors to obtain the necessary audit evidence in the most effective and efficient manner possible.

Recent massive worldwide business growth could trigger the increasing of competition among businesses. Many efforts to keep a high consistency in business performance and to face the competition are conducted continuously. The changing nature of technology and its impact on an organization’s ability to sustain competitive advantage has forced many business to shift their strategies for creating customer value (Kaplan & D. Norton, 2000). In an effort to increase both an audit’s effectiveness and its value to the client while reduce the audit costs, the accounting firms have developed audit methodology. A firm’s audit methodology can affect both an auditor’s knowledge and judgment performance (Libby & Luft, 1993). Therefore, methodological differences have to be expected to influence auditors’ client models and the audit judgments.

The change in audit approach has been developed during the last 20 years (Knechel et al., 2010). The new strategic-systems audit (SSA) approach differ from the traditional, transaction-based audit (TBA) approach have been incorporated into auditing standards, such as Canadian Auditing Standard (CAS) 315. Only after the SSA auditor has gathered in-depth client’s business understanding, the auditor begins to concentrate on financial statements and transactions. Thus, the SSA is a top-down approach, and is considered an audit of the client’s business which results in an opinion on the financial statements (Salterio & Weirich, 2002).

In contrast, the TBA takes a bottom-up approach, with the auditor first focusing on the client’s transactions and accounts and then working up to the financial statements, ultimately resulting in an opinion on the financial statements. Another difference that is more important; raising the level of client’s business understanding in SSA approach, because client’s business is such a chain ring of audit evidence, whereas in a TBA, the client knowledge serves mainly as background to the planning, testing, and completion procedures of the audit.
Studying the effects of different methods to improve the knowledge of the client’s business is important, because it makes just deeper understanding of client’s business (Bell, Marrs, Solomon, & Thomas, 1997). Overall, understanding about the client’s business is used more extensively in an SSA than in a TBA. Both approaches obviously result in an opinion on the client’s financial statements, but the SSA focuses effort and evidence gathering on the client’s high-level systems dynamics, whereas the TBA focuses on the client’s low-level accounting systems and transactions (Bell, Marrs, Solomon, & Thomas, 1997).

Besides that, the auditor experience has important role to affect the understanding about client’s business as well. Fredrick and Libby (1989) found that experience and knowledge can influence auditor’s opinion, good judgment and opinion can be parameters in assessing auditor’s performance. Abdulhamadi and Wright (1987) found evidence that experience must really be considered significantly in audit task.

Despite the importance of these models, researcher has yet to empirically examine how client models develop with experience. Bonner & Pennington (1991) suggest that the development of a client model is crucial to guiding subsequent audit judgments and that it takes about 3.5 years of experience to develop a well-structured model.

The researcher is interested to do the research based on other research result that has been done by some researchers. By all of research background which has been described above, researcher aims to do deeper analysis on “The Effect of Audit Methodology and Auditor Experience towards Auditors’ Understanding about the Client’s Business – A Focus on External Auditors within Jakarta.”
1.2 Problem Identification

No companies are alike; they are all special and have their own specific conditions. Therefore, an auditor must gather information about both internal and external circumstances for every individual client company audited (FAR, 2006). In this research, the researcher aims to analyze the effect of audit methodology and auditor experience toward development of auditors’ understanding about the clients’ business. First, the researcher uses two new audit approach for audit methodology; SSA approach and TBA approach. These approaches have been incorporated into auditing standards such as Canadian Auditing Standard (CAS) 315. The researcher would like to know whether SSA and TBA approach are suit on external auditor within Jakarta or not. Second, this research will examine which approach that has more significant effect to auditors’ understanding about client’s business and may provide evidence that will clarify some of the surprising findings from the empirical studies. Third, this research is concerned on auditor experience that leads to the expertise of auditors’ in order to understand the client’s business.

1.3 Statement of Problem

Based on the researcher background which has been aforementioned, researcher formulates the problems as follow:

1. Does SSA approach have more significant effect rather than TBA approach on development of auditors’ understanding about the client’s business?
2. Does auditor experience have significant effect on development of auditors’ understanding about the client’s business?
3. Do audit methodology and auditor experience have significant effect simultaneously on development of auditors’ understanding about the client’s business?
1.4 **Research Objectives**

The objectives to be achieved in this research are as follows:

1. To analyze the effect of audit methodology in determining auditors’ understanding about the client’s business.
2. To analyze the effect of auditor experience in determining auditors’ understanding about the client’s business.
3. To analyze the effect of audit methodology and auditor experience in determining auditors’ understanding about the client’s business simultaneously.

1.5 **Significance of the Research**

The result of this research is expected to give contribution or benefits to several parties, they are:

1. **External Auditors**
   
   Evaluation through this research reflection may give external auditors feedback to their audit service. In addition, external auditors may enhance their knowledge of audit in order to keep their professionalism and to maintain public interest.

2. **Clients or Companies**
   
   The clients as the parties who have less information might be more attentive to audit methodology and audit experience of auditor. They may analyze it in determining their decision related to audit service.

3. **Academician and Researchers**
   
   This research could enrich the knowledge of auditing practice in Indonesia. This research is also expected to form empirical way of thinking for academicians. The next researcher also may enhance the research regarding auditing knowledge.
1.6 Theoretical Framework

To understand the whole company and its environment is a very important part for the auditor during the audit work because client’s business is such a chain ring of auditing evidence. Through this understanding the auditor will be able to know where there might be challenges in the audit process. The researcher tries to arise two variables that underlying the independent variables; audit methodology and auditor experience to show the relationships between both variables towards auditors’ understanding of client’s business. For audit methodology, the researcher takes two approaches that emphasize in the deeper understanding of the entity which are Strategic System Approach and Transaction Based Approach. In other hand, auditor experience also must really be considered significantly towards auditors’ understanding of client’s business.

1.7 Scope and Limitation of Research

To have the similar perception amongst the reader and researcher, there are some points that should be clarified. First, the population in this research is external auditors who are working on public accounting firms in Jakarta. The public accounting firm is included Big Four and Non-Big Four. Second, the researcher examines the effect of independent variable to dependent variable using a multiple regression model since there are two independent variables.

The limitation of this research is the variables used in this research only two which are audit methodology and auditor experience. Considering that there are any other factors that potentially can influence the development of auditors’ understanding about client’s business. Individual differences in ability can also lead to understanding differences, beyond any effects of experience and methodology on these measures Bonner & Lewis (1990), (Libby & Tan, 1994).
1.8 Definition of Terms

For clearer understanding of the terms used in this study, below are their meanings:

1. Audit Methodology
   A theory about detailed steps or a set of procedures to assess a company’s financial and business risk.

2. Strategic System Audit Approach
   Approach of organizational strategy to evaluate a client’s competitive position and its effect on the client’s business risk.

3. Transaction Based Audit Approach
   Approach with the auditor first focusing on the client’s transactions and accounts and then working up to the financial statements.

4. PEST Analysis
   PEST stands for Political, Economic, Social and Technological. It describes a framework of macro-environmental factors used in the environmental scanning component of strategic management.

5. Porter’s Five Forces Model
   A model identifies and analyzes five competitive forces that shape every industry, and helps determine an industry’s weaknesses and strengths. The factors are threat of new entry, supplier power, buyer power, threat of substitutes, and rivalry among existing competitors.
CHAPTER II
LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Strategic System Audit Approach

The 1990s saw a trend toward developing new audit approaches that apply a technical knowledge of the theory of organizational strategy to evaluate a client’s competitive position and its effect on the client’s business risk called strategic system audit (SSA) approach. The SSA approach is based on the audit team obtaining an in-depth understanding of the business, its environment, and its risks by enquiry procedures involving the key management and other personnel in the auditee organization.

According to Simmons (1992) the “strategic” in strategic system auditing is refer to the client’s business strategy, which has been defined as “how company creates value by differentiating its products or services from its competitors”. Bell et al. (1997) define “system” as a “collection of parts that interact to function as a whole”, with the relevant parts being the client’s strategic management process, its business processes, and related controls, its information systems, and its risk management process. According to The Report of the Committee on Basic Auditing Concepts of the American Accounting Association (Accounting Review, vol. 47), auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. Strengthen by Bell et al. (1997), which describe the nature of and concepts underlying an SSA while also providing detailed insights into how an institute or organization is applying this approach in practice.

SSA approach can be characterized as top-down approach that starts with understanding the corporate strategy and the business as a whole to determine the
effects on the financial statements. Lemon, Tatum, & Turley (2000) published a monograph that describes recent developments in the methodologies of several international accounting firms, including those adopting the SSA approach.

Erickson, B. W. Mayhew, & W. L. Felix (2000) describe a case study in which they argue SSA could have been very helpful in detecting management fraud and averting an audit failure. Finally, Ballou et al. (2004), Kotchetova (2002) and O’Donnell and various colleagues (O’Donnell 2003; O’Donnell and Schultz 2003; Kopp and O’Donnell 2005) present early empirical evidence on the effectiveness of the SSA approach.

2.1.2 Strategic Analysis

The SSA approach has four major components: strategic analysis, business process analysis, risk assessment, and business measurement. In strategic analysis, the auditor evaluates the client’s industry, what is the client’s strategy to attain a sustainable competitive advantage in that industry, the risks that threaten the strategy’s success, and how the client’s responses to these risks. There are two frameworks that are often used for strategic analysis: an environment-centered approach (PEST analysis) and the firm’s position in the industry (Porter’s Five Forces model).

Upon completion of the strategic analysis, the SSA auditor will have a framework for understanding of client’s strategic business risks. Stated by Lemon, Tatum, & Turley (2000), a business risk is a threat that an event or action will adversely affect an organization’s ability to achieve its business objectives and execute its strategies. Indeed, strategic analysis can be so useful for auditor during the audit process.

2.1.3 Business Process Analysis

The business process analysis provides the auditor with an in-depth understanding of the client’s key business processes. A business process is a structured set of activities, which produces a specific output and creates value for the organization. It is important for the auditor to gain a basic understanding of each of the client’s processes and sub-processes, but special attention is devoted to the
analysis of key processes. The auditor chooses key processes by subjectively weighing at least three factors: (1) the strategic relevance of the process, that is, how vital the process is to achieving a client’ strategic objectives, (2) the process’ inherent business risk, that is, how likely it is that a business risk will occur in the process, ignoring the effects of related controls, and (3) the strength of the client’ control environment, that is, management’s attitude, awareness, and commitment toward the importance of controls.

Upon completion of the business process analysis, the auditor has an updated understanding of how the client creates value, whether the client has effectively aligned the process activities with the business strategy, the significant process risks that threaten the achievement of the business objectives, how effective the processes are at controlling the significant strategic and process risks, and the financial statement implications of process activities and their related risks and controls (Bell, Marrs, Solomon, & Thomas, 1997)

2.1.4 Risk Assessment

The next SSA phase is risk assessment, which is actually more of a continuous process than a static one, in contrast to risk assessment in TBA approach where inherent risk, control risk, and detection risk are assessed in the planning phase and then left unchanged for the remainder of the audit (unless information arises that causes the auditor to revise them). Low (2004) and Bierstaker et al. (2010) argue that risk assessments need to be considered already in the planning of the audit.

SSA risk assessment is an iterative process of considering and reconsidering strategic risks, business risks, and process risks and relating these risks to overall audit risk. The SSA auditor uses the knowledge gained from the strategic analysis and the business process analysis, combined with an appraisal of the reasonableness of management’ perception of and assumptions underlying its assessments of the potential impacts of the risks, to judge whether management has considered all significant business risks and how it has dealt with them.
Kotchetova (2002) supplies evidence concerning the potential effectiveness of strategic analysis in assisting with risk assessment and audit planning. She proposes that compared to the traditional understanding of the client’s business, strategic analysis will improve an auditor’s ability to identify various types of client risks, thus ultimately leading to better audit planning decisions. In some cases strategic analysis led to better risk judgments, but in others a basic understanding of the client’s business led to judgments that were just as accurate as those made using extensive strategic information. Moreover, participants with just the basic client understanding made better substantive planning decisions than those with extensive strategic information. This research addresses similar research questions using a different research design, so it may be able to provide insights into these somewhat surprising results.

2.1.5 Business Measurement

The fourth SSA phase is business measurement, which integrates the preceding strategic, process, and residual risk analyses to develop expectations about the contents of the financial statements. To achieve this goal, the auditor performs several procedures, including (1) a review and evaluation of significant accounting policies, particularly revenue recognition policies, (2) a comparison of the client's performance with its industry peers, primarily using ratio analysis, (3) an analysis of the client’s earning quality, (4) and integrated analysis of linkages among financial and nonfinancial performance measures and (5) an assessment of the fairness of the financial statement presentation and disclosure.

At the conclusion of the audit, the SSA auditor will have constructed a fully integrated client’s business model, containing all of the information collected and assimilated through the application of the four principles described above and through his mental or more formal business simulation processes (Bell, Marrs, Solomon, & Thomas, 1997). This completes model is the basis for the final review of the adjusted financial statements and the final assessment of the client’s ability to continue as a going concern.
This research is focused on strategic analysis phase and business process analysis phase and how these phases affect SSA auditor’ knowledge development and judgment performance. The risk assessment phase and business measurement phase receive only expository attention.

**2.1.6 Contrast between the SSA and TBA Approaches**

There are at least two significant differences between an SSA and the TBA approaches. First, the SSA auditor gathers knowledge of the client’s business and logically arranges it into a client’s business model that highlights the interlinked activities carried out within the client, the external forces that bear upon the entity and the business relationships with external organizations (Bell, Marrs, Solomon, & Thomas, 1997). Moreover, this enhanced knowledge base constitutes part of a chain of substantive audit evidence that can be relied upon in forming an audit opinion, unlike the client knowledge gathered in TBA approach, which serves mainly to inform the planning, testing, and completion procedures of the audit.

Second, and most important, the SSA approach has a top-down, holistic, business-risk orientation. It guides the focus and depth of the auditor’ knowledge acquisition and the integration of business knowledge into expectations about financial statement assertions. It focuses the auditor’ attention to the client systems dynamics (Bell, Marrs, Solomon, & Thomas, 1997).

In contrast, the TBA is a bottom-up, disaggregated, audit risk-based approach that focuses the auditor’ assessment of risk which directs attention, and related assessment and testing activities, to the nature of account balances, classes of transactions, and properties of the client’ accounting system for the purpose of assessing the risk that financial-statement assertions are materially misstated (Bell, Marrs, Solomon, & Thomas, 1997). The SSA auditor, however, does not initially focus on transactions and balances, which he views as the end product of the client’s business strategy and the processes used to affect strategy. Instead, only after gathering and organizing knowledge of the client’ strategy and core processes does he focus on accounting transactions and related balances (Salterio & Weirich, 2002).
Table 2.1 Comparison between SSA and TBA approach

<table>
<thead>
<tr>
<th>Transaction-based Audit Approach</th>
<th>Strategic-Systems Audit Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transaction Orientation</strong></td>
<td><strong>Holistic Orientation</strong></td>
</tr>
<tr>
<td>Based on the notion that the whole can be discerned by examining the parts.</td>
<td>Based on the belief that the broader context infuses meaning into the parts.</td>
</tr>
<tr>
<td><strong>Focus on the Information Process</strong></td>
<td><strong>Focus on the Business Processes</strong></td>
</tr>
<tr>
<td>Through an understanding of the interrelationships among reported information, one is able to develop a sound expectation model about performance.</td>
<td>Presumes the objectives of the business strategy are delivered through key processes; therefore a sound expectation model must be based on a review of strategy and process indicators.</td>
</tr>
<tr>
<td><strong>Expert Knowledge of Accounting and Auditing</strong></td>
<td><strong>Expert Knowledge of Business</strong></td>
</tr>
<tr>
<td>Relies on in-depth understanding of auditing procedures and accounting rules predominantly to enable the attester to verify consistencies and detect anomalies.</td>
<td>Considers a broader understanding of the entity and its environment to contribute significantly to the attester’s ability to verify consistencies and detect anomalies.</td>
</tr>
<tr>
<td><strong>Discrete Systems</strong></td>
<td><strong>Networked</strong></td>
</tr>
<tr>
<td>Comprehends systems as disconnected from one another, generating unrelated transactions that can be reviewed by individuals working independently.</td>
<td>Understands the organization as a dynamic network whose systems cannot be examined in isolation.</td>
</tr>
<tr>
<td><strong>Audit Risk</strong></td>
<td><strong>Business Risk</strong></td>
</tr>
</tbody>
</table>
Based on belief that opinions about financial statements can be issued independently from a commentary on the client business risk.

Considers the financial-statement opinion to be inextricably connected to a broader assessment of client business risk.

Adapted from Bell et al. (1997, p.72)

In summary, SSA approach and TBA approach show that organizing client information using a process focus as in an SSA approach, instead of an objective focus, as in a TBA approach, results in less-complex tasks (O’Donnell and Schultz 2003; Kopp and O’Donnell 2005). Kotchetova (2002) results however are somewhat inconsistent with this pattern, as she found that in some cases TBA information led to better judgment performance than SSA information. This research investigates related research questions using auditors’ actual experience applying SSA or TBA approaches in the field.

2.1.7 Auditor Experience

Audit requires expertise and high professionalism. The expertise is not only influenced by formal education but also another one of factors which is experience. For a longer period of time, behavioral researchers give more concerned on the effects of experience particularly in the aspect of decision making in a highly important fields such as auditing (Abdolmohammadi & Wright, 1987) this shows that experience is an important issue to consider (Lehman & Norman, 2006) because auditors’ professional practices through audit experience influenced their audit professionalism and this have significant impact on their audit efficiency and effectiveness (Intakhan & Ussahawanitchakit, 2010). Audit experience is required around two or three years even five years. Auditor is equipped by enough training in audit as well.

An auditor acquires understanding about a certain industry through training and experiences with clients from this industry. It takes a lot of time to gain expert knowledge about an industry, but when the auditor finally got this knowledge he/she will maintain the knowledge for a long time (Davies, et al., 2007). Through
experience and audit training, auditors run into socialization process in order to adapt with changes of situation and condition that auditors face, and auditors’ understanding of client’s business will be developed also.

2.1.8 Understanding of Client’s Business

A thorough understanding about the client’s business and company’s operations are essential for doing an adequate audit. It is essentials to help auditors providing relevant and practical business advice to the client, identifying areas in which the client might benefit from other professional services which auditors provide as well. Low (2004) and Allen et al. (2006) describe that if an auditor has expert knowledge about a specific industry the auditor will have an increased capability to identify risks in a company within this industry. An auditor that has certain knowledge about a specific industry will perhaps make better risk assessments and, thereby, the probability to detect misstatements in a company’s financial statements increase.

An auditor has often a lot of clients which gives the auditor different perspectives on the industry. This will give the auditor knowledge about the industry that makes it possible for the auditor to give a small company guidance, because the auditor may have knowledge that does not exist within a small company (Kend, 2008). Lim and Tan (2010) point out that an auditor that already has knowledge about a certain industry will acquire further knowledge about the industry easier than other auditors. Flint et al. (2008) explain that if an auditor has knowledge about different parts of a company, not just financial knowledge, it will be easier for him/her to understand the company. The auditor must also understand the client’s external environment, including such things as economic conditions, extent competition, and regulatory requirements.

Knechel (2007) argue that the auditor needs to update his/her knowledge about a company’s risks continously, because they might change over time. Through continous contacts the auditors might gain knowledge step by step and it is also possible to keep the knowledge updated. This might be seen as a support to Almutairi et al. (2009), Iqbal et al. (2009), and Lim & Tan’s (2010) statement that
long auditor tenure will improve the audit. When the tenure is long the auditor may perhaps ask fewer questions and can instead focus on updating the knowledge and get deeper knowledge, which might improve the audit.

In an audit context, understanding about the client’s business is essential, and here, too, the researcher expect differences between methodologies. As noted above, the SSA approach relies on in-depth understanding of the client’s business in forming the expectations about the client’s financial statements. This understanding comprises knowledge of client’s business strategies, the processes that implement and monitor the strategies, the risk associated with these strategies and processes, and management’s controls over the risks. In principle, the TBA auditor may also collect and analyze these types of client knowledge.

The SSA auditor develops knowledge about, and evidence in support of, the nature and strengths of these interrelationships, the rapidity and magnitude of changes in connectivity, and the viability of the client’s strategy (Bell et al. 1997). In contrast, the TBA auditor generally attends to only a subset of these interrelationships, and usually applies a more-piecemeal approach to their analysis. In the end, methodology differences potentially result in SSA auditor having a richly detailed, tightly interconnected body of understanding about the client, whereas the TBA auditor may have a more impoverished model of client knowledge.

2.2 Previous Research

This research examines the differences between strategic systems audit approach compared with traditional based audit approach and its impact on development of auditors’ understanding about the client’s business and how these develop with experience.

Proponents of the strategic systems approach argue that this approach creates a better development of auditors’ understanding about the client’s business than the traditional based audit approach. Strong claims have been made regarding the superiority of the SSA over TBA. For instance, Bell et al.1997 assert that the “use of the top-down, aggregative, strategic-systems increase the likelihood that the
auditor will have obtained a sufficient understanding of the client’s business and industry for the purpose of conducting a financial-statement audit” (p. 7, emphasis added). Erickson et al. (2000) make similar claim in their case study of the Lincoln Savings and Loan audit failure. In his Foreword to the Bell et al. Monograph, Kinney states that many of authors’ claims of SSA’s superiority “are controversial, and should be subjected to systematic inquiry” (p. vi). Several recent studies have investigated the effects of methodology differences on auditors’ knowledge (Kopp & O’Donnell, 2005) and judgment (Kotchetova, 2002) but all of them manipulated audit methodology in a laboratory setting.

However, is not sufficient for determining how years of experience using one methodology affects an auditor’s knowledge and, ultimately, his judgment. This is because methodology affects judgment by interacting with experience, knowledge, and ability (Libby & Luft, 1993). Libby & Frederick (1990) were the first to investigate auditors with varying experience levels (from zero to five years, on average) in a task that required subjects to list errors that could be associated with given financial ratio fluctuations. Expert auditors recalled more errors than less-experience auditors. This indicates that an auditor's education and training facilitate development of auditors’ expertise but that practical experience is necessary.

Tubbs (1992) replicated and extended the findings of Libby and Frederick (1990) by specifically investigating the nature of experience-related changes in auditor's knowledge of financial statement errors. Auditors ranging in experience from student to manager level performed an unconstrained free recall of errors from memory and were then given several errors and were asked to make estimates of the probability of these errors occurring conditional on the presence of another error. In addition to finding that the quantity and quality of auditors' error knowledge increased with experience, he found that the causal relationship between an error and the control objective violated became more salient with experience.

Frederick et al. (1994) sought to extend the work of both Libby and Frederick (1990) and Tubbs (1992) by directly examining how auditors' error
category structures develop with experience and which structure—transaction cycle-based or audit objective based—auditors prefer. They investigated these research questions using auditors with varying experience (students through managers), who were asked to sort 35 errors by either transaction cycle, audit objective, or however they desired. The results indicated that the structure of auditors’ error knowledge is multidimensional and that these dimensions evolve with experience. The authors also note that managers seem to incorporate their knowledge of audit risk into their audit-objective dimension. Overall, these results showed that auditors’ error knowledge becomes more complex with experience.

Past studies of auditor expertise (e.g., Libby and Frederick 1990; Frederick 1991; Frederick et al. 1994) have tended to have three-to-four years spreads between their experienced and inexperienced auditors. Therefore, the participants recruited as the experienced auditors for this research were those with roughly three years of assurance experience, whereas the less-experienced participants were accounting students with less than one year of assurance experience. There should be a significant enough difference in the amounts of task-specific experience held by the two experience-related participant groups in this research to investigate the related hypotheses.
Table 2. 2 Previous Research

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Title of Research</th>
<th>Independent Variable(s)</th>
<th>Result of Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Libby &amp; frederick</td>
<td>Experience and the Ability to Explain Audit Findings.</td>
<td>Auditor Experience.</td>
<td>&quot;Expert auditors recalled more errors than less-experience auditors.&quot;</td>
</tr>
<tr>
<td>(1990)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bell et al. (1997)</td>
<td>Auditing Organizations through a Strategic-Systems Lens: The KPMG Business Measurement Process.</td>
<td>Strategic System Audit.</td>
<td>“Use of the top-down, aggregative, strategic-systems increase the likelihood that the auditor will have obtained a sufficient understanding of the client’s business and</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Abstract/Summary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erickson et al. (2000)</td>
<td>Why do audits fail? Evidence from Lincoln Savings and Loan. Audit procedures. &quot;SSA’s superiority are controversial, and should be subjected to systematic inquiry.&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kopp &amp; O'Donnell (2005)</td>
<td>The Influence of a Business-Process Focus on Category Knowledge and Internal Control Evaluation. Business-Process Focus. &quot;Presenting internal control information in an SSA structure led participant to identify more control risks than participants who received the information in a TBA structure.&quot; SSA leads to better judgments.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This series of studies provide several important insights of auditor’ error knowledge structures and the effects of structures on judgment. First, experienced auditors know more possible errors than less-experienced auditors. Second, the structure of auditors’ error knowledge becomes more complex, taking on additional dimensions as experience is gained. Third, and most important, error knowledge structures affect judgment performance, with poor-quality decisions resulting if there is a mismatch between knowledge structure and task structure.

Considered together, these findings have several implications for this research questions. First, reader may expect an auditor’s quantity of client’s business knowledge to increase with experience. Second, the structure of this knowledge in memory might become more complex as the auditor gains experience.

2.3 Model of Research

This research is examine the relationship between audit methodology and development of auditors’ understanding about client’s business and the relationship between auditor experience and development of auditors’ understanding about client’s business. Not only the relationship, but also the effect of audit methodology and auditor experience on development of auditors’ understanding about client’s business.

Independent Variables: Audit Methodology, Auditor Experience

Dependent Variable: Development of Auditors’ Understanding of Client’s Business
2.4 Hypothesis

Based on explanation about the theories above and the formulation of problems from the previous chapter, the researcher develops hypotheses as follow:

H₁: SSA approach has more significant effect rather than TBA approach to development of auditors’ understanding about client’s business.
H₂: Auditor experience has significant effect to development of auditors’ understanding about client’s business.
H₃: Audit Methodology and auditor experience have simultaneously significant effect to development of auditors’ understanding about client’s business.
CHAPTER III
RESEARCH METHOD

3.1 Research Method

The approach that will be applied in this research is quantitative method. Quantitative research method is defined as a method of research that is based on the philosophy of positivism used to examine the population or a particular sample. The data is structured in the form of numbers. In short, quantitative research is the best measurement to prove and observe the fundamental connection between empirical observation and mathematical expression of quantitative correlations (Ross, 1999). This research uses two variables as follows:

1. Independent variable

Independent variable is variable that explain or affect the function of other variable. In this research, there are two independent variables that used: audit methodology and auditor experience.

2. Dependent variable

The dependent variable is variable that explained or influenced by other variables. Therefore, in this research, development of auditor’s understanding about the client’s business is considered as dependent variable.

The researcher examines the effect of independent variable to dependent variable using a multiple regression model. The researcher separates the research into auditors in the Big Four public accounting firm and Non Big Four public accounting firm.
3.2 Operational Variable Identification

Operational variable identification is an indicator of how the variables are measured. To simplify the analysis, each variable will be defined operationally.

1. Understanding of Client’s business

To identify auditor’s understanding of their client’s business, the researcher prepares the statements related to understanding client and its environment.

2. Audit Methodology

The researcher has measurement of audit methodology. The measurement of audit methodology that used by auditors must be determined whether the auditor uses strategic analysis, key processes analysis and analyze performance indicators. If the answer to this question is positive, audit method is the SS Approach, otherwise audit method is the TBA approach.

3. Auditor Experience

In this part, the researcher prepares demographic questions and statements related to auditor experience as well. It must be determined the varying amounts of audit experience that auditor completed and types of audit experience, including the firms they have worked for; their experience with the specific tasks of gathering and analyzing client’s business.

To measure each variable, the researcher uses Likert-type scale with anchors at each point 1 to 5 or from the lowest level to highest level. Likert type frequency scales use fixed choice response formats and are designed to measure attitudes or opinions (Bowling, 1997; Burns & Grove, 1997). For detail, it shows on table below.
<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Indicator</th>
<th>Scale Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Auditors’ Understanding about Client's Business</td>
<td>a. Auditors understand about the client's entity and its environment</td>
<td>Ordinal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Auditors keep update with the industries</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Auditors improve capability to have better risk assessment</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Audit Methodology</td>
<td>a. Auditors analyze the client's business strategy</td>
<td>Ordinal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Auditors provided enough training in strategic analysis</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Auditors analyze the client's key business processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Auditors analyze the client's key performance indicators</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Auditor Experience</td>
<td>a. Auditors know how to deal with client in gathering data</td>
<td>Ordinal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Auditors improve capability to find out relevant information for decision making need</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Auditors have expertise in detecting error or fraud</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Auditors easily find out the cause of error and give the recommendation of it</td>
<td></td>
</tr>
</tbody>
</table>
3.3 **Sampling Design**

The research examines the effect of audit methodology and auditor experience to improve auditors’ understanding about their client’s business in public accounting firms in Jakarta; therefore statistical population will be limited to public accounting firms in Jakarta; Big Four external audit and Non-Big Four external audit (source from www.bpk.go.id, Februari 28th 2015).

The sample is part of a population that has similar characteristics and can be considered as representative of the population. The samples in this research were taken by purposive sampling method; grouping the participants according to preselected criteria relevant to a particular research questions. The criterias applied in this research are:

1. The respondents are the external auditors who are working in public accounting firm in Jakarta.
2. The respondents are the external auditors which have expertise in accordance of the variables used in this research.

In this research, the researcher narrow the sample. It was obtain 70 external auditors that have same criterias above.

3.4 **Data Collection Method**

The researcher uses the data collection method, separate into:

1. **Primary Data**

Primary data is collected by distributing the questionnaire directly to external auditors who are working on public accounting firm in Jakarta. Questionnaire consists of the set of questions that are asked in the same order and in the same way in order that the same information can be gathered. The questionnaire is adopted from previous research. Accordingly, the questionnaire include four parts:
Part 1: Demographic questions (age, gender, latest education, name of accounting public firm, job title)

Part 2: Questions about auditor experience and expertise.

Part 3: Questions about audit methodology.

Part 4: Statements about Audit Experience and Auditors’ Understanding about Client’ Business.

2. Secondary Data

Secondary data is the information gathered from other resources that already exist previously. The researcher uses secondary data in order to complete the data related to this research from many resources such as international journal, books, and other literatures.

3.5 Data Analysis Method

This research implements a number of statistical techniques and procedures that help to examine research hypotheses. There are some steps that the researcher do:

1. Defining the population and sample.

To know the total of questionnaire that must be spread. The researcher used purposive sampling and got 70 respondents.

2. Inputting the data (questionnaire) into the Microsoft Excel.

Record and compile each questionnaire into Microsoft Excel as the master data of respondents.

3. Performing the statistical tests by using SPSS software.

The researcher used SPSS v.21 in process of analysing and interpreting data. The statistical tests are descriptive statistic of data, quality tests, classical assumption test, correlation test, and hypothesis tests.
4. Analysing the data through descriptive statistic test.

The researcher analysed the descriptive statistic of respondents which are the frequencies (in percentage) of demographic questions and the minimum, maximum, mean, and std. deviation of variables. The researcher also analysed the cross tabulation between variables.

5. Analysing the data through quality tests.

In this test, the researcher analysed the reliability and validity of data. Reliability test that used by the researcher is Cronbach Alpha and for validity test that used is Spearman correlation.

6. Analysing the data through classical assumption tests

The researcher analysed the normality of data using Kolmogorov-Smirnov test, the multicollinearity test using tolerance and VIF method, the heteroscedasticity using Glejser test, and the autocorrelation using Breusch-Godfrey test.

7. Analysing the data through correlation test

The test for correlation that have been done by the researcher is Spearman Rank Correlation.

8. Analysing the data through multiple regression model

Since the researcher has one dependent variable and two independent variables, the researcher decided to use multiple regression model.

9. Analysing the data through hypothesis tests

For hypothesis tests, the researcher used R test, $R^2$ and adjusted $R^2$, F test, and T test.
3.5.1 Descriptive Statistic Analysis

Descriptive statistic related to the collection, summarizing data, and presentation of summarized data. Descriptive statistics provide a picture or description of the data is seen from the average (mean), standard deviation, variance, maximum, minimum, sum, and range (Imam Ghozali, 2013). Research data will be summarized in the form of table and graphic. Besides that, the researcher summarize the respondent descriptive analysis.

3.5.2 Data Quality Test

Research that using an instrument in the questionnaire for measuring the variable have to be tested on the quality of data; it has to be valid and reliable. It means to ensure whether the instrument that need to be measured is valid and reliable or not for supporting the hypothesis. In this research, the researcher needs to construct an instrument to be administered in standardized manner according to predetermined procedures. Reliability and validity are tools of an essentially positivist epistemology (Winter, 2000).

3.5.2.1 Validity Test

Wainer & Braum H. I. (1988) describe the validity in quantitative research as “construct validity”. The construct is the initial concept, notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered. In so far, validity means measurement is accurate and whether it actually measuring what is intended to measure.

Validity test was done to measure whether the instrument is valid or not (Ghozali, 2006). An instrument is valid when the questionnaire is measurable. The validity test is done by correlating bivariate among indicators with construct total score. The tool to test is used Bivariate Spearman Correlation. A data is valid if the probability of each question is < 0.05 (Ghozali, 2006).
Two sides test with the level of significance 0.05, which are:

- \( r_{\text{count}} \geq r_{\text{table}} \) (2 sided test with a sig. 0.01) the instrument or questionnaire items have correlated significantly to the total score (declared valid).

- \( r_{\text{count}} < r_{\text{table}} \) (2 sided test with a sig. 0.01) the instrument or questionnaire items did not have correlated significantly to the total score (declared invalid).

3.5.2.2 Reliability Test

Joppe (2000) defines reliability as the extent to which results are consistent over time and accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Data reliability test is used to measure an instrument that is an indicator of a variable or construct by measuring the respondents’ answer consistency and stability when completing the questionnaire Ghozali (2006). In this research, Cronbach’s Alpha method is used with requirement that an item has reliable question if the Cronbach’s Alpha score is \( \geq 0.6 \).

3.5.3 Classical Assumption Test

Classical assumption test is the statistical assumption testing that must be fulfilled in the multiple linear regression based on ordinary least square. The goal is to produce a good value and result of testing. Classical assumption test in this research are normality test, multicollinearity test, heteroscedasticity, and autocorrelation test.

3.5.3.1 Normality Test

Normality of data is important for variables in the statistical methods to classify. The purpose of normality test is to test whether the regression model or residual confounding variable has a normal distribution. As it is known that the T test and F test assume that the value of residuals follows a normal distribution.
There are two ways to detect whether the residuals are normally distributed or not that is the graph analysis and statistical tests (Ghozali, 2013).

Normality will be checked through Kolmogorov-Smirnov Test (K-S Test) by comparing the Asymptotic Significance. The criteria to determine whether data is normally distributed are as follows

1. If Asymptotic Significance (2-Tailed) ≥ alpha (0.05), hence the data is normally distributed.
2. If Asymptotic Significance (2-Tailed) > alpha (0.05), hence the data is not normally distributed.

3.5.3.2 Multicollinearity Test

This test aims to examine if in the regression model exist a correlation between independent variables. A good regression model should be free of correlations between independent variables. The variables are orthogonal where the correlational value between them is equal to zero (Ghozali, 2013).

In this research, the multicollinearity will be analyzed through the tolerance (TOL) value and variance inflation factor (VIF). When the tolerance value is more than 0.10 (>0.10) or VIF is less than 10 (<10), it can be concluded there is no multicollinearity between the independent variables in the regression.

3.5.3.3 Heteroscedasticity Test

This test was conducted to test whether the regression model occurs heteroscedasticity which aims to determine the occurrence of variants is not the same for different independent variables (Ghozali, 2013). Good regression model is that if the variance of the residuals of the observations to other observations differ (heteroscedasticity). To determine the presence of heteroscedasticity is to see whether or not a particular pattern on the chart Scatter Plot. In addition to using the graph scatterplots heteroscedasticity test can also be performed using Gleyser Test. This research applies Gleyser Test. This method regresses the absolute residual value to independent variable.
There are two parameter to determine whether the heteroscedasticity exist with Gleyser Test.

1. If \( \text{Sig value} \geq \alpha (0.05) \), hence there is no heteroscedasticity
2. If \( \text{Sig value} \leq \alpha (0.05) \), hence there is heteroscedasticity.

### 3.5.3.4 Autocorrelation Test

Autocorrelation test aims to test whether the linear regression model in the development of a correlation between the disturbances error in period \( t \) with disturbances error in period \( t-1 \) (Ghozali, 2013). If there is a correlation, there may be a problem of autocorrelation. Autocorrelation arises because sequential observations over time are related to each other. Good regression model is free from autocorrelation. The autocorrelation test was conducted using Bruesch-Godfrey also called Lagrange Multiplier (LM) according to Ghozali (2003).

In Breusch-Godfrey test, the variable \( \text{res 2} \) is used as a new independent variable which will regressed with other independent variables on the dependent variable in a new regression model. The dependent variable used in the new regression model is the residual value obtained from the initial regression model (\( \text{res 1} \)). There are two criteria to decide whether in a regression model occurs autocorrelation:

1. If \( \text{Sig res 2} \geq \alpha (0.05) \), hence there is no autocorrelation
2. If \( \text{Sig res 2} \leq \alpha (0.05) \), hence there is autocorrelation

### 3.5.4 Correlation Test

Spearman Correlation Coefficient is also referred as Spearman Rank Correlation or Spearman’s rho. Spearman’s rho measures the strength of association of two variables. It only used for ordinal and nominal data. There are assumptions to indicate the relationship between two variables:

a. If significant value is less than 0.05 (<0.05), hence there is significant correlation between variables.

b. If significant value is more than 0.05 (>0.05), hence there is no significant correlation between variables.
The criteria correlation coefficient each variable is around $\pm 0.00$ to $\pm 1.00$, (+) is positive and (-) is negative. These are the criteria:

a. 0.00 to 0.20, means no correlation
b. 0.21 to 0.40, means low correlation
c. 0.41 to 0.60, means moderate correlation
d. 0.61 to 0.80, means high correlation
e. 0.81 to 1.00, means perfect correlation

### 3.5.5 Multiple Regression Analysis Model

Data analysis method that is applied in this research is multiple regression analysis since this research has one dependent variable and two independent variables. By using SPSS, this model is used to shows the relationship between independent variables with dependent variable.

Multiple regression model used in this research is:

$$\text{UCB} = \alpha + \beta_1 \text{D} + \beta_2 \text{AE} + \Sigma$$

Where:

- **UCB** = Auditors’ Understanding about the Client’s business
- **A** = Constanta (intercept)
- $\beta_n$ = Slope or Coefficient from independent variable
- **D** = Dummy Variables of Audit Methodology
  
  $D = 1, D = 0$ (1 = SSA, 0 = TBA)
- **AE** = Auditor Experience
- **$\Sigma$** = Error or Residual
3.5.6 Hypothesis Test

3.5.6.1 R-test
Correlation coefficient test was used to determine the relationship between two independent and dependent variables, whether perfect, strong, moderate, weak, or do not have a relationship (Ghozali, 2013). This applies to interpret the correlation value zero means no relationship at all or close to 0 means that the relationship between the variables is weak, and said to be strong if R is close to 1 (Ghozali, 2013).

3.5.6.2 R² and Adjusted R²-test
Coefficient of determination (R²) is used to measure the variance of the dependent variable about its mean that is explained by the independent, or predictor, variables. Coefficient of determination basis decision is the value range from 0 – 1. It means that a value in range 0 – 1 is indicate the correlation between dependent variable and independent variables, and it cannot assume a negative value. Adjusted R² is the modified measure of the coefficient of determination that takes into account the number of independent variables included in the regression equation and the sample size.

3.5.3.5 F-test
F-test is used to determine if the independent variables affecting the dependent variable simultaneously or not. Degree of confidence used is 5%. If the significant test is greater than 0.05, then the independent variables do not significantly affect the dependent variable at all. On the other hand, if the significant test is less than 0.05, then it can be concluded that at least one of the independent variables do affect the dependent variable significantly in statistic. The hypotheses for F-test are:

H₀ : There is no collective significant influence of audit methodology and auditor experience on development of auditors’ understanding about client’s business.

H₁ : There is collective significant influence of audit methodology and auditor experience on development of auditors’ understanding about client’s business.
By using level of significance 5%, if F-statistic > F table, \( H_0 \) is rejected. It means there is collective significant that influence of audit methodology and auditor experience on development of auditors’ understanding about client’s business.

### 3.5.3.6 T-test

According to normal data, at this stage, for comparing two independent groups should be used T-test. In this test, the mean value for the two groups should be compared, of course, before comparing the two groups is needed consistency of variance to be considered. T-test can be done by looking the T-value and result of each level of significant. Degree of confidence that researcher used is 5%. The variable does not statistically have significant impact, if the significant test is greater than 0.05. Otherwise, if the significant test is less than 0.05, then the variable does affect the dependent variable statistically significant. The hypothesis for T-test are:

\[
\begin{align*}
H_0 : \beta_i &= 0, i = 1, 2, 3 \\
H_a : \beta_i &\neq 0
\end{align*}
\]

The researcher also used the independent t-test. Independent t-test is an inferential statistical test that determines whether there is a statistically significant difference between the means in two unrelated groups. In this research, the research test between SSA approach and TBA approach in audit methodology

Hypothesis:

\[
\begin{align*}
H_0 : \text{There is no difference between the average of SSA approach and TBA approach} \\
H_a : \text{There is difference between the average of SSA approach and TBA approach}
\end{align*}
\]
Assumptions:

a. If the significant value or Sig. (2-tailed) > 0.05, then $H_0$ is accepted and $H_a$ is rejected.

b. If the significant value or Sig. (2-tailed) < 0.05, then $H_0$ is rejected and $H_a$ is accepted.
CHAPTER IV
ANALYSIS AND INTERPRETATION

4.1 Data Processing

This questionnaires were distributed to external auditors in Jakarta started in October 2015 and ended in the end of November 2015. The processes of questionnaires distribution were: gathering and preparing all information needed about public accounting firm in Jakarta, doing confirmation via email and telephone to public accounting firms that being objected, distributing 15 until 25 copies of questionnaire to public accounting firms that accepted the confirmation and preparing questionnaire form for online distribution, and collecting the copies of questionnaire that already filled by auditors.

First, gathering and preparing all information needed about public accounting firm in Jakarta. The information source is from www.bpk.go.id. There were 93 public accounting firms in Jakarta whether Big Four or non Big Four. Meanwhile, the researcher preparing a legal permission letter from the university for the need of questionnaire distribution.

Next, doing confirmation via email and telephone to public accounting firms that being objected. This confirmation is to make sure that public accounting firms are willing to receive questionnaires. After confirmation, distributing 15 until 25 copies of questionnaire to public accounting firms that have confirmed. The copies of questionnaire are attached with the legal permission letter and send to each public accounting firm. The distribution can not be done at the same time because the researcher meet some obstacles such as factor of location, time, and many more. The researcher distribute the questionnaires directly to the public accounting firms. Besides that, the researcher also preparing the questionnaire form for online distribution.
After that, collecting the copies of questionnaire that already filled by auditors. After all process is done, the researcher separate the questionnaires that fulfilled the criteria and not. The table shown above is the detail of sample.

**Table 4.1 Detail of Sample**

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total questionnaires that have been distributed</td>
<td>200</td>
<td>100</td>
</tr>
<tr>
<td>Total questionnaires that were not return</td>
<td>(118)</td>
<td>59</td>
</tr>
<tr>
<td>Total questionnaires that returned</td>
<td>82</td>
<td>41</td>
</tr>
<tr>
<td>Total questionnaires that cannot be used</td>
<td>(12)</td>
<td>6</td>
</tr>
<tr>
<td>Total questionnaires that can be used</td>
<td>70</td>
<td>85.36</td>
</tr>
</tbody>
</table>

Source: primary data

Table 4.1 shows that questionnaires that have been distributed is 200 questionnaires. The detail of the return of questionnaires are: 118 questionnaires did not return by auditors in the public accounting firms. Total questionnaires that returned by auditors is 82 questionnaires; 12 questionnaires cannot be used because the questionnaire is not complete and not fulfill the criterias. The questionnaire is not complete if the respondent identity and or some items are not filled by auditors. The remaining is 70 questionnaires that can be used and fulfilled the criteria.
4.2 Result of Descriptive Statistic for Respondents

From 70 questionnaires, the researcher obtained the data about the respondents. The descriptions of respondents are age, gender, latest education, name of public accounting firm, job title, and year of experience.

Table 4.2 Descriptive Statistic for Gender

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man</td>
<td>33</td>
<td>47.1</td>
<td>47.1</td>
<td>47.1</td>
</tr>
<tr>
<td>Woman</td>
<td>37</td>
<td>52.9</td>
<td>52.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

In table, the result is shown based on respondent gender, man respondent is 47.1% and woman is 52.9%. It shows that the amount of woman auditor is more than man auditor in Public Accounting Firm based in Jakarta.

Table 4.3 Descriptive Statistic for Latest Education

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>D3</td>
<td>9</td>
<td>12.9</td>
<td>12.9</td>
<td>12.9</td>
</tr>
<tr>
<td>S1</td>
<td>60</td>
<td>85.7</td>
<td>85.7</td>
<td>98.6</td>
</tr>
<tr>
<td>S2</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

In table above, auditors that have D3 is 12.9% or 9 persons, auditors that have S1 is 60 persons or 85.7%, and for S2 is only one person or 1.4%. It means that the external auditors in Jakarta are mostly have the latest education in bachelor degree of accounting.
<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO Tanubrata</td>
<td>3</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Crowe Horwarth</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Deloitte</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Doli, Bambang, Sudarmadji</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>11.4</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>12.9</td>
</tr>
<tr>
<td>HES Kreston Indonesia</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>15.7</td>
</tr>
<tr>
<td>Johannes Juara &amp; Rekan</td>
<td>3</td>
<td>4.3</td>
<td>4.3</td>
<td>20.0</td>
</tr>
<tr>
<td>KPMG Indonesia</td>
<td>30</td>
<td>42.9</td>
<td>42.9</td>
<td>62.9</td>
</tr>
<tr>
<td>Mazars</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>64.3</td>
</tr>
<tr>
<td>PKF Hadiwinata</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>67.1</td>
</tr>
<tr>
<td>PricewaterhouseCoopers</td>
<td>21</td>
<td>30.0</td>
<td>30.0</td>
<td>97.1</td>
</tr>
<tr>
<td>RSM Indonesia</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

The table shows the list of respondent’s public accounting firm in Jakarta that the researcher already got. For the big four public accounting firm, there are two external auditors (2.9%) who are working in Deloitte, one external auditor (1.4%) who are working in Ernst & Young, 30 external auditors (42.9%) who are working in KPMG, and 21 external auditors (30%) who are working in PricewaterhouseCoopers.

Then, for the non-big four public accounting firm, there are three external auditors (4.3%) from BDO Tanubrata, two external auditors (2.9%) from Crowe Howarth, one external auditor (1.4%) from Doli, Bambang, Sudarmadji, two external auditors (2.9%) from HES Kreston, three external auditors (4.3%) from Johannes Juara & Rekan, one external auditor (1.4%) from Mazars, two external auditors (2.9%) from PKF Hadiwinata, and the last is two external auditors (2.9%) from RSM Indonesia.
Table 4.5 Descriptive Statistic for Job Title

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ass. Mgr</td>
<td>3</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Asso.</td>
<td>57</td>
<td>81.4</td>
<td>81.4</td>
<td>85.7</td>
</tr>
<tr>
<td>Senior</td>
<td>10</td>
<td>14.3</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

For this research, the researcher got three assistant managers (4.3%), 57 associate auditors (81.4%), and 10 senior auditors (14.3%) as the respondents. Mostly, the respondents are associate auditors of public accounting firm in Jakarta.

Table 4.6 Descriptive Statistic for Age

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 23</td>
<td>51</td>
<td>72.9</td>
<td>72.9</td>
<td>72.9</td>
</tr>
<tr>
<td>24 to 26</td>
<td>15</td>
<td>21.4</td>
<td>21.4</td>
<td>94.3</td>
</tr>
<tr>
<td>27 to 29</td>
<td>3</td>
<td>4.3</td>
<td>4.3</td>
<td>98.6</td>
</tr>
<tr>
<td>over 30</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

In table above, the respondents under 23 years old are 51 persons (72.9%). It means that respondents are mostly the begginner of external auditors. The respondents that have age range 24 to 26 years old are 15 persons (21.4%), the respondents that have age range 27 to 29 years old are three persons (4.3%), and the respondents that have age over 30 years is one person (1.4%).
Table 4. 7 Descriptive Statistic for Auditor Experience

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cum. Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 1 year (12 mths)</td>
<td>38</td>
<td>54.3</td>
<td>54.3</td>
<td>54.3</td>
</tr>
<tr>
<td>1-3 years (13-36 mths)</td>
<td>23</td>
<td>32.9</td>
<td>32.9</td>
<td>87.1</td>
</tr>
<tr>
<td>3-5 years (37-60 mths)</td>
<td>6</td>
<td>8.6</td>
<td>8.6</td>
<td>95.7</td>
</tr>
<tr>
<td>5-7 years (61-84 mths)</td>
<td>2</td>
<td>2.9</td>
<td>2.9</td>
<td>98.6</td>
</tr>
<tr>
<td>over 7 years (&gt;85 mths)</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

In this table, it shown the table of experience groups. From the result of questionnaire, there are 38 external auditors (54.3%) have audit experience under one year, 23 external auditors (32.9%) have audit experience about one to three years, 6 external auditors (8.6%) have audit experience about three to five years, two external auditors (2.9%) have audit experience about five to seven years, and one external auditor (1.4%) have audit experience over seven years. The dominant of audit experience in public accounting firm Jakarta is under one year or less audit experience.

Table 4. 8 Crosstabulation between Job Title and Auditor Experience

<table>
<thead>
<tr>
<th>Job Title</th>
<th>&lt; 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>5-7 years</th>
<th>&gt; 7 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ass. Mgr</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Asso.</td>
<td>38</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>57</td>
</tr>
<tr>
<td>Senior</td>
<td>0</td>
<td>4</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>23</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Output SPSS

This crosstab table involves the respondents result between two variables; job title and auditor experience. Data result is shown in table above. From the table, the researcher got information about how long external auditors in audit experience to
have a job title. 38 associate auditors have audit experience under a year, however 19 associate have audit experience around one to three years. For four senior auditors have audit experience around three years and six senior auditors have audit experience around three to five years. Two assistant managers have audit experience around five to seven years and one assistant manager has audit experience over seven years.

Based on these findings, respondents that recruited as the less-experienced auditor were accounting students with less than one year of audit experience, whereas respondents that recruited as the experienced auditor were auditors with roughly three years of audit experience. Past studies of auditor expertise (e.g. Libby and Frederick 1990; Frederick 1991; Frederick et al. 1994) have tended to have three-to-four year spreads between inexperienced and experienced auditors.

4.3 Result of Descriptive Statistic

Descriptive statistics conducted to know the range value of variables that became samples. Below is the table showing the calculation of descriptive statistics:

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Methodology</td>
<td>70</td>
<td>5.00</td>
<td>20.00</td>
<td>16.1143</td>
<td>3.82040</td>
</tr>
<tr>
<td>Auditor Experience</td>
<td>70</td>
<td>12.00</td>
<td>20.00</td>
<td>17.2571</td>
<td>2.05494</td>
</tr>
<tr>
<td>Understanding of Client's Business</td>
<td>70</td>
<td>10.00</td>
<td>15.00</td>
<td>13.1286</td>
<td>1.44384</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

Table 4.8 presents descriptive statistics of the research sample. Based on the table, the 70 data are valid and have been processed. Audit methodology shows range value from minimum is 5 and maximum is 20. The average value shows 16.1143 with standard deviation is 3.82040 that means most of respondents were agree with the audit methodology statements in the questionnaire. For auditor experience, the minimum value is 12 and maximum value is 20 with mean is
17.2571 and standard deviation is 2.05494. It means that mostly the respondents were agree with the auditor experience statements in the questionnaire. For understanding of client’ business, the minimum value is 10, maximum value is 15, mean is 13.1286, and standard deviation 1.44384 that means the respondents were agree with understanding of client’ business statements in the questionnaire.

Table 4. 10 Result of Descriptive Statistic for SSA and TBA

<table>
<thead>
<tr>
<th>Position</th>
<th>Audit Methodology</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistant manager</td>
<td>TBA</td>
<td>0</td>
<td>4.30%</td>
</tr>
<tr>
<td></td>
<td>SSA</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Associate</td>
<td>TBA</td>
<td>5</td>
<td>81.40%</td>
</tr>
<tr>
<td></td>
<td>SSA</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td>Senior</td>
<td>TBA</td>
<td>0</td>
<td>14.30%</td>
</tr>
<tr>
<td></td>
<td>SSA</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Output Excel

In table 4.9, the result shows that total 70 external auditors are 3 assistant managers, 57 associates, and 10 seniors. According to the results of questionnaires distributed, 65 items is accordance with SSA approach and the other (5 items) is consistent with TBA approach.

4.4 Result of Data Quality Test

Data quality test consists of validity test and reliability test. Those tests are in order to know and to get proper data for research and be able to present the sample of population. In this research, the total sample size is 70 samples of external auditors in Jakarta.
4.4.1 Validity Test

Validity test is test to measure whether the questionnaire is valid or not. The technique to be used on validity test is Bivariate correlation. The questionnaire items have correlated to the total score significantly (declared valid). This table is the result of validity test for variables in the research.

*Table 4. 11 Result of Descriptive Statistic for SSA and TBA*

<table>
<thead>
<tr>
<th>Items</th>
<th>r count</th>
<th>r table</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM 1</td>
<td>0.851</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AM 2</td>
<td>0.819</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AM 3</td>
<td>0.856</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AM 4</td>
<td>0.854</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AE 1</td>
<td>0.649</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AE 2</td>
<td>0.688</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AE 3</td>
<td>0.837</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>AE 4</td>
<td>0.855</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>UCB 1</td>
<td>0.700</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>UCB 2</td>
<td>0.797</td>
<td>0.307</td>
<td>Valid</td>
</tr>
<tr>
<td>UCB 3</td>
<td>0.796</td>
<td>0.307</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Output SPSS

This research is using two tailed with significant level at (α) 0.01 and the amount of r table is 0.307 (based on r table for Spearman correlation). Based on the analysis from table 4.9, it shows that every item has r count more than (> ) 0.307. It means every item of each variable are declared valid.
4.4.2 Reliability Test

Data reliability test is used to measure an instrument that is an indicator of a variable or construct by measuring the respondents’ answer consistency and stability when completing the questionnaire (Ghozali, 2006). In this research, Cronbach’s Alpha method is used with requirement that an item has reliable question if the Cronbach’s Alpha score is ≥ 0.6. Table below shows the reliability test using Cronbach’s Alpha:

<table>
<thead>
<tr>
<th>Reliability Statistics of Audit Methodology</th>
<th>Cronbach's Alpha</th>
<th>Cronbach's Alpha Based on Standardized Items</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Methodology</td>
<td>.881</td>
<td>.879</td>
<td>4</td>
</tr>
<tr>
<td>Auditor Experience</td>
<td>.819</td>
<td>.843</td>
<td>4</td>
</tr>
<tr>
<td>Understanding of Client’ Business</td>
<td>.647</td>
<td>.652</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Output SPSS

Based on table 4.10, it shows that all variables; audit methodology, auditor experience, and understanding of client’ business have Cronbach’s Alpha value more than 0.6. For value of audit methodology variable is 0.881 (0.881 > 0.6), auditor experience variable has value 0.819 (0.819 > 0.6), and the value of understanding of client’ business variable is 0.647 (0.647 > 0.6). It means that each of variable is reliable.

4.5 Result of Classical Assumption Test

4.5.1 Result of Normality

In this research, researcher used Kolmogorov-Smirnov test to have more accurate and objective normality test. The researcher uses this test instead of histogram graph because by only looking at the histogram, it can mislead the judgment, particularly for small size of sample (Ghozali, 2013).
The result is shown as follows:

**Table 4. 13 Result of Normality Test**

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>70</td>
</tr>
<tr>
<td>Normal Parameters(^{a,b})</td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>.0000000</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.01713272</td>
</tr>
<tr>
<td>Absolute</td>
<td>.104</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>.104</td>
</tr>
<tr>
<td>Negative</td>
<td>-.057</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>.870</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.435</td>
</tr>
</tbody>
</table>

\(^{a}\) Test distribution is Normal.
\(^{b}\) Calculated from data.

In table 4.11, the value of Kolmogorov-Smirnov on unstandardized residual value is shown 0.870 with probability of significant value is 0.435 that means the data has normal distribution (0.435 > 0.05).

4.5.2 Result of Multicolinearity Test

Multicolinearity refers to a condition of colinearity between independent variables. It often involves more than two independent variables. This test can be detected by looking at the value of the tolerance and variance inflation factor (VIF). When the tolerance value is more than 0.10 (>0.10) or VIF is less than 10 (<10), it can be concluded there is no multicolinearity between the independent variables in the regression.
Table 4.14 Result of Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.090</td>
<td>.230</td>
<td></td>
<td>.392</td>
<td>.696</td>
</tr>
<tr>
<td>1</td>
<td>AM</td>
<td>.038</td>
<td>.113</td>
<td>.038</td>
<td>.340</td>
</tr>
<tr>
<td></td>
<td>AE</td>
<td>.745</td>
<td>.189</td>
<td>.044</td>
<td>3.938</td>
</tr>
</tbody>
</table>

a. Dependent Variable: UCB (Understanding of Client’s Business)

For the first variable, AM (Audit Methodology) showed that the value of VIF is 1.007, means that the value of AM 1 > 1.007 < 10 or more than one and less than ten. For the second variable, AE (Auditor Experience) showed that the value of VIF is 1.007, means that the value of UCB 1 > 1.007 < 10 or more than one and less than then. Based on the tolerance values, there is no independent variable that have tolerance value less than ≤ 0.01. Both result indicates that there is no multicollinearity between independent variables in regression.
4.5.3 Result of Heteroscedasticity Test

In this research, the researcher used Gleyser test to detect the heteroscedasticity. The result is as follows:

*Table 4.15 Result of Heteroscedasticity Test*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.145</td>
<td>.134</td>
<td>-.083</td>
<td>.283</td>
</tr>
<tr>
<td>AM</td>
<td>.105</td>
<td>.066</td>
<td>.197</td>
<td>1.592</td>
</tr>
<tr>
<td>AE</td>
<td>.028</td>
<td>.111</td>
<td>-.032</td>
<td>-.254</td>
</tr>
</tbody>
</table>

Dependent Variable: AbsUt

Table 4.13 is the result of Glejser test for heteroscedasticity, the significance value of independent variables; AM and AE are exceed 0.05. For variable AM (Audit Methodology) the significance value is 0.116, it is more than 0.05. For variable AE (Auditor Experience) the significance value is 0.800, it more than 0.05 as well. Those results indicate that there is no heteroscedasticity in each independent variable.

4.5.4 Result of Autocorrelation Test

The researcher used Breusch-Godfrey test to detect autocorrelation test. The res_2 value shows whether in a regression model occurs autocorrelation, with criteria if Sig res 2 ≥ alpha (0.05), hence there is no autocorrelation or if Sig res 2 ≤ alpha (0.05), hence there is autocorrelation.

The result is as follows:
Table 4. 16 Result of Autocorrelation Test

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1</td>
<td>.049</td>
<td>.229</td>
<td></td>
<td>.213</td>
</tr>
<tr>
<td>AM</td>
<td></td>
<td>-.035</td>
<td>.113</td>
<td>-.039</td>
<td>-.309</td>
</tr>
<tr>
<td>AE</td>
<td></td>
<td>-.009</td>
<td>.187</td>
<td>-.006</td>
<td>-.050</td>
</tr>
<tr>
<td>RES_2</td>
<td></td>
<td>.335</td>
<td>.207</td>
<td>.200</td>
<td>1.621</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Unstandardized Residual

The table shown that the parameter coefficient for RES_2 give the significant probability 0.110, show an indication there is no autocorrelation based on the criteria of Breusch-Godfrey test because the significant value is more than or equal to 0.05 (≥0.05). If there is no autocorrelation then the data in the research is good to be used.

4.6 Correlation Test

For correlation test, the researcher used Spearman Rank Correlation test with two tailed with significant value is 0.01. Table below is the result as follows:

Table 4. 17 Result of Correlation Test

<table>
<thead>
<tr>
<th>Correlations</th>
<th>AM</th>
<th>AE</th>
<th>UCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.298*</td>
<td>.193</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.012</td>
<td>.110</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>AE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.298*</td>
<td>1.000</td>
<td>.558**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.012</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Spearman’s rho</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.193</td>
<td>.558**</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.110</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>
On the table, audit methodology (AM) and auditor experience (AE) have significant value 0.012 (0.012 ≤ 0.05) and correlation coefficient 0.298. It means that there is significant correlation between audit methodology and auditor experience. Since the correlation coefficient is 0.298, the significant correlation is low. So, there is low significant correlation between audit methodology and auditor experience. Next variables are audit methodology (AM) and understanding of client’s business (UCB) have significant value 0.110 (0.110 ≥ 0.05) that means there is no significant correlation between both variables.

Another variables are between auditor experience (AE) and understanding of client business (UCB) have significant value 0.000 (0.000 ≤ 0.05) that means there is significant correlation between those variables and correlation coefficient 0.558 that means moderate. So, there is moderate significant correlation between auditor experience and understanding of client’s business.

4.7 Result of Hypothesis Test

4.7.1 Result of $R^2$ and Adjusted $R^2$ Test

Coefficient of Determination ($R^2$) measures how far the ability of model regression to explain the variation of dependent variable. The range value is from 0 to 1. Lower value of $R^2$ means that the ability of independent variable in explaining the dependent variable is limited. Meanwhile, higher value of $R^2$ means that the ability of independent variable in explaining the dependent variable is giving all of the information needed to predict the variation of independent variable. The result is shown as follows:
In the table, the amount of coefficient of determination is 0.220 means that the ability of independent variable in explaining the dependent variable is limited or weak and also 22.0% variation of understanding of client’s business can be explained by variation of two independent variables; audit methodology (AM) and auditor experience (AE). Meanwhile the others (100% - 22.0% = 78%) are explained by other reasons beyond the model. The value of standard error of estimate is 0.01725. The lower of that value makes the regression model can be more precise to predict the dependent variable.

The weakness of using the coefficient determination is the refraction towards the amount of independent variable that are included in the model. Every additional of independent variable will increase the amount of $R^2$ and not related to the significant towards dependent variable. For this reason, many researcher using adjusted $R^2$ test value to evaluate which one is the best regression model.

From table above, the value of adjusted $R^2$ is 0.197 or 19.7%. It explains that the independent variables cannot provide all information needed to predict the variation of dependent variable because the value must be more than 0.5.
4.7.2 Result of F Test

Table 4.19 Result of F test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.006</td>
<td>2</td>
<td>.003</td>
<td>9.456</td>
<td>.000a</td>
</tr>
<tr>
<td>1 Residual</td>
<td>.020</td>
<td>67</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.026</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: UCB
b. Predictors: (Constant), AE, AM

To see whether the regression model is a good model and whether the audit methodology and auditor experience influence the auditors’ understanding of client’s business, F test is conducted. F test shows the value of probability or significance in ANOVA that represents the appropriateness of the model of regression. The amount of the probability value is considered good if it is less than 0.05.

According to the result, the significant value is 0.000 (lower than 0.05) with 5% significance level, it shows that the F table is 3.133. Having compare with them, F test is greater than F table (9.456 > 3.133), it can be concluded that the audit methodology and auditor experience are simultaneously contributes the significant effect toward auditors’ understanding about client’s business. Therefore, H0 is rejected, or at least one of independent variables influences the dependent variable.

4.7.3 Result of T Test

T test is used to determine whether the independent variables have significant effect on the dependent variable or not while pretend the other independent variable is constant. Significance level used was 0.05. If the significant t is less than 0.05, thus the Hₐ is accepted and it means that independent variable has significant effect with dependent variable. While if significant t is more than 0.05, it means that the independent variable has no significant affect with the dependent variable. Table below is presented the result of T test.
Table 4. 20 Result of T Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.103</td>
<td>.216</td>
<td>.478</td>
<td>.634</td>
</tr>
<tr>
<td>AE</td>
<td>.745</td>
<td>.189</td>
<td>.444</td>
<td>3.938</td>
</tr>
</tbody>
</table>

a. Dependent Variable: UCB

For the independent variable which is auditor experience (AE) has a result of significant value is 0.000 and it is less than probability value 0.05. It can be concluded that $H_0$ is rejected. It means that auditor experience (AE) has significant effect to the auditors’ understanding about client’s business.

Table 4. 21 Result of Independent Test

<table>
<thead>
<tr>
<th></th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>6.484</td>
<td>.013</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>14.918</td>
<td></td>
</tr>
</tbody>
</table>

For another independent variable, which is audit methodology, the test was done by using Levene’s test. The researcher compares two independent groups (SSA and TBA approach). The hypothesis are:

$H_0$: There is no difference between SSA approach and TBA approach

$H_a$: There is difference between SSA approach and TBA approach
Based on hypothesis 1, it represents the fundamental question whether auditors that used SSA approach are having better understanding about client's business than TBA approach. Based on the result, the significant value (2 tailed) is 0.000 < 0.05, so according to Independent Sample T-Test, the researcher concluded $H_0$ is rejected and $H_a$ is accepted that means there is difference between SSA approach and TBA approach.
4.8 Interpretation

4.8.1 Interpretation of Hypothesis 1 (audit methodology)

\( H_0 \): TBA approach has more significant effect rather than SSA approach to determine the auditors’ understanding about client’s business.

\( H_1 \): SSA approach has more significant effect rather than TBA approach to determine the auditors’ understanding about client’s business.

Table 4. 22 Interpretation of Hypothesis 1

<table>
<thead>
<tr>
<th>Grouping</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM SSA</td>
<td>65</td>
<td>17.0462</td>
<td>2.40722</td>
<td>.29858</td>
</tr>
<tr>
<td>TBA</td>
<td>5</td>
<td>9.6000</td>
<td>.89443</td>
<td>.40000</td>
</tr>
</tbody>
</table>

From table above, 65 external auditors chose SSA approach with the average value is 17.0462 and 5 external auditors chose TBA approach with the average value is 9.6000. Mostly, external auditors within Jakarta used SSA approach for the audit methodology.

Table 4. 23 Interpretation of Hypothesis 1

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.103</td>
<td>.216</td>
<td>.478</td>
<td>.634</td>
</tr>
<tr>
<td>1 AM</td>
<td>-.009</td>
<td>.008</td>
<td>-.116</td>
<td>-1.078</td>
</tr>
<tr>
<td>AE</td>
<td>.745</td>
<td>.189</td>
<td>.444</td>
<td>3.938</td>
</tr>
</tbody>
</table>

a. Dependent Variable: UCB
UCB = α + β_1 D + β_2 AE + Σ

D = Dummy Variables; 1 = SSA, 0 = TBA

Table above is the result of dummy regression. The researcher use dummy regression for audit methodology. For the independent variable which is Audit Methodology (AM) has a result of B is -0.009. It means that TBA scored 0.009 lower on the UCB scale. This indicates that overall auditors who choose TBA approach seem to be less understand compared to SSA approach. In conclusion, the H₁ is accepted. The SSA approach has better significant effect rather than TBA approach to determine the auditors’ understanding about client’s business.

The previous research has been done by Bell et al. 1997 assert that the “use of the top-down, aggregative, strategic-systems increase the likelihood that the auditor will have obtained a sufficient understanding of the client’s business and industry for the purpose of conducting a financial-statement audit” (p. 7, emphasis added). Erickson et al. (2000) make similar claim in their case study of the Lincoln Savings and Loan audit failure. In his Foreword to the Bell et al. Monograph, Kinney states that many of authors’ claims of SSA’s superiority “are controversial, and should be subjected to systematic inquiry” (p. vi). Both of previous research are shown positive effect about the audit methodology to auditors’ understanding about client’s business as well as this research that has been done in Jakarta.
4.8.2 Interpretation of Hypothesis 2 (Auditor Experience)

H₀ : Auditor experience has no significant effect to determine the auditor’s understanding about client’s business.

H₂ : Auditor experience has significant effect to determine the auditor’s understanding about client’s business.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Sig. t-test</th>
<th>Sig. Level</th>
<th>Result</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor experience</td>
<td>0.000</td>
<td>0.05</td>
<td>0.000 &lt; 0.05</td>
<td>accepted</td>
</tr>
</tbody>
</table>

Auditor experience in table above has result that the significance value 0.00 is less than 0.05, it means that the hypothesis is accepted and decides that the auditor experience has significant effect to auditor’s understanding about client’s business. It can be seen from most of external auditors answered agree and strongly agree in the auditor experience questions variable in the questionnaire.

In the questionnaire, the researcher stating the related statement about audit experience that auditors know how to deal with the client in gathering data, find out relevant information for decision making, detect error or fraud, and find out cause of error and give the recommendation of it.

Past studies of auditor expertise (e.g., Libby and Frederick 1990; Frederick 1991; Frederick et al. 1994) have tended to have three-to-four years spreads between their experienced and inexperienced auditors. Therefore, the participants recruited as the experienced auditors for this research were those with roughly three years of assurance experience, whereas the less-experienced participants were accounting students with less than one year of assurance experience. Both research have positive effect as well as this research about auditor experience.
4.8.3 Interpretation of Hypothesis 3

H₀: Audit methodology and auditor experience have no simultaneously significant to determine auditors’ understanding about client’s business.

H₃: Audit methodology and auditor experience have simultaneously significant to determine auditors’ understanding about client’s business.

Table 4.25 Interpretation of Hypothesis 3

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.090</td>
<td>.230</td>
<td>.392</td>
<td>.696</td>
</tr>
<tr>
<td>1 AM</td>
<td>.038</td>
<td>.113</td>
<td>.038</td>
<td>.340</td>
</tr>
<tr>
<td>AE</td>
<td>.745</td>
<td>.189</td>
<td>.444</td>
<td>3.938</td>
</tr>
</tbody>
</table>

a. Dependent Variable: UCB

Based on table above, the significance value of audit methodology (AM) is 0.735, more than 0.05 that means the audit methodology has no significant effect to auditors’ understanding about client’s business. Different with auditor experience (AE) that has significance value 0.000 (less than 0.05). It means that auditor experience has significant effect to auditors’ understanding about client’s business. So, the hypothesis is rejected, since at least one β ≠ 0.
CHAPTER V

CONCLUSION AND RECOMMENDATIONS

On this final chapter the researcher try to attract the conclusion and the recommendations about the effect of audit methodology and auditor experience toward development of auditors’ understanding about client’s business.

5.1 Conclusion

This research used auditor’s understanding about client’s business as dependent variable and audit methodology and auditor experience as the independent variables with focus on external auditors who are working on public accounting firms in Jakarta. These are the conclusions of the research:

- SSA approach has more significant effect rather than TBA approach to determine the auditors’ understanding about client’s business. SSA approach has better significant effect because it analyse and evaluate the key business processes and key performance indicators of client that led to better in-depth understanding of business, its environment and its risk.

- Auditor experience has significant effect to determine the auditor’s understanding about client’s business. Based on these findings, respondents that are recruited as the less-experienced auditor were accounting students with less than one year of audit experience, whereas respondents that are recruited as the experienced auditor were auditors with roughly three years of audit experience. It shown that the experienced auditors know how to deal with the client in gathering data, find out relevant information for decision making, detect error or fraud, and find out cause of error and give the recommendation of it.
Audit methodology and auditor experience have significant effect simultaneously to determine auditors’ understanding of client’s business.

5.2 Recommendations

For improving the quality, the researcher proposes some recommendations for several parties as follows:

1. For the Next Academicians or Reseachers

   To expand more respondents for research object. In this research, the researcher only gain 70 respondents. The researcher suggest to gain 100 or more respondents for getting more valid data and being confidence to be 99% sure instead of the industry standard 95% on the research.

   Involving more independent variables, which are auditor specialization, individual ability, and other variables. Low (2004) stated an auditor that is specialized in the company’s industry has the opportunity to compare the client company’s performance through benchmarking with the company’s industry. For individual ability, Bonner and Lewis (1990) and Libby and Tan (1994) stated that individual differences in ability can also lead to knowledge and judgment differences, beyond any effects of experience and methodology. Individual ability for things like problem solving, and encoding and retrieving information from memory.

2. For External Auditors

   Auditors should concern more on strategic system audit approach because one of advantages of strategic system audit approach is it helps an auditors identify the high risk areas of a client’s operations, so auditors can focus most of audit attention on these areas while spending little effort on low risk areas of the engagement.
Based on the analysis, it can be concluded that auditor experience becomes the dominant variable that affects auditor’s understanding about client’s business. Researcher recommends that external auditors should have enough experience in the audit field to become professional auditor because experienced auditors have higher levels of better organized knowledge and understanding of client business than the less-experienced auditors. Also, the external auditors must have enough training in audit field.
REFERENCES


Simmons, R. (1992, March). The strategy of control. p. 44.


### APPENDICES

#### Appendix 1. Output SPSS of Spearman Rank Correlation for Audit Methodology (Correlation Test)

<table>
<thead>
<tr>
<th></th>
<th>AM 1</th>
<th>AM 2</th>
<th>AM 3</th>
<th>AM 4</th>
<th>AM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.567**</td>
<td>.746**</td>
<td>.636**</td>
<td>.851**</td>
</tr>
<tr>
<td>AM 1 Sig. (2-tailed)</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.567**</td>
<td>1.000</td>
<td>.512**</td>
<td>.632**</td>
<td>.819**</td>
</tr>
<tr>
<td>AM 2 Sig. (2-tailed)</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.746**</td>
<td>.512**</td>
<td>1.000</td>
<td>.732**</td>
<td>.856**</td>
</tr>
<tr>
<td>AM 3 Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.636**</td>
<td>.632**</td>
<td>.732**</td>
<td>1.000</td>
<td>.854**</td>
</tr>
<tr>
<td>AM 4 Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.851**</td>
<td>.819**</td>
<td>.856**</td>
<td>.854**</td>
<td>1.000</td>
</tr>
<tr>
<td>AM Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
### Appendix 2. Output SPSS of Spearman Rank Correlation for Auditor Experience (Correlation Test)

|                  | AE 1          | AE 2   | AE 3   | AE 4   | AE  
|------------------|---------------|--------|--------|--------|--------
| Correlation Coefficient | 1.000         | .974** | .699** | .316** | .649** |
| AE 1 Sig. (2-tailed)     | .            | .000   | .000   | .008   | .000   |
| N                | 70            | 70     | 70     | 70     | 70     |
| Correlation Coefficient | .974**        | 1.000  | .732** | .350** | .688** |
| AE 2 Sig. (2-tailed)     | .000          | .      | .000   | .003   | .000   |
| N                | 70            | 70     | 70     | 70     | 70     |
| Correlation Coefficient | .699**        | .732** | 1.000  | .601** | .837** |
| AE 3 Spearman's rho   | .000          | .000   | .      | .000   | .000   |
| N                | 70            | 70     | 70     | 70     | 70     |
| Correlation Coefficient | .316**        | .350** | .601** | 1.000  | .855** |
| AE 4 Sig. (2-tailed)     | .008          | .003   | .000   | .      | .000   |
| N                | 70            | 70     | 70     | 70     | 70     |
| Correlation Coefficient | .649**        | .688** | .837** | .855** | 1.000  |
| AE 5 Sig. (2-tailed)     | .000          | .000   | .000   | .000   | .      |
| N                | 70            | 70     | 70     | 70     | 70     |

** Correlation is significant at the 0.01 level (2-tailed).
Appendix 3. Output SPSS of Spearman Rank Correlation for Understanding of Client’s Business

<table>
<thead>
<tr>
<th></th>
<th>UCB 1</th>
<th>UCB 2</th>
<th>UCB 3</th>
<th>UCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.343**</td>
<td>.411**</td>
<td>.700**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.004</td>
<td>.000</td>
<td>.000</td>
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<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Spearman's rho</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.343**</td>
<td>1.000</td>
<td>.422**</td>
<td>.797**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.004</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.411**</td>
<td>.422**</td>
<td>1.000</td>
<td>.796**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>.700**</td>
<td>.797**</td>
<td>.796**</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Appendix 4. Histogram

Histogram
Dependent Variable: UCB

Mean = 1.60E-15
Std. Dev. = 0.965
N = 70
Appendix 5. Scatterplot

Scatterplot
Dependent Variable: UCB

Regression Standardized Predicted Value
Regression Studentized Residual
Appendix 6. Normal P-Plot

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: UCB
Appendix 7. Permission Letter for Public Accounting Firms

Cikarang, 7 Oktober 2015

No:035/SPL-S/ACC/FB/X/15

Kepada Yth:
Para Responden
Di tempat

Perihal : Surat Permohonan Pengisian Questioner

Dengan hormat,

Sehubungan dengan kegiatan dan pelaksanaan pembuatan skripsi oleh salah satu mahasiswa Program Akuntansi (Accounting), Fakultas Bisnis Universitas Presiden sebagai persyaratan untuk menyelesaikan studi Strata-1 (S1), maka kami mohon ijin dan bantuan dari Bapak/ Ibu untuk menerima mahasiswa kami untuk melakukan interview dan pengisian questioner:

Nama : Tasya Firsty Anniassa
NIM : 008201200129
Program Studi : Akuntansi
Konsentrasi : Auditing

Tujuan Kunjungan : Izin melakukan penelitian mengenai forensic akuntan
dengan judul skripsi :
“ The Effect of Audit Method and Auditor Experience on Development of Auditor’s Understanding about The Client Business”

Demikian kami sampaikan, terimakasih atas perhatian dan dukungan Bapak / Ibu untuk kesuksesan penelitian mahasiswa kami.

Hormat Kami,

Dr. Josep Ginting
Ketua Program Studi Akuntansi

President University, Jababeka Education Park
Jl. K) Hajiir Dewantoro, Kota Jababeka, Cikarang Baru, Bekasi 17550 - Indonesia
Phone (021) 8910 9752/68, Fax (021) 8910 9768, Email: enrollment@president.ac.id, www.president.ac.id
Appendix 8. Questionnaire List

Questionnaire List

A. Please kindly fill the form below:

1. Age : ____ years old
2. Gender : a. Man b. Woman
4. Name of Accounting Public Firm : _____________________
5. Job Title : _____________________

B. Please kindly answer the following questions listed below:

1. How many total months of experience do you have working for a public accounting firm?
   ____ months ____ year.

2. Of the total months of experience in Question 1, how many of those months were spent working solely on auditing/assurance engagements (as opposed to tax, compilations, or other non-assurance engagements)?
   ____ months.

3. What proportion of your total assurance experience in Question 2 has been spent auditing the following types of client (Please ensure the percentages add to 100%):
   - Public companies ____ %
   - Private, for-profit companies ____ %
   - Not-for-profit organizations ____ %
   - Government agencies ____ %
C. Please kindly fill the answer below by following the instruction:

1. On typical audit engagements, how frequently does your firm analyze the client’s business strategy (i.e., the client’s formal plans, commitments and actions design to provide value to customers and gain a competitive advantage)? Place a slash (/) at that point on the scale that best indicates how frequently your firm does this)

   1  2  3  4  5  
   Never Rarely Occasionally Frequently Very Frequently

2. On typical audit engagements, how frequently does your firm provide you with any training in strategic analysis (i.e., techniques and tools useful in analyzing a client’s strategic position; e.g., Porter’s Five Forces, PEST, SWOT)? Place a slash (/) at that point on the scale that best indicates how frequently your firm does this)

   1  2  3  4  5  
   Never Rarely Occasionally Frequently Very Frequently

3. On typical audit engagements, how frequently does your firm select and analyze the client’s key business processes (i.e., processes that create value for, and/or sustain the value-creation potential of, the client)? Place a slash (/) at that point on the scale that best indicates how frequently your firm does this)

   1  2  3  4  5  
   Never Rarely Occasionally Frequently Very Frequently

4. On typical audit engagements, how frequently does your firm analyze the client’s key performance indicators (i.e., financial or nonfinancial measures that provide diagnostic or predictive information regarding a process’s
critical success factors) as part of analyzing its business processes? Place a slash (/) at that point on the scale that best indicates how frequently your firm does this)

<table>
<thead>
<tr>
<th>Never</th>
<th>Rarely</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Very Frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

D. Please kindly fill the answer by placing a checklist (V) in the column below.

Instruction: 1. Strongly Disagree 4. Agree
2. Disagree 5. Strongly Agree
3. Neither Agree nor Disagree

<table>
<thead>
<tr>
<th>No.</th>
<th>Statements</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(AE) 1.</td>
<td>The longer become an auditor, the longer auditor knows how to deal with the client in gathering data and information needed.</td>
<td></td>
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<tr>
<td>(AE) 2.</td>
<td>The longer become an auditor, the more improving capability of auditor to find out the relevant information for taking consideration in decision making.</td>
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<tr>
<td>(AE) 3.</td>
<td>The longer become auditor, the more expert auditor can detect the error or fraud.</td>
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<tr>
<td>(AE) 4.</td>
<td>The longer become auditor, the easier for auditor to find out the cause of error or fraud and to give the recommendation of it.</td>
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</tr>
<tr>
<td>No.</td>
<td>Statements</td>
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<tr>
<td>(UCB) 1.</td>
<td>An auditor has to understand about the entity to be audited and its environment as well.</td>
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</tr>
<tr>
<td>(UCB) 2.</td>
<td>An auditor automatically keep updated with industries they are familiar with and have an interest in.</td>
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<td></td>
</tr>
<tr>
<td>(UCB) 3.</td>
<td>The longer auditor understands about the client, the more improving capability of auditor to have better risk assessment.</td>
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</tbody>
</table>